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

1996: Strong EIB Support for the European Union's Process towards Economic and Monetary Union

- *In 1996, the European Investment Bank strongly supported preparations for Economic and Monetary Union (EMU), in particular by directing a large share of its financing to regional development and to trans-European networks (TENs).*
- *Providing ECU 23.2 billion in loans, and raising ECU 18.6 billion on capital markets (of which ECU 17.6 billion was signed), the EIB reaffirmed its position as the world's largest multilateral lender and borrower.*
- *Lending in the European Union amounted to ECU 20.9 billion, up 13% on 1995, and financing outside the Union totalled ECU 2.3 billion.*

"These results once again demonstrate the EIB's strong practical commitment to furthering European economic integration, laying the basis for long-term growth and employment.

By doing so it helps create the conditions for a successful Economic and Monetary Union. Our 1996 success also reflects enhanced cooperation with the banking sector, both in lending and borrowing activities, and our efforts to transform the funds we raise on capital markets throughout the world into loans promoting capital investment furthering EU policies.

The projects we have supported – especially in regional development areas and for developing the trans-European infrastructure networks – are a major contribution to European integration in the run-up to EMU.

Outside the European Union we have continued to support the Communities' external cooperation policies by lending in more than fifty countries.

We are now ready to give particular support to the candidate countries in Central and Eastern Europe and to the partner countries in the Mediterranean."

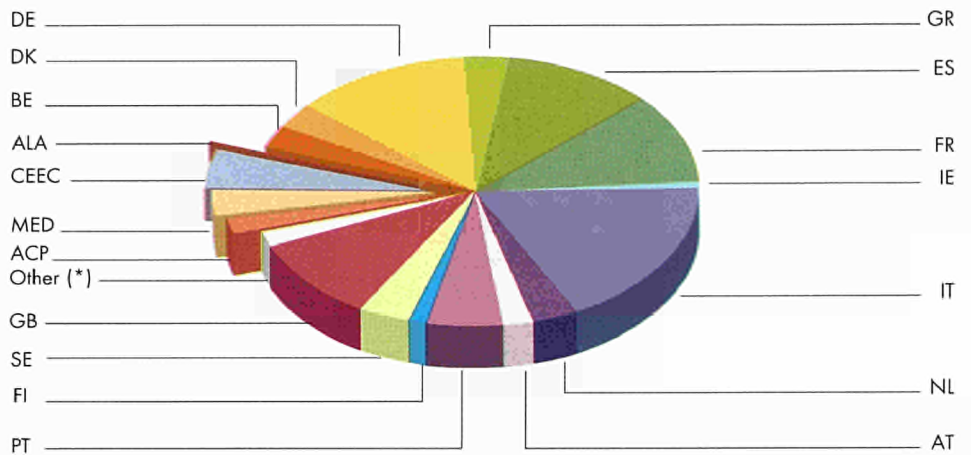


Statement by Sir Brian Unwin, EIB President and Chairman of the Board, when presenting the results for the 1996 financial year

MAIN LENDING HIGHLIGHTS OF THE YEAR:

- 70% of EIB financing in the EU went to projects in assisted areas, the Bank's prime mission;
- Loans for TENs totalled ECU 6.3 billion, of which nearly ECU 2 billion for the high priority transport and energy projects;
- Lending for the improvement of living conditions in urban areas and the environment was maintained at a high level;
- Increased financing of energy investment, in particular of pan-European natural gas lines;
- More than doubling of lending to ECU 1.6 billion in the EU's new Member States, Austria, Finland, and Sweden;
- Lending outside the EU: a temporary tapering off in overall financing with expiry of mandates - a higher level of lending in Central and Eastern Europe as well as in South Africa; lower totals in the Mediterranean region, the African, Caribbean and Pacific (ACP) countries, and Asia and Latin America;
- ECU 20.3 billion in loan disbursements; a substantial increase (+22%) and a solid financial basis for the years to come, with a stock of ECU 30 bil-

EIB loans in 1996: ECU 23.2 bn
Geographical breakdown of financing provided in 1996



(*) Projects outside the EU but of direct relevance to Europe.

lion in approvals (of which 27.3 billion for projects in the EU) and outstanding commitments, including undisbursed loans, standing at ECU 126.7 billion on 31 December 1996.

PARTNERSHIP WITH THE BANKING SECTOR:

- Enhanced cooperation with the banking sector, through both direct and indirect financing of large and small-scale projects, giving tangible expression to the principle of subsidiarity enshrined in the European Treaties. In 1996, commercial banks were an inter-

mediary or guarantor for 50% of EIB loans; in France, Germany, Italy, and Spain some 90% of loans to the private sector were arranged with both private and public-sector banks;

- Special emphasis on private-sector investment, including support for public-private partnerships and non-recourse funding for infrastructure, in particular TENs.

CAPITAL MARKET BORROWING:

- Borrowing up 40% on 1995; in 22 currencies, of which over 90% from EU countries;
- First formal commitment, in March 1996, to convert ECU issues into Euro on a 1:1 basis;
- First issues in Czech crown, South African rand, Hong Kong dollar and New Zealand dollar;
- Launch of "Bonos Europeos" peseta issues for the Spanish retail market, a retail-targeted dual-currency issue in the domestic Japanese "Samurai" market, and an inaugural US dollar Global Bond.

Computer simulation of the Øresund fixed link between Denmark and Sweden



LENDING WITHIN THE EUROPEAN UNION ⁽¹⁾

Regional development

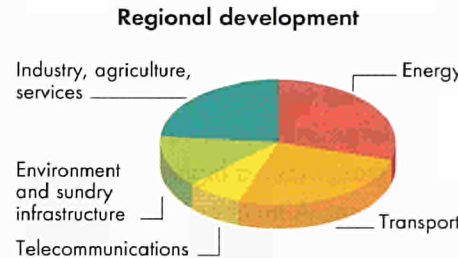
Half of the ECU 13.8 billion for loans in the EU's less-favoured regions went to infrastructure, energy, environmental and industrial projects in areas facing severe structural development problems, the Objective 1 regions, including over ECU 1.6 billion in the eastern Länder of Germany.

In the four EU countries with the lowest per capita income, and eligible for the Cohesion Fund, a total of ECU 4.6 billion in EIB loans contributed to the creation of 10% of new capital investment in Greece, 9% in Spain, 5% in Ireland,

⁽¹⁾ This section presents a breakdown by Community policy objective. Projects financed by the EIB may simultaneously serve several objectives. The figures given under the various headings cannot therefore be meaningfully added together.

and 16% in Portugal. The average for the EU was 5%.

The Bank completed its interest rate subsidy scheme for SMEs under the



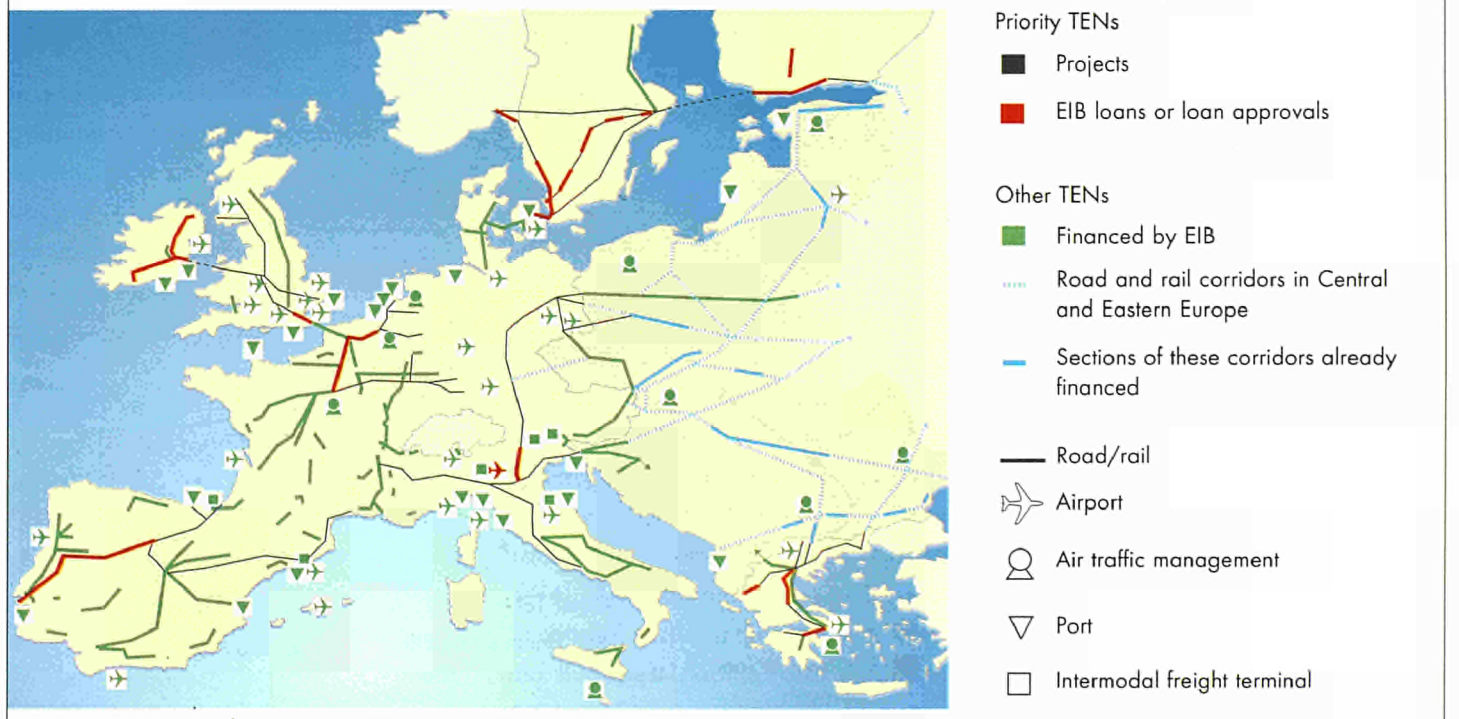
Peace Initiative for Northern Ireland and the six border counties of the Republic of Ireland, advancing ECU 120 million for 233 new SME ventures, expected to create over 7 500 jobs. To achieve an optimum combination of EIB loans and EU grant aid, the EIB worked in close co-operation with the European Commission, which manages the Structural Funds and Cohesion Fund.

Communications infrastructure and TENs

ECU 6.5 billion in loans went to transport and telecommunications infrastructure and ECU 4 billion supported energy production and transfer infrastructure. A special emphasis continued to be given to transport and energy schemes with a European dimension, in particular to the high priority transport and energy TENs, identified by the Essen European Council (December 1994), and investment extending these networks into neighbouring countries in Central and Eastern Europe and the Mediterranean.

ECU 1.2 billion went to high priority transport TENs, including the Patras-Athens-Thessaloniki and Corinth-Tripoli motorways in Greece, the Brenner Axis (Verona-Munich), the Öresund link between Denmark and Sweden, the "Nordic Triangle" connecting up the

European transport infrastructure: Outline map of EIB financing operations: 1984 - 31.12.1996



THE EUROPEAN INVESTMENT FUND (EIF)

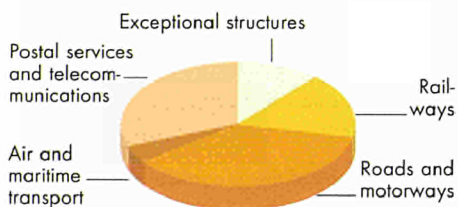
a public-private partnership established in June 1994 and owned by the EIB (40%), the European Commission (30%), and the banking sector (30%), issues long-term guarantees for major infrastructure (TENs) financing and SMEs. Since mid-November 1996, it has also been undertaking equity participations.

Signed guarantees since its inception total ECU 1 505 million, 78% going to TENs, including 33% transport, 33% energy, 12% telecommunications schemes, and 22% to SMEs.

On 1 October 1996, Thomas Oursin, former EIB Secretary General, was appointed Chairman of the EIF's Financial Committee, succeeding Georges Ugeux who became Group Executive Vice President, International, at the New York Stock Exchange.

Nordic countries' capitals, as well as high-speed rail links. Some ECU 700 million were advanced for high priority energy TENs, including pipelines bringing Russian natural gas to Greece and

European communications infrastructure



Germany, and from Algeria to Italy and Portugal, as well as the gas Interconnector between the UK and Belgium.

Since 1993, the EIB has supported high priority TENs investment costing ECU 104.6 billion with ECU 30.7 bil-

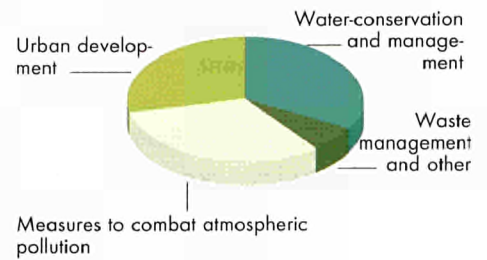
lion in loan commitments, and has ECU 3 billion in its pipeline of loan approvals for TENs.

The Bank has either financed or is appraising all 14 transport and 10 energy "Essen" schemes. The "Special TENs Window" makes it possible to tailor financing conditions to the needs of these large infrastructure schemes, of which many have a high private-sector involvement. A number of EIB-financed projects are receiving guarantees from the European Investment Fund.

Environment and quality of life

ECU 5.9 billion for environmental protection projects and development schemes focused on water conservation and management, air pollution and the urban environment.

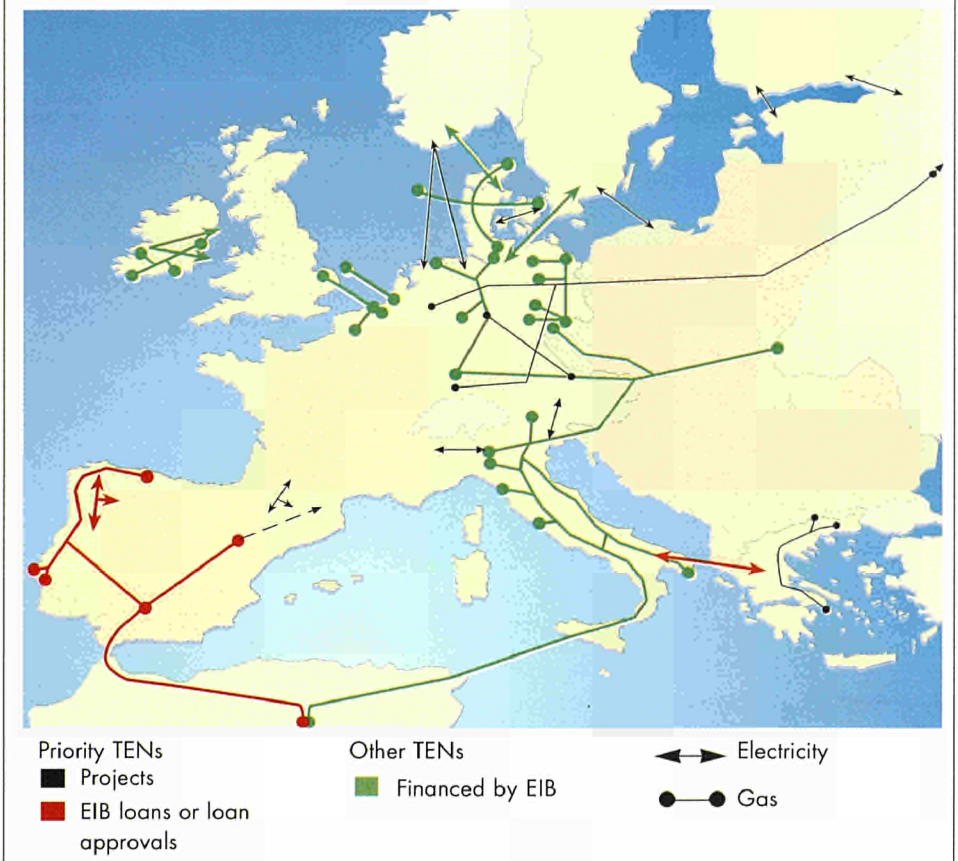
Environment and quality of life



Loans for improving the quality of life in urban areas, where two out of every three European citizens live, encompassed a wide variety of public transport schemes, various public infrastructure projects and major urban renewal programmes, in particular in Rome, Venice, and eleven towns throughout Portugal.

Reflecting its deep involvement in environmental protection, the EIB issued an

European energy transmission infrastructure:
Outline map of EIB financing operations: 1984 - 31.12.1996

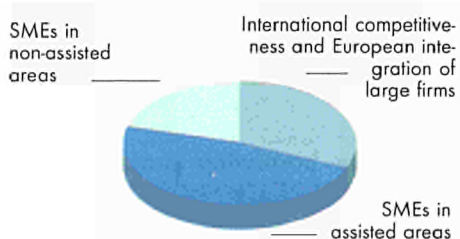


Environmental Policy Statement, underscoring its response to the Treaty on European Union's requirements for greater public transparency.

Industrial objectives

Out of a total of ECU 3.8 billion for industry, ECU 1.2 billion in the form of individual loans promoted the international competitiveness of this sector and ECU 2.6 billion supported SME projects. Some 12 000 SMEs benefited

Industrial competitiveness

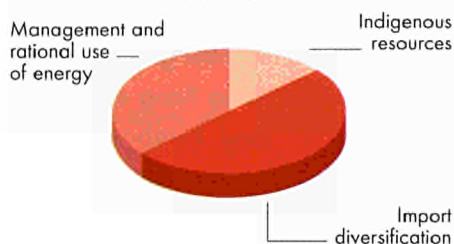


from EIB funds channelled through global loans arranged with over 130 national and regional banks.

Energy

In addition to loans for developing energy networks – ECU 695 million for 4 priority TENs concerned with the introduction of natural gas in Greece, Portugal and Germany plus interconnection of the Portuguese and Spanish electricity grids – the EIB advanced a

Energy objectives



total of ECU 676 million for harnessing indigenous resources: lignite in Germany and Greece, oil and natural gas in Italy, and hydro power in Austria.

More than ECU 2 billion were lent for diversifying imports of natural gas involving all areas adjoining the EU – Russia, North Africa and the North Sea – and for providing storage facilities; projects fostering efficient management and rational use of energy attracted ECU 1.3 billion.

LENDING OUTSIDE THE EUROPEAN UNION

EIB loans outside the EU totalled ECU 2.3 billion, virtually completing commitments under the expiring lending mandates for Central and Eastern Europe (CEEC), the Mediterranean region, South Africa, and Asia and Latin America (ALA). The EIB is now preparing further operations following renewal of these mandates by the Council of Ministers in these areas and ratification of the Lomé IV Second Financial Protocol. It expects to devote particular priority to the applicant countries in Central and Eastern Europe and the partner countries in the Mediterranean region.

1996 BREAKDOWN

Central and Eastern Europe: Loans totalled ECU 1 116 million, an all-time EIB annual high, of which ECU 688 million went to transport schemes along the trans-European road and rail corridors defined by the Pan-European Transport Conference (Crete, March 1994), including the Warsaw-Ostrava-Vienna rail corridor, the Ljubljana-Celje and Budapest-Ukraine road corridors, and trans-European natural gaslines.

Focus was also on projects furthering basic economic infrastructure, such as telecommunications networks, environmental protection schemes, energy saving projects and investment by SMEs, supporting the applicant countries' preparation for EU membership. This year's loans complete the full amount of ECU 3 billion foreseen under the 1994-1996 lending mandate.

Mediterranean region: EIB loans supporting sustainable economic development and trans-regional projects totalled ECU 681 million, of which ECU 562 million was made available outside the separate national financial protocol arrangements, under the EU's "horizontal financial cooperation" aimed at regional and environmental protection schemes.

Loans included communications infrastructure schemes, measures to combat pollution, and trans-regional electricity and natural gas links.

The Bank, alongside the World Bank and the European Commission, launched the third phase (1996-2000) of the Mediterranean Environmental Technical Assistance Programme (METAP), under which, since its launch in 1990, over 120 technical assistance activities in 21 Mediterranean countries have been funded with over ECU 25 million. The EIB has also helped to set up the new regional METAP Office in Cairo to assist in project preparation.

ACP countries: EIB lending under the Lomé IV arrangements totalled ECU 396 million, including some ECU 100 million in risk capital, for investment projects supporting economic development, in particular infrastructure, environmental protection schemes, and industrial and SME ventures.

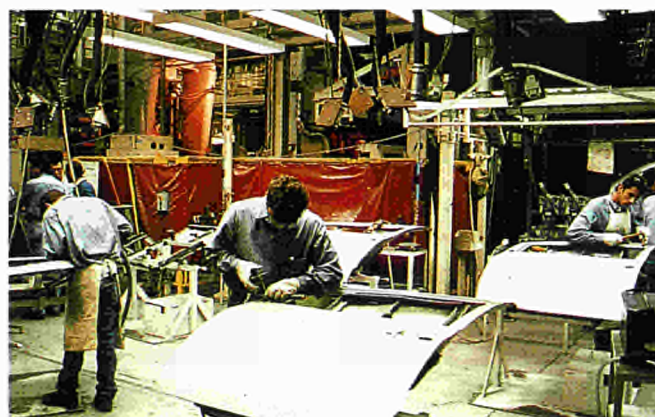
South Africa: the EIB advanced ECU 56 million to help modernise parts of the country's electricity transmission system.

Asia and Latin America (ALA): ECU 45 million for upgrading road infrastructure in Argentina brought total EIB lending in the ALA countries since 1993 to ECU 652 million.

STRONG AND INNOVATIVE PRESENCE ON THE CAPITAL MARKETS

Being innovative in its extensive access to capital markets worldwide, the EIB launched in 123 operations ECU 18.6

billion (of which ECU 17.6 billion were signed in 1996) in 22 currencies. The 1996 total of signed operations, ECU 17.6 billion, compares to ECU 12.4 bil-



lion borrowing in 1995, and reaffirms the Bank's position as the world's largest multilateral borrower.

The EIB offered a large range of issuing products to accommodate investors' changing preference, emphasising its role as a financial intermediary. It launched large issues with positioning on the yield curve to complement Government bonds for the main EU and non-EU currencies.

The Bank arranged very successful retail-targeted "Bonos Europeos" peseta issues in the Spanish market, and a dual-currency

issue in the domestic Japanese ("Samurai") market.

Innovative borrowing strategies and techniques included the use of the price discovery system, borrowings linked to stock exchange indexes and structured borrowing instruments. The EIB continued to make use of currency and interest-rate swaps, to adjust the currency and rate structures to disbursement requirements and to protect itself against long-term interest rate fluctuations.

As the European Union's "house bank" committed to fostering the development of Member States' domestic capital markets, the EIB currently also promotes the development of domestic capital markets within the Union's candidate countries in Central and Eastern Europe. In 1996, it made its first Czech crown issue.

The Bank charted new ground in concluding its first Hong Kong dollar and South African rand Eurobond issues, i.e. in non-OECD currencies, and it also launched an inaugural US dollar Global Bond. ■

BREAKDOWN OF CURRENCIES RAISED
after swaps (in ECU million)

	1996	%	1995	%
ITL	4398.0	25.1	3343.2	27.0
DEM	5285.0	30.1	2396.6	19.3
ESP	2034.0	11.6	1574.1	12.7
PTE	358.0	2.0	1004.3	8.1
GBP	2168.0	12.4	996.2	8.0
JPY	580.0	3.3	770.9	6.2
USD	698.0	4.0	527.6	4.3
ECU	500.0	2.8	400.0	3.2
FRF	655.0	3.7	342.2	2.8
CHF	165.0	0.9	323.3	2.6
LUF	65.0	0.4	193.3	1.6
GRD	97.0	0.6	149.4	1.2
NLG	84.0	0.5	144.7	1.2
IEP	102.0	0.6	134.7	1.1
SEK	191.0	1.1	77.1	0.6
FIM	34.0	0.2	17.8	0.1
BEF	19.0	0.1		0.0
DKK	88.0	0.5		0.0
ATS		0.0		0.0
ZAR	33.0	0.2		0.0
Total	17553.0	100.0	12395.4	100.0

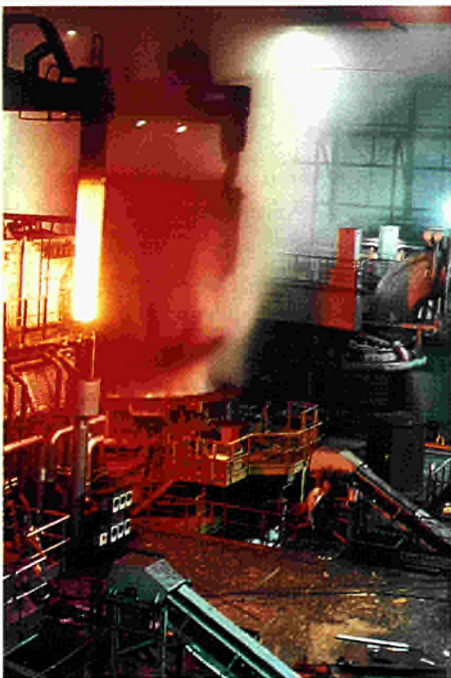
As the EU's financing institution, the EIB launched an ECU 500 million bond issue in March that formally committed the Bank to convert the ECU into the Euro on a one to one basis, so translating into reality the Madrid European Council's decision, two months earlier, creating the Euro as the single currency for EMU.

Of the 22 currencies (compared to the 17 currencies in 1995), those of the EU (including the ECU) accounted for over 90%. The Bank strengthened its position as a leading borrower in European Union markets through large benchmark issues.

After swaps, the EIB collected ECU 10.2 billion in fixed-rate borrowings (58%) - mirroring its role as a large fixed-rate lender- and ECU 7.4 billion in floating-rate ones (42%), to tailor its funding to the requirements of its project promoters.

Financing Operations within the European Union

Loans concluded within the European Union break down as to ECU 15.4 billion in individual loans and ECU 5.6 billion in global loans. Allocations from ongoing global loans amounted to ECU 4.4 billion. The sectoral breakdown of financing (individual loans plus allocations from global loans, i.e. ECU 19.8 billion) was as follows: communications ECU 7 billion (36%), water management and miscellaneous infrastructure ECU 3.3 billion (17%), energy ECU 4.9 billion (25%), industry and services ECU 4.5 billion (23%) (including ECU 2.6 billion in the form of allocations for some 12 000 SMEs).



BELGIUM
ECU 657 million
BEF 25 865 million

Individual loans were divided between energy (7 million), air transport (32 million) and modernisation and extension of the telecommunications network (190 million).

Global loans amounted to 428 million, or two thirds of activity.

Allocations totalling 268 million were made from global loans already under drawdown in support of 576 SMEs and 171 small-scale public infrastructure projects in the fields of water management and transport.

DENMARK
ECU 688 million
DKK 5 045 million

Individual loans (628 million) covered the energy sector (29 million), with two combined urban waste incineration and district heating projects at Odense and Glostrup, wastewater management (10 million) and transport (589 million).

In particular, the EIB stepped up its backing for construction of the fixed rail and road link across the Øresund, between Copenhagen and Malmö in Sweden, a priority TEN, and advanced further funding for the fixed link across the Great Belt.

Global loans totalled 60 million, with 198 SMEs attracting allocations worth 46 million.

GERMANY
ECU 3 022 million
DEM 5 755 million

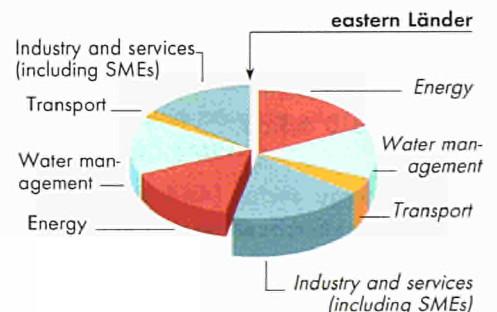
Over half (ECU 1 613 million) of total lending went towards projects in the eastern Länder.

A large proportion of individual loans centred on the energy sector (802 million), with continued introduction of natural gas supplies from Russia: construction of a further 900 km of gaslines, underground storage facilities near Hamburg, plus combined heat and power

plants at Dresden and Neubrandenburg. In addition, the EIB helped to finance construction of lignite-fired power stations, replacing obsolete units and so reducing pollution, at the two main lignite deposits in eastern Germany, "Schwarze Pumpe" and "Schkopau".

In the field of the environment, 400 million were devoted to wastewater collection and treatment works, particularly in North Rhine-Westphalia, in Bavaria and at a number of locations in Saxony, Saxony-Anhalt, Brandenburg and Thuringia, and to construction of waste disposal complexes.

Financing provided in Germany in 1996



The transport sector received 56 million and posts and telecommunications 365 million for modernisation of the mail distribution system.

Lending to industry (311 million) was directed towards production of a new generation of aero engines in Brandenburg, modernisation of a steel plant in Saalfeld (Thuringia) and a tyre factory.

Global loans concluded in 1996 (1 089 million) and those already under drawdown facilitated the financing of some 280 SMEs (317 million), 40 of which in the east of the country, and of 430 smaller-scale public infrastructure

schemes (245 of which for 482 million in the eastern Länder), mainly relating to the environment.

GREECE

ECU 721 million

GRD 232 526 million

In the energy sector (379 million), the EIB financed construction of the fifth unit of Aghios Dimitrios lignite-fired power station, works to upgrade the power grid and, in particular, laying of a network of gaslines between Athens and the frontier with Bulgaria plus construction of an LNG terminal, to supply the country with natural gas both from Russia and from Algeria (priority TEN).

Loans for transport facilities (310 million) covered continued development of the PATHE (Patras - Athens - Thessaloniki) priority road link and construction of the new Athens international airport.

A global loan (32 million) was granted to finance SMEs in industry and tourism.

SPAIN

ECU 2 553 million

ESP 409 810 million

In the energy sector (444 million), in addition to interconnection of the Spanish and Portuguese power grids, a priority TEN, the EIB notably supported establishment of strategic oil reserves, designed to ensure continuity of supply in the event of an emergency, and installation of desulphurisation equipment at Teruel thermal power station.



Loans for communications infrastructure (930 million) focused on continued modernisation of telephone networks,

small city car at the Almussafes plant, near Valencia.

Global loans concluded in 1996 (668 million) and in previous years helped to finance some 1 300 SMEs, mainly in the construction, textiles and tourism sectors, and 160 small-scale local infrastructure projects.

Financing provided in Spain in 1996



FRANCE

ECU 2 509 million

FRF 16 240 million

improvements to numerous road and motorway sections, including 150 million for stretches forming part of priority TENs, and port and airport facilities.

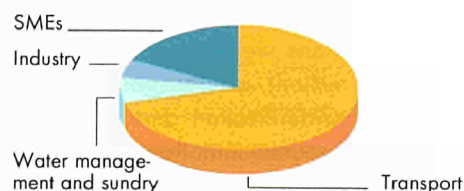
The bulk of individual loans, 90%, were given over to the transport sector (1 200 million). Certain operations served to finance major links of Community benefit in the motorway sector (e.g. the A43 in the French Alps linking the Fréjus tunnel to the motorway network at Pont d'Aiton, the Grenoble - Col du Fau and Sisteron - La Saulce sections of the A51 and the Brive - Cahors - Montauban section of the A20 Vierzon - Montauban motorway in the south west) as well as in the railway sector (TGV Méditerranée); others involved development of urban transport amenities, as in the case of extension of line B of the Lyons metro.

In the field of the environment, 352 million assisted sewerage and sewage disposal works and forestry development schemes.

Industry claimed 160 million, mainly for the design and manufacture of a new



Financing provided in France in 1996



Further loans covered wastewater treatment in the Nancy conurbation (25 million) and, in industry (190 million), manufacture of a new generation of aero engines, construction of a plant for the production of veterinary vaccines in Lyons and two factories turning out optical fibres in Brittany and domestic electrical appliances in Lorraine.



Global loans (1 175 million) served to finance both small-scale local infrastructure projects and SMEs in productive sectors. Allocations for 976 million were made from global loans already under drawdown not only for 1 150 infrastructure schemes, mainly in the road and sewerage and sewage disposal sectors, but also for some 6 850 SMEs, half of them in the service sector.

IRELAND

ECU 189 million
IEP 150 million

Individual loans were advanced for a new phase of the reforestation programme (6 million), upgrading of the national road network (50 million) and extension of several higher technical education institutes (7 million).

Global loans (125 million), together with those made available in previous years,

gave rise to 133 allocations, including 128 for a total of 32 million in conjunction with the peace and reconciliation initiative. The SMEs concerned, half of which operate in the tourism sector, were located in the six border counties of Ireland. Interest subsidies are being provided for the ventures in question from both national and EU budgetary resources.

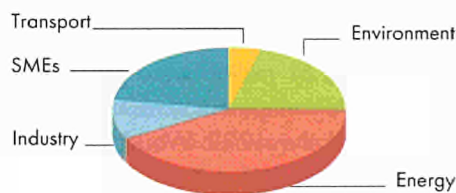
ITALY

ECU 4 121 million
ITL 7 978 billion

Individual loans were devoted to the energy sector (1 598 million), mainly for construction of integrated gasification and combined-cycle power plants at Priolo Gargallo in Sicily, Falconara Marittima in The Marches and Sarroch in Sardinia, for development of oil and gas deposits in the Adriatic and in Val d'Agri (Basilicata) and for continued introduction of natural gas.

Individual loans also embraced transport facilities (176 million), particularly modernisation of control and safety systems on the entire railway network, and the

Financing provided in Italy in 1996



urban environment, with financing for two multiannual programmes: firstly, preservation and protection of the Venice lagoon (together with work on the restoration of ancient buildings in the city itself); secondly, improvement of urban infrastructure in Rome (bypass, tramlines, metro, car parks and restoration of the capital's cultural heritage).

Lending to industry (403 million) supported capital investment in the wood-

working, mechanical engineering, fine chemicals, automotive, electrical engineering, foodstuffs, paper and tyre sectors. Financing was also provided for relocation of the Bologna wholesale food market.

Global loans concluded in 1996 (1 140 million) and those already under drawdown generated 866 allocations for small and medium-sized enterprises, totalling 882 million.

NETHERLANDS

ECU 766 million
NLG 1 631 million

Individual loans for infrastructure centred on the energy sector (140 million), with construction of a natural gas-fired combined-cycle heat and power plant at Terneuzen, and on commissioning of a mobile telephony network (236 million).

Industry received 102 million for construction of a plant producing industrial gases near Rotterdam and a factory for new types of diesel engine in Zwolle.

Global loans concluded in 1996 (288 million) and in previous years provided funds for 65 SMEs.

AUSTRIA

ECU 490 million
ATS 6 569 million

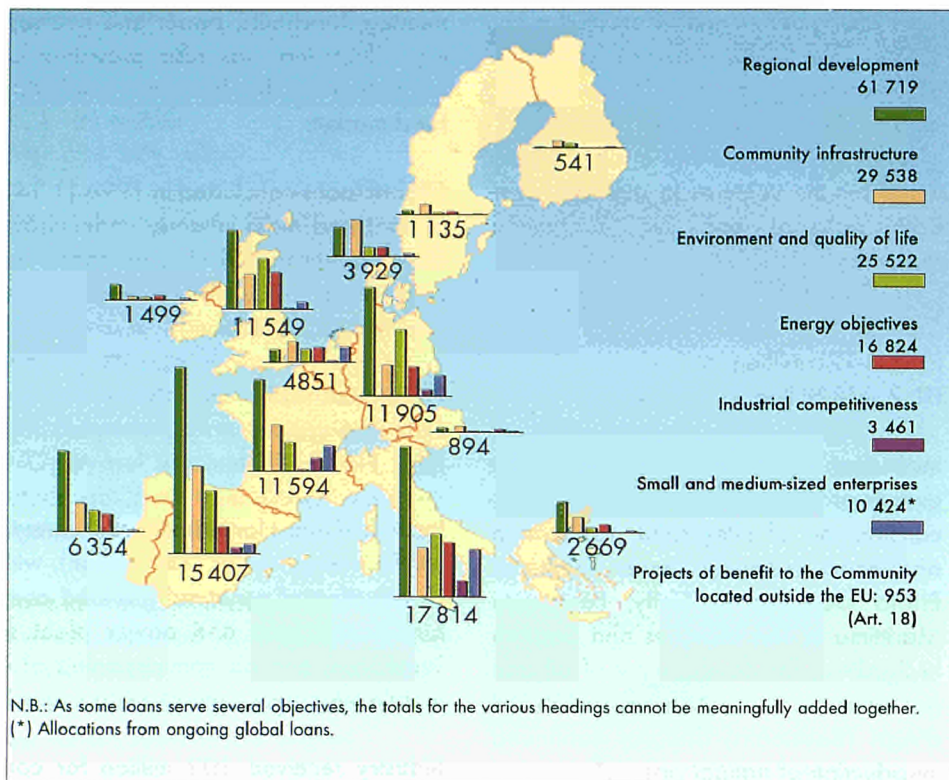
Loans provided during the second year of Austria's membership of the EU more than doubled, from 242 to 490 million.

Individual loans focused on energy production (26 million), with construction of a power station on the Danube, on implementation of the second mobile telephony network (185 million) and, in industry (140 million), on enlargement and modernisation of a motor vehicle factory in Steyr plus construction of a wood-free coated paper mill to replace obsolete units.

Global loans were concluded for a total of 139 million. Allocations worth 49 million benefited 84 SMEs in industry and

Financing provided in the European Union (1992 – 1996)

ECU 91 094 million



Financing provided in Portugal in 1996



13 million, in the form of a global loan, for restoration and improvement of infrastructure in deprived urban areas.

FINLAND

ECU 302 million

FIM 1 768 million

Individual loans were entirely devoted to the transport sector (234 million) and involved priority TENs: sections of the southern railway line from Turku through Helsinki to the Russian border and the east-west road link in the south of the country.

Global loans concluded in 1996 (68 million) and those from previous years provided financing for 22 small-scale ventures.

SWEDEN

ECU 846 million

SEK 7 182 million

All of the individual loans granted were for infrastructure projects: energy (93 million), for renovating hydroelectric power stations and extending the Stockholm dis-

the service sector, half of them in the field of tourism.

PORTUGAL

ECU 1 293 million

PTE 252 674 million

With the exception of 4 million for industry, all other individual loans granted were for infrastructure schemes.

Energy attracted 489 million for the continued introduction of natural gas – transmission and supply networks and a combined-cycle power plant near Oporto – and for the construction of oil storage and distribution infrastructure to supply refined petroleum products to the centre of the country, including Lisbon.

In the water and waste management sectors, 122 million were advanced for construction of two municipal waste incinerators, which will also generate electricity for the Lisbon and Oporto conurbations, and for extension of drinking water supply networks.

Loans for transport infrastructure (537 million) encompassed road and motorway improvements, construction of the second bridge over the Tagus upstream of the city of Lisbon plus extension of the metro and the telecommunications network (77 million).

In addition, 51 million were granted in Lisbon for development work to prepare the site for the 1998 World Fair and



tract heating and power supply networks; water (45 million), for drinking water supply and wastewater treatment facilities in Stockholm and Malmö; transport (450 million, including 352 million for priority TENs), for modernising the east and west coast railway lines, constructing seven sections of the E4 motorway between Stockholm and Helsingborg and work on the fixed link across the Öresund.

The telecommunications network claimed 240 million.

Global loans (19 million), together with those concluded last year, helped to fund fifteen local infrastructure schemes.

UNITED KINGDOM

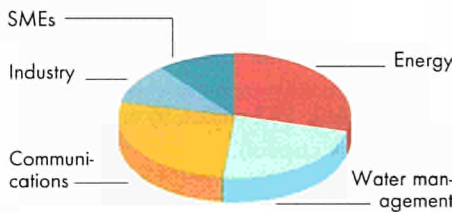
ECU 2 386 million
GBP 1 968 million

Individual loans totalling 674 million in the energy sector targeted, on the one hand, extension and modernisation of the electricity grid and, on the other, construction of a subsea gasline between Bacton (East Anglia) and Zeebrugge in Belgium.



Drinking water supply and wastewater collection and treatment systems continued to attract support (512 million).

Financing provided in the United Kingdom in 1996



to promote 671 small-scale ventures with 254 million in all. Of these, 105 were located in Northern Ireland and were financed under the special programme to support the peace and reconciliation initiative in the Island of Ireland. The SMEs concerned qualify for interest subsidies from national and EU budgetary resources.

OTHER OPERATIONS

ECU 403 million

The EIB also advanced financing in support of two Member Countries of the European Economic Area.

In Norway, 31 million were lent for improving the Norwegian section of the main E6 road link from Oslo to the frontier with Sweden.

In Iceland, a loan of 33 million contributed towards upgrading communications infrastructure throughout the island.

In addition, the EIB financed the acquisition, launch and operation of satellites facilitating communications with ships, aircraft and land-based vehicles and provided funding for placing three television satellites into geostationary orbit. ■



The transport sector received 432 million for road and motorway schemes and construction of the high-speed railway line from London to the Channel Tunnel, a priority TEN, and the telecommunications sector 187 million for extension of the national network and improved links with continental Europe.

Lending to industry amounted to 246 million, almost half of this for a motor vehicle plant in Wales, the remainder being divided between aero engine maintenance, optical fibre and cathode ray tube manufacture, and a tyre factory.

Global loans concluded in 1996 (335 million) and those already on tap served

Financing Operations outside the European Union

EIB financing outside the European Union, as part of the policy of development aid cooperation with third countries, amounted to ECU 2 294 million, comprising 2 190 million from the Bank's own resources and 104 million from budgetary resources of the Member States or the Union.

SOUTH AFRICA ECU 56 million

A loan was granted to help finance extension of the electricity transmission and supply grid.

ACP STATES and OCT ECU 396 million, including 99 million in the form of risk capital

Two thirds of financing in the ACP States and OCT centred on provision of the basic infrastructure needed for these countries' development: energy, 111 million; communications, 130 million; water management, 15 million. A total of 140 million was devoted to productive investment, including 98 million in the form of global loans.

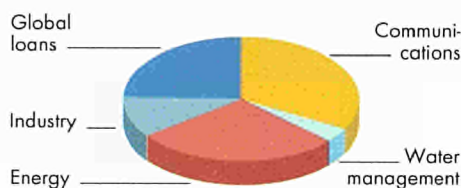
AFRICA: 190 million (85 million from risk capital).

In **Southern Africa**, financing worth 58 million, including 23 million in the form of risk capital, was divided chiefly between transport projects in Malawi and Mauritius, water supply and energy schemes in Botswana and global loans.

East Africa attracted 71 million, including 41 million from risk capital for three industrial projects and global loans for small and medium-sized enterprises in Kenya, Ethiopia and Uganda.

In **West Africa**, most of the financing made available – 20 million from risk

Financing provided in the African, Caribbean and Pacific States in 1996



capital – went to productive sectors, involving both individual loans and global loans. In addition, a loan was concluded to boost electricity generation in Mali.

Central and Equatorial Africa received 11 million, including 10 million from the Bank's own resources, mainly for modernisation of airport facilities in Gabon.

A loan of ECU 30 million benefiting the whole of Africa served to improve air traffic safety.

CARIBBEAN: 193 million (6 million in the form of risk capital).

Financing was apportioned between energy (97 million), for the extension of gas and electricity grids, port infrastructure and telecommunications (60 million) and global loans to finance SMEs.

PACIFIC: a loan of 4 million from the Bank's own resources was granted to Tonga for extension of the telecommunications network.

OCT: 9 million were advanced from risk capital, mainly for the modernisation of air navigation services in Curaçao.

MEDITERRANEAN ECU 681 million, including 5 million in the form of risk capital

Funding in eight Mediterranean countries was provided, on the one hand, under the off-protocol facility (562 million) for projects with a regional dimension in the transport, energy transfer and environmental sectors and, on the other, under current mandates (119 million).

POLITICAL AGREEMENT ON THE AMOUNTS OF NEW MANDATES OUTSIDE THE UNION

On 27 January 1997, the ECOFIN Council signalled its agreement to the amounts of financing packages available under the new regional mandates accepted by the EIB. These mandates span the three-year period from 31 January 1997 to 31 January 2000, while sums provided are covered as to 70% by a Community blanket guarantee.

The amounts break down as follows:

- Central and Eastern European Countries	ECU 3 520 million
- Mediterranean Countries	ECU 2 310 million
- Asia and Latin America	ECU 900 million
- South Africa	
(1 July 1997 - 31 January 2000)	ECU 375 million.

The Bank has also responded positively to the Council's suggestion that the EIB create a pre-accession facility, involving substantial resources, for the benefit of countries with which accession negotiations are embarked upon. Financed from EIB own resources, the facility will operate without the Community guarantee covering operations outside the Union.

The sectoral breakdown highlights the preponderance of projects helping to reduce pollution from both domestic – wastewater – and industrial sources. Most of the other loans covered communications and energy transmission.

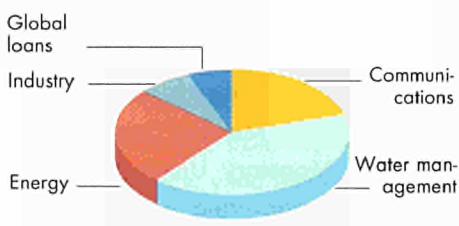
MASHREQ COUNTRIES

183 million

In **Egypt**, 105 million were made available in the field of environmental protection – for wastewater collection and treatment schemes in Cairo and to finance pollution control equipment in the productive sector. In addition, 3 million from risk capital went to support ongoing investment in a tyre factory.

In **Lebanon**, 6.6 million were advanced for sewerage and sewage disposal facilities in urban areas along the coast and for modernisation of the electricity transmission and supply network in Beirut.

Financing provided in the non-member Mediterranean countries in 1996



In **Jordan**, 9 million were given over to rehabilitating the water supply system in Amman.

MAGHREB COUNTRIES

416 million

In **Algeria**, 115 million were devoted to implementing anti-pollution measures at three industrial process plants on the north-east coast at Skikda and Annaba, bringing electricity to the south of the country and modernising air traffic control facilities at Algiers, Constantine and Oran airports.

In **Morocco**, 301 million helped to extend wastewater and stormwater collection

and treatment facilities and to construct a sewage treatment works at Marrakesh.

OTHER COUNTRIES

353 million

In **Turkey**, loans (246 million) assisted environmental protection projects in Izmit and at Yeniköy power station on the Aegean coast as well as modernisation of the telephone network and port infrastructure.

In **Cyprus**, 54 million, including 2 million from risk capital, were committed in favour of SMEs, environmental protection and enhanced air traffic safety facilities.

In **Gaza**, continuing its active support for the Middle East peace process, the EIB advanced 53 million to finance improvements to the water supply and sewerage systems and construction of the port of Gaza.

CENTRAL AND EASTERN EUROPEAN COUNTRIES

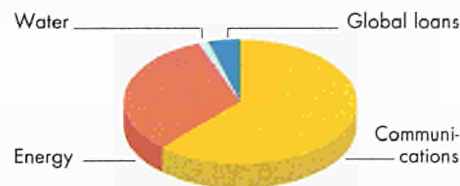
ECU 1 116 million

Financing embraced ten countries and centred mainly on communications (688 million) and energy (363 million) infrastructure.

In **Poland**, loans totalling 380 million aided construction of an underground gas storage facility, extension of the telecommunications system and improvement of the E40 European motorway link.

The **Czech Republic** obtained 255 million towards modernisation of the Warsaw – Ostrava – Vienna railway line and con-

Financing provided in the CEEC in 1996



struction of a combined heat and power plant at the Skoda works.

In **Hungary**, 135 million will help to fund motorway development works and to foster SMEs.

In the **Slovak Republic**, all of the loans advanced, 100 million, were devoted to the energy sector.

In **Romania**, 90 million will assist rehabilitation of sections of the road network and completion of the Bucharest metro.

In **Lithuania**, loans (72 million) covered communications, including upgrading of certain stretches of the Via Baltica, natural gas transmission and supply plus SMEs.

In **Slovenia**, 30 million were provided for the Ljubljana – Celje motorway link.

In **Latvia**, 26 million went towards renovation of the water supply system in Riga, hydroelectric schemes and funding for SMEs.

In **Estonia**, 16 million will support rehabilitation of sections of the Tallinn – Narva railway line.

In **Albania**, rehabilitation of the electricity grid attracted 12 million.



LATIN AMERICA
ECU 45 million

A loan was granted in Argentina for upgrading roads in the MERCOSUR network, linking southern Paraguay with Brazil, Uruguay and Buenos Aires. ■

The EIB's strategy for the *EURO* market

The Monetary Union's objective is to strengthen European integration, a process to which the EIB has been contributing ever since its foundation. Helping to make Monetary Union a success is, therefore, a principal part of the Bank's mission ⁽¹⁾.

Switching into the new EURO currency also, of course, implies developing capital markets with products denominated in EURO. For the future EURO-bond market to function smoothly right from Day 1 of Monetary Union in January 1999, it will need to offer investors a considerable variety of EURO-denominated investment vehicles. The EIB firmly intends to contribute actively to the rapid emergence of a deep and liquid EURO-bond market. It will endeavour to convert its outstanding debt as soon as possible. The Bank will further make use of its high credit standing to launch between now and January 1999 a series of benchmark issues. These will be denominated in EURO/ECU or in EU currencies to be re-denominated into EURO once EMU stage III comes into force. This article briefly describes the Bank's borrowing strategy in the run-up to EMU.

CREATING A CRITICAL MASS OF EURO-BONDS

The EIB is well placed to play an important role in the development of a EURO-bond market. Its total outstanding debt

amounts to ECU 97 billion, of which 53 billion are either denominated in EU Member States' currencies (47 billion



or in ECU (6 billion) and will mature after 1 January 1999.

tions, irrespective of the date of issue, would be converted into the new EURO currency upon the advent of Monetary Union.

As has already been announced, the EIB's ECU-bonds will be converted into EURO-bonds in January 1999. Indeed, the EIB has been the first non-sovereign borrower to commit itself explicitly to substitute the EURO for the ECU on a one-to-one basis as soon as Monetary Union becomes a reality. The Bank underscored its commitment by launching a large (500 million) ECU issue in February 1996 (only eight weeks after the Madrid Summit gave the go-ahead to Monetary Union) with an explicit guarantee to exchange its paper for the EURO at that one-for-one parity. The issue set a precedent and boosted the financial market's trust in the future EURO-currency. Also, in a joint declaration with the European Commission on 31 July 1996, the Bank confirmed that all ECU-denominated debt and loan instruments issued by the European insti-

In the case of EIB bonds issued in currencies of those Member States participating in Monetary Union, these will have to be converted into EURO by 2002 at the latest, when these currencies are set to disappear. However, the Bank's intention is to convert them earlier, as soon after 1 January 1999 as possible, thus contributing rapidly to making a critical mass of EURO-bonds available for investors.

This early switch-over is also envisaged by the Member States' governments. The Bank is currently analysing, in close contact with the main sovereign borrowers, the arrangements governing conversion which will, of course, fully respect the rights of bondholders.

FEEDING THE MARKET -
ADDING TO THE CRITICAL MASS

FEEDING THE MARKET - ADDING TO THE CRITICAL MASS

On the basis of its present and projected lending activities, the Bank

⁽¹⁾ See also the article in EIB Information N° 91: "EMU, capital markets and the EIB".

expects to borrow the equivalent of some ECU 20 to 25 billion p.a. over the next two years. With such volumes, it is likely to rank among the five largest issuers within the European Union, first among European non-sovereign borrowers, and top as well among all the International Financial Institutions.

The EIB will make use of its significant borrowing requirements to issue bonds, between now and 1 January 1999, which are denominated either in EURO already, or in EU currencies accompanied by a clause allowing for their re-denomination into EURO when EMU stage III comes into force. In this way, the Bank will further add to the critical mass of EURO-bonds available to investors on 1 January 1999.

The EIB has already taken a further important step forward by launching, in January 1997, a first EURO 1 billion bond which will, from the start of the single currency, yield interest in EURO (beforehand, in ECU) and be redeemed at final maturity in EURO. This issue was widely welcomed by the markets.

The EIB also launched in January this year a maiden EURO-tributary-bond, namely a Dutch Guilder 1 billion bond issued on terms allowing the Bank to re-denominate it into EURO once the single currency has become a reality. The EIB calls these issues in EU currencies "tributary" bonds as they "flow" towards and are bound to merge into

and with the EURO- "river". The above "tributary" issue also entitles the Bank to consolidate it with future EIB issues, denominated in EURO from the date of their launch, or with other "tributaries" to be re-denominated into EURO, on the same terms and conditions.

More issues of this kind are to come, large in size and with different maturities. The Bank intends to consolidate these future EURO-tributaries and other EURO/ECU issues to create, for each maturity category, larger EURO issues after January 1999. Such EURO-benchmarks should enable the Bank to establish a EURO yield curve of its own. The Bank will also ensure that its bonds fall due at regular intervals. As well, it will want them to become eligible to be delivered into futures contracts. This would add to their liquidity and, therefore, attractiveness to investors, adding, at the same time, to the liquidity of the future EURO-bond market as a whole.

While issuing benchmarks with a view to the future EURO-bond market will constitute the main thrust of Bank borrowing in the years ahead, the EIB will continue to launch issues

tailor-made to the needs of specific investors in terms of maturities, currencies or a combination of interest-rate structures, and allowing the Bank to achieve cost-effective resource-raising. The

Bank also intends to be present on emerging European markets, such as those in Central and Eastern Europe by issuing bonds denominated in these

countries' currencies, as it has already done successfully with the Czech koruna, thus contributing to the development of their capital markets.

ESTABLISHING EIB BONDS AS A TOP QUALITY INVESTMENT IN EURO

The EURO has the potential to develop rapidly into the most important international reserve currency, alongside the US dollar. Investors outside the EURO area, notably in the US and Asia, will look for top quality EURO-bonds. The EIB intends to establish a firm international reputation as one of the top issuers of EURO-bonds, with its issues complementing those of European sovereign borrowers. This would also contribute towards increased diversification of investors in EIB bonds.

The EIB is considering adjusting its borrowing methods to financial innovations and techniques employed by sovereign borrowers, such as auctioning new bond offerings. It may also make use of its extensive experience to develop further innovations of its own.

Above all, the EIB will pay the utmost attention to preserving its AAA credit-rating by continuing with its policy of lending for sound projects only. Solid lending policies will further strengthen the EIB's position as a major financial intermediary, a position that has enabled the Bank, from the early eighties, to promote practical use of the ECU and to develop a market for it. Since then, the Bank has grown in size and influence, enabling it now to make a vigorous contribution to the rapid development of liquid capital markets for the imminent EURO currency area. ■



Proceedings of the EIB Forum 1996

The proceedings of the EIB Forum on "The Mediterranean: Working in Partnership" which was held on 24-25 October 1996 in Madrid will be available in early March. The book contains speeches deliv-

ered and highlights of discussions at the event, which brought together over 350 delegates from banking and industry, governments, international organisations, and the media. As a meeting place for Mediterranean specialists, the Forum was devised specifically to explore in detail the development of a wider Mediterranean partnership and, more particularly, to promote networking between regional and local authorities and other economic players in the region and elsewhere in Europe.



The Forum's themes, the EU's Mediterranean policy, environmental protection, strengthening regional communications infrastructure and the role of the banking sector within the context of Mediterranean cooperation, were each addressed by a keynote speaker, followed by some five or six panellists presenting a range of viewpoints and by a general discussion.

The proceedings also contain the *Opening addresses* by EIB President Sir Brian Unwin and the Spanish Secretary of State for Economic Affairs Cristóbal Montoro as well as the *Conclusions* by EIB Vice-President Ariane Obolensky. A particular high-

light of the Forum was the address by the Lebanese writer Amin Maalouf, winner of the "Prix Goncourt" and author of "Leo the African", "The Rock of Tanios" and "Les Echelles du Levant".

The EIB Forum 1996 was the second of its kind, following on from that held in Amsterdam in 1995 on the role of the private sector in financing large-scale infrastructure. The EIB is organising a third Forum on Nordic and Baltic cooperation, which will take place in October 1997 in Stockholm.



ECU

Below are the ECU values in national currencies, as at 31 December 1996; these rates are applied for the first quarter of 1997 in preparing financial statements and operational statistics of the EIB:

DEM	1.94653	BEF	40.1021
FRF	6.56193	LUF	40.1021
GBP	0.737273	ITL	1913.72
NLG	2.18472	ESP	164.167
DKK	7.44655	PTE	195.968
IEP	0.745342	GRD	309.502
SEK	8.62800	ATS	13.6965
FIM	5.81640	USD	1.25299

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