



## EIB-Information

### The interplay of EIB decisions

"Who decides where your money goes?" is a frequent question raised about the European Investment Bank and, with the EIB's activities in 1986 as a reference, this article aims to give an idea of the bodies concerned in the decisions which direct the Bank's operations. The interplay of decisions involved in 1986's overall volume of 7.5 billion ECUs is, of course, equally applicable to the Bank's activities in the current year, which are foreseen to reach about the same level.

The Statute<sup>(1)</sup> of the Bank (Article 8) lays down the framework of decision-making: "The Bank shall be directed and managed by a Board of Governors and a Board of Directors and a Management Committee". The Statute also defines their composition and powers, placing the definition of loan policy into the hands of the Governors and requiring that decisions on the Bank's operations by the Directors and Management Committee be made on the basis of professional judgement. This has set up a decision-making mechanism that allows the EIB to operate smoothly and effectively to foster the integration of the European Community by raising resources on capital markets for on-lending in support of investment that meets Community economic priorities.

#### Technical operating parameters

When considering the EIB's activities, a distinction has to be made between **loans from its own resources**, which are funded almost entirely from the proceeds of its borrowings on capital markets, and the **operations** it carries out **under mandate**, for the account and at the risk of third parties. The Bank's loans from its own resources, in 1986, represented about 94% of its total activity (some 7.1 billion ECUs) and were accounted for in its balance sheet. The remaining 485 million ECUs consisted of operations under mandate which are recorded off-balance sheet in

what is known as the EIB's "Special Section".

As the EIB does not lend in the Community on the basis of quotas to countries or economic sectors, this 1986 volume of loans reflected its response to financing demands within the framework of the Bank's particular lending objectives. There is an overall upper ceiling on the EIB's outstanding loans on own resources and guarantees, fixed by its Statute (Article 18) at 250% of its subscribed capital of currently 28.8 billion ECUs. This ceiling, therefore, is at present 72 billion ECUs. At year-end 1986, outstanding loans and guarantees stood at nearly 37 billion ECUs.

The Bank's subscribed capital has repeatedly been increased to allow for an expansion of its operations. When the Governors set the current ceiling, they indicated that, in the absence of unforeseen developments, this was meant to cover the period 1986 to end-1991; corresponding to an annual average nominal growth of over 10%. Activities in 1986 have been within this range.

#### General directives and guidelines

Inside the Community, lending activities are based on Article 130 of the Treaty of Rome, which states that the EIB's main function is to contribute to the balanced and steady development of the common market. The EIB's decision making bodies concretize this endeavour, with priorities and guidelines set by the Board of Governors and implementation carried out by the Bank's Management Committee under the general supervision of the Board of Directors. The

### In brief...

The European Investment Bank exists to promote the integration of the European Community. As an autonomous institution within the Community it is answerable solely to its own **decision-making bodies**, but in adopting decisions and policies, these take account of the opinions and deliberations of other Community bodies, such as the European Council, the European Parliament and the Council and Commission of the European Communities (see article opposite).

**EIB financing provided in Spain** from 1981 to 1985 under pre-accession agreements was subject to an overall ceiling of 550 million ECUs. However, on that country's accession to the Community — with its consequent membership of the EIB — the ceiling on lending was removed: 409 million ECUs was lent in 1986 and the total for 1987 will be considerably greater (see article on page 4).

The EIB will provide **financing** totalling £1 billion / Ffrs 10 billion (about 1.4 billion ECUs) for **Eurotunnel**, making the Bank the largest single source of funding for the project. Moreover, the exceptional financing arrangements concluded could serve as a model for other major European infrastructure projects (see article on page 7).

At first sight, the **preservation of Europe's architectural heritage** would not appear to be a task for the EIB whose essential function is to provide financing for investment projects. However, a closer look at its financing criteria suggests that these can justifiably be held to cover projects also to protect Europe's cultural heritage, as is clear from the article on page 8.

(1) The EEC Treaty, under article 129, established the EIB with its own legal personality and refers to the Bank's Statute which is annexed as a protocol and forms an integral part of the Treaty.

Governors, in deciding on orientations, obviously, take into account policy objectives formulated by other Community bodies, such as the European Council, the European Parliament and the Council and Commission of the European Communities – all aspiring to the same common aim of building a prosperous Europe.

### Board of Governors

Each of the Bank's Member States, its "shareholders", designate a Minister to the Board of Governors, in practice usually the Finance Minister. As a representative of a government, the Governor's term of office is linked to his political mandate.

Amongst its main powers and functions, the Board of Governors lays down general directives on the Bank's credit policy, approves the annual report and balance sheet, decides on capital increases and appoints the members of the Board of Directors, the Management Committee and the Audit Committee. Chairmanship of the Board of Governors runs from one annual meeting to another and rotates following the alphabetical order of the Member States. Current chairman is Gerhard STOLTENBERG, Federal Minister of Finance, Germany.

While the EIB has continued to give priority to regional development, it has been responsive to investment demands created by changed economic conditions: during the 1970s, it was able to react quickly to the energy crisis by stepping up investments aimed at reducing Community dependence on oil imports; during the eighties it increased its lending, in particular, for new investment aimed at protection of the environment<sup>(2)</sup> and the promotion of advanced technology. As already mentioned in previous issues, in 1986, EIB loans in support of both these objectives doubled in comparison with the previous year: rising from 324 million ECUs in 1985 to over 700 million in 1986 under the environment heading, and from 335 million ECUs to 744 million for advanced technology and industrial modernisation.

An overview of how EIB operations in 1986 met its lending policy objectives is provided in the table on this page.

Their annual meetings, in particular, provide occasions for the Governors to give orientations for the EIB's lending policy when they review operations of the past year and consider perspectives for the future. For example, at the 1987 annual

meeting, it was emphasised that the EIB was in a position to make an important contribution in implementing the Single European Act to bring about greater economic and social cohesion within the Community and to promote the internal market.

Of special European dimension in 1986 was a loan to EUTELSAT for the acquisition, launching and operation of a new generation of telecommunications satellites providing for high-capacity digital transmission between European countries. This loan was granted in the context of Article 18 of the Statute under which the Board of Governors, acting unanimously on a proposal from the Board of Directors, may authorise the granting of loans for investment projects that are not situated in the Member States.

### Lending outside the EEC

Article 18 of the Statute also forms the basis for the authorisation of all EIB lending **from its own resources** within the framework of the Community's development aid policy. These operations take place either under financial protocols negotiated between the Com-

munity and 12 Mediterranean Countries, or under the Third Lomé Convention<sup>(3)</sup> in 66 African, Caribbean and Pacific (ACP) States. The Governors give a global authorisation for the ceilings set in each agreement and, when making such decisions, take into account a request from the Council of the European Communities for EIB participation in the implementation of Community development assistance. In 1986, such operations totalled 382 million ECUs, of which 231 million was in countries in the Mediterranean region and 151 million in the ACPs.

### Board of Directors

The Board of Directors has sole power to decide on the granting of loans or guarantees, interest rates<sup>(\*)</sup> and the Bank's borrowings. The Directors ensure that the EIB is managed in accordance with the Treaty of Rome and the Bank's Statute, and with the general directives laid down by the Governors. The Board of Directors submits the EIB's annual report drawn up by the Management Committee for approval to the Governors.

There are 22 Directors and 12 Alternates. The members of the Board, who are chosen on the grounds of particular competence, do not represent national interests, but act as independent individuals and are responsible only to the Bank. The Board meets about 10 times a year.

Germany, France, Italy and the United Kingdom each nominate three Directors; Spain nominates two; Belgium, Denmark, Greece, Ireland, Luxembourg, the Netherlands and Portugal each nominate one, as does the Commission of the European Communities. For the Alternates, Germany, France, Italy and the United Kingdom each nominate two; the Benelux countries nominate one by common accord; Denmark, Greece and Ireland nominate one by common accord; Spain and Portugal nominate one by common accord; and one is nominated by the Commission. Directors and Alternates are appointed by the Board of Governors for a renewable term of five years.

(\*) See EIB-Information n° 47, January 1986, about how the EIB sets its interest rates.

### Financing from own resources within the Community in 1986 (total: 6678.1 million ECUs)

Breakdown by economic policy objective<sup>(1)</sup>

	million ECUs
<b>Regional development</b>	<b>3 596.8</b>
<b>Energy policy objectives</b>	<b>2 479.1</b>
Development of indigenous resources	1 400.9
Rational use of energy	724.0
Import diversification	354.2
<b>Advanced technology and industrial modernisation</b>	<b>744.0</b>
Advanced technology	573.9
Modernisation & conversion	52.7
Industrial cooperation	117.3
<b>Environment – cultural heritage</b>	<b>701.7</b>
Atmospheric pollution	250.1
Water and soil pollution	310.1
Other operations	138.1
Safeguarding cultural heritage	3.4
<b>Community infrastructure</b>	<b>561.5</b>
Transport	468.3
Telecommunications	75.0
Other	18.2

(1) The various totals cannot meaningfully be added together as certain loans correspond simultaneously to more than one objective.

(2) See EIB-Information n° 53, July 1987, about protection of the environment

(3) See EIB-Information n° 47, January 1986, and n° 50, October 1986, for an outline of EIB operations under the Lomé Conventions.

## The Management Committee

The Management Committee consists of the President of the Bank and six Vice-Presidents who are appointed by the Board of Governors for a renewable term of six years on a proposal from the Board of Directors. The Committee is the EIB's full-time operational body, responsible for the day-to-date business of the Bank under the authority of the President and the supervision of the Board of Directors. The EIB's staff carry out their work under the authority of the Management Committee and are engaged and discharged by the President.

The Management Committee decides on the proposals to be put forward to the Board of Directors, in particular on borrowing and lending operations, and ensures that Board decisions are implemented. The President, or in his absence, one of the Vice-Presidents, acts as chairman of the Board of Directors.

Members of the Committee are: President Ernst-Günther Bröder, and Vice-Presidents C. Richard Ross, Arie Pais, Lucio Izzo, Noel Whelan, Alain Prate, Miguel A. Arnedo Orbañanos.

The ceilings authorised under each agreement fall within the broader overall limit on the total volume of EIB lending, from own resources, outside the EEC. For the period 1985 to 1991, an upper limit of 3 000 million ECUs was set by the Governors for all EIB operations from own resources under conventions, financial protocols or decisions involving financial co-operation outside the Community.

### Financing under mandate

Included in the overall volume of operations in 1986, the EIB carried out financing activities totalling 485 million ECUs under mandate from, on behalf, for the account and at the risk of the European Economic Community or the Member States. These operations are accounted for in the Bank's Special Section, first set up by the Board of Governors in 1963 to cover budgetary funds made available by the Member States and the Community, as part of financial co-operation agreements. In 1977, the Governors redefined the purpose of the Special Section as that of recording all operations carried out by the EIB under

mandate from, for the account and at the risk of third parties.

The EIB's financing under mandate involves two types of operations: loans inside the Community from the financial mechanism established in 1978 called New Community Instrument (NCI)<sup>(4)</sup> – 393 million ECUs in 1986 – and concessionary finance for projects outside the EEC – 92 million ECUs in 1986 (59 million ECUs from the resources of the European Development Fund (EDF) under the Third Lomé Convention<sup>(5)</sup> and 33 million in the form of loans on special conditions from the Community budget in the Mediterranean Countries).

**EIB financing in 1986**  
Broad breakdown by origin of resources and project location

	million ECUs	%
<b>Loans from EIB own resources</b>	<b>7 059.9</b>	<b>93.6</b>
within the Community	6 678.1	88.5
outside the Community	381.8	5.1
<b>Financing provided under mandate</b>	<b>484.9</b>	<b>6.4</b>
(accounted for in the Special Section)		
within the Community, from NCI resources <sup>(1)</sup>	393.0	5.2
outside the Community from Member States' or Community budgetary funds	91.9	1.2
<b>Total</b>	<b>7 544.8</b>	<b>100.0</b>
within the Community	7 071.1	93.7 <sup>(2)</sup>
outside the Community	473.7	6.3 <sup>(2)</sup>

(1) See footnote (4) below

(2) The corresponding figures are 91.4% and 8.6% for the period 1982-1986 and 89.4% and 10.6% since lending started outside the Community.

### The Board of Directors and the Management Committee

While the Governors set the general parameters for the EIB's lending activities on its own resources and for those carried out under mandate, it is the Bank's Board of Directors that, as stated in Article 11 of the Statute, has the "sole power to take decisions in respect of granting loans and guarantees". When Directors take financing decisions, they act on the basis of proposals from the Bank's Management Committee. The Committee submits loan proposals to the Board of Directors on the basis of a full appraisal of pro-

## The Audit Committee

The Audit Committee consists of three members appointed on the grounds of their competence (usually senior officials responsible for auditing national public accounts). The Committee reports directly to the Board of Governors. The Committee verifies that the Bank's operations are carried out in compliance with the formalities and procedures laid down in the EIB's Statute. They confirm that the balance sheet and profit and loss account as well as the statement of the Special Section faithfully reflect the Bank's position in respect of its assets and liabilities.

Members of the Audit Committee are appointed for a three-year-period, with one member replaced or reappointed each year. Chairmanship of the Committee rotates annually and is held by the member whose term of office is ending in that year.

After a recent new appointment the Audit Committee at present consists of: Jørgen Bredsdorff, fhv. revisor, Audit Department, Copenhagen, as Chairman, and Albert Hansen, Secrétaire Général du Conseil du Gouvernement, Luxembourg, and João Pinto Ribeiro, juiz conselheiro, Portuguese Court of Auditors.

jects carried out by the Bank's staff. The interplay of decision-making is significant in that recommendations regarding financing decisions are put forward to the Board of Directors on the basis of professional judgement and are not handed down for political considerations.

In approving loans for defined projects, the Directors (under Article 20 of the Statute) are called on "to ensure that the Bank's funds are employed as rationally as possible in the interests of the Community". Projects must contribute "to an increase in economic productivity in general and promote the attainment of

(4) New Community Instrument: The Commission of the European Communities has been authorised by the Council of the European Communities to contract borrowings in the name of the EEC, within limits set by the Council, for the purpose of promoting investment by SMEs in the Community. The Commission decides on the eligibility within guidelines laid down by the Council of the European Communities. The EIB examines the loan proposals in accordance with its customary criteria, decides on the loans to be granted and the terms, and administers the loans. See EIB-Information n° 53, July 1987, for an outline of the evolution of NCI operations.

(5) Finance in the form of risk capital – a total of 600 million ECUs is foreseen under the Convention.

the Common Market". For each loan, the EIB asks the opinion of the Member State in whose territory the proposed project is located and of the Commission (Article 21). These opinions cover conformity with national economic policies and with the economic priorities of the Community and not project viability.

In the case of operations outside the Community, requests for finance are presented either by the authorities of the country concerned, or with their agreement. For budgetary funds under the Lomé Convention, an opinion on each operation, including loans on own resources benefiting from EDF-financed interest rebates, is given by a consultative Committee (known as the "Article 22 Committee"<sup>(6)</sup>), which has a secretariat assured by the Bank and consists of representatives of the Govern-

ments of the Member States and of the Commission. A similar committee ("Article 9 Committee"<sup>(7)</sup>), provides an opinion on requests for finance from budgetary resources in the Mediterranean countries.

The Board of Directors presents the annual report on the Bank's activities, the balance sheet and profit and loss account, drawn up by the Management Committee, for approval to the Board of Governors, the EIB's supreme authority. The Governors, who each represent a Member State and are responsible to their respective parliaments, give their approval after hearing the report of the independent Audit Committee (Article 14 of the Statute), verifying that the EIB's operations have been carried out in a proper manner. In carrying out its task, the Committee takes into account the continuous auditing work of the

Bank's Internal Audit division and of the international firm of chartered accountants, Price Waterhouse.

Decisions on "where the money goes" are, therefore, the result of interaction: within the loan policy framework set by the Governors, the Bank's staff, Management Committee and Directors make clearly-defined contributions to the process of identification, appraisal and financing of projects aimed at achieving Community economic objectives.

(6) The Article 22 Committee is established under the Internal Agreement on the Financing and Administration of Community aid for the Third Lomé Convention.

(7) The Article 9 Committee is established under the regulation of the Council of European Communities on the application of the Mediterranean Financial Protocols.

## EIB lending in Spain – Long-term finance for economic development

**With accession to the European Community in 1986, Spain automatically became a member of the European Investment Bank, with the right to draw unlimited loans on the Bank's resources to finance investment projects promoting economic development. EIB lending operations in Spain, however, began five years earlier: within the framework of pre-accession agreements between Spain and the Community, operative between 1981 and 1985, the Bank provided loans totalling 550 million ECUs to assist the implementation of investment which would facilitate the integration of the Spanish economy into the Community.**

During this period, EIB loans were directed into regional development, particularly the improvement of regional infrastructure and the modernisation of small and medium-sized enterprises, into the strengthening of communications between the Iberian peninsula and the Community and into energy saving and energy source diversification. These were objectives specifically targeted to provide support for the efforts of the Spanish government to build up the necessary preconditions for long-term economic development.

### Economic background

During the 1950's and 1960's, the pattern of economic growth in Spain was similar to that of other Southern European countries undergoing a sustained process of industrialisation. Gross fixed investment in equipment increased by more than 10% p.a.; with a strong public sector contribution, especially in heavy industry and infrastructure. Investment in construction rose at an even faster rate in response to demand for housing which went up sharply as a

result of urban migration and the development of tourism. In the highly protected industrial sector, output expanded and was accompanied by a high rate of investment.

In the buoyant international climate of the 1960's, Spain had the highest growth rate in Europe, but this growth also created imbalances and weaknesses in certain areas of the economy. These were to become serious constraints to development in the aftermath of the oil price crises of the 1970's when there was a world recession and terms of trade altered.

The oil price increases underlined the Spanish economy's high dependence on imported energy. Changed relative prices also emphasised the heavy concentration of investment, production and exports in the "traditional" industrial sectors (textiles, food, iron and steel, heavy chemicals) which were now most threatened by low-cost competitors and/or falling world demand.

In addition, the "economic miracle" of the 1960's had led to large regional shifts in population and economic activities, so that regional disparities became

reinforced. Internal and external migration, from the 1950's, resulted in a heavy population loss for Extremadura, the two Castilles, Andalucía and Galicia, while there was a strong trend towards concentration of population in Madrid and in the Mediterranean provinces, particularly those of Barcelona, Valencia and Alicante. According to figures provided in the 1986 Regional Development Programme for Spain, Madrid and the north-east of Spain (Basque Country, Catalonia, Valencia) are the richest parts of the country with a per capita gross domestic product 40% above the national average, while Andalucía, the two Castilles, Extremadura and Galicia have a per capita gross domestic product below 90% of the national average. Unemployment became another problem. According to Eurostat sources, between 1974 and 1985 Spain lost 2.5 million jobs (as compared with 1.4 million for the Community of 10) and, together with the virtual end to emigration and the large increase in population, this meant a sharp increase in unemployment, particularly for the young.

### Regional disparities

After 1975, a growing awareness of regional needs and demands finally resulted in a gradual transfer to the newly-created "Comunidades Autonomas" (Autonomous Regions) of certain executive and legislative powers directly affecting economic and social develop-

ment. These covered, inter alia, infrastructure of special importance to the regions (including roads, railways, ports, airports, water supply and hydraulic works), agriculture, forestry, fishing and environmental protection. The redistribution of resources amongst regions in a more equitable way was one of the main objectives of decentralisation and various financial mechanisms were set up to achieve this, such as the Fondo de Compensación Interterritorial – FCI which channels investment grants to the various regions according to a formula taking in population, surface area, per capita income, emigration flows and unemployment.

Lack of investment in transport infrastructure during the 1950's meant that rapid growth and large demographic changes placed pressure on already inadequate facilities and bottlenecks appeared. Considerable efforts have been made since to redress the situation, but transport infrastructure remains best developed in and around the Madrid, Basque and Barcelona-Valencia regions. In the more mountainous, lower income regions, the density of transport networks is low and access is difficult. International connections, especially to Portugal, are also hindered by inadequate facilities. The Regional Development Programme cites difficult access as an obstacle to development in Extremadura, Galicia and the mountainous districts of Castilla-Leon and Aragon as well as in Navarre, Catalonia, Cantabria, Asturias and La Rioja. Priority is, therefore, given by the Autonomous Regions to construction and improvement of regional road and rail networks. National roads remain under the responsibility of the Ministerio de Obras Publicas y Urbanismo (MOPU) which has embarked on an integrated road investment plan.

Urban water infrastructure is another area in which expenditure was outdistanced by growth. The need for improved water and sewerage facilities has been made acute not only by population movements from the rural countryside to the towns, but also by a large annual inflow of tourists following the rapid growth of tourism in the early 1970's. The cleaning up of coastlines and beaches is also a priority in most tourist areas, while environmental pollution gives cause for particular concern in the Basque Country, Madrid, Valencia, Galicia, Catalonia and Navarre.

#### Finance for regional development

These economic conditions defined the context in which EIB lending took place in Spain between 1981 and 1985. Investment projects aimed at the development of national and regional communication links accounted for about 30% of Bank loans in this period. These invol-

ved construction of an 87 km section of the Barcelona rail loop line between Mollet and San Vicente to improve traffic flows along the Mediterranean coast from the French frontier to Valencia, modernisation of a 90 km section of the railway connecting the coal port of Gijon to the main railway network through Leon (thereby servicing the Asturias where 70% of Spain's coal extraction takes place), improvements to main roads linking north-west Spain with France and Portugal, the Mediterranean coast with the south of France and construction of the Cordoba by-pass.

EIB lending in support of infrastructural investment also went to port improvements involving the construction of a new bulk cargo quay at Cadiz harbour and breakwaters at Santa Cruz de Tenerife harbour. Global loans (i.e. basically lines of credit) to Banco de Crédito Local de España provided financing for small and medium-scale infrastructural investment undertaken by local authorities in the less developed regions, while a global loan to Junta de Andalucía assisted the implementation of 250 small infrastructural schemes in the region (improvements to the main and rural road networks, rural electrification, solid waste disposal works and tourist accommodation).

#### Industrial investment

After a long period of policies directed towards self-sufficiency, which led to slow growth and low productivity, Spanish industry began to move towards an outward-looking strategy in the 1960's and early 1970's. Circumstances, at the time, were favourable to industrial growth owing to a good international

economic climate, population movements from rural areas which provided an abundant supply of labour, increased urbanisation which created a domestic market for more sophisticated goods and fiscal incentives which promoted industrial modernisation and exports.

The combination of these factors resulted in a rapid expansion of industrial output and a high rate of investment up to the time of the oil price crises in the 1970's. Afterwards, many of the previously favourable factors changed and industrial growth became barely positive. Investment in the industrial sector slumped, while rising labour costs and increased international competition (especially in some of the sectors which had earlier led industrial expansion) created considerable strains for Spanish industry.

The years of rapid industrial growth had shaped the structure of Spanish industry and, apart from the heavy concentration in sectors now faced by either low world demand or increased international competition, had given it other characteristics which were to influence its future development. Large-scale enterprises emerged in only a limited number of sectors (chiefly those with foreign participation) and the vast majority of firms continued to be of a modest size, over 90% of industrial enterprises having fewer than 25 employees. Foreign firms had been attracted by a protected domestic market and various fiscal advantages and brought with them modern technology, but little research and development activity took place in Spain, resulting in a heavy dependence on imported technology and a low level of domestic R & D.

#### Loans from EIB and NCI resources in Spain: 1981 – 31 October 1987

ECU millions

Sector	EIB resources	NCI resources	Total
<b>Energy</b>	<b>122.3</b>	–	<b>122.3</b>
Production	100.0		100.0
Transmission, Storage, Supply	22.3		22.3
<b>Infrastructure</b>	<b>566.6</b>	–	<b>566.6</b>
Transport	418.0		418.0
Other infrastructure	40.3		40.3
Global loans	108.3		108.3
<b>Industry</b>	<b>393.4</b>	<b>124.9</b>	<b>518.3</b>
Individual loans	66.7	–	66.7
Global loans	326.7	124.9	451.6
<b>Total</b>	<b>1 082.3</b>	<b>124.9</b>	<b>1 207.2</b>

EIB finance in the industrial and services sectors, during the period 1981-1985, was directed into supporting investment by small and medium-sized enterprises, particularly in the less developed regions of Spain. A total of 185 million ECUs was made available in the form of global loans to Banco de Crédito Industrial and Banco Hipotecario de España for this purpose.

## Energy

Spain's indigenous energy resources include coal, hydro-electricity, a small amount of oil and gas and significant uranium deposits. In 1983, local supply satisfied 35% of total primary energy demand and energy accounted for 40% of all imports. Oil had reached a level of 67% of total energy consumption by 1980, so that the oil price shocks of the 1970's made it imperative for Spain to take a systematic approach to planning in the energy sector. The 1983 National Energy Plan (NEP) aimed at making the sector more responsive to market demand, developing a more rational organisational structure and improving efficiency in the use of energy.

On the demand side, financial incentives are provided to encourage a more rational and effective use of energy in industry; on the supply side, the aim is

to diversify Spanish energy sources and develop domestic resources, so that domestic production can satisfy 46% of total consumption by 1992.

EIB financing in the energy sector has been in line with the objectives laid down in the National Energy Plan. One of the first EIB operations in Spain, in 1981, was a global loan to help finance the conversion of cement plants from oil- to coal-firing. This was followed, in 1982, by loans to assist energy saving through the modernisation of Escombreras refinery near Cartagena and the replacement of a kiln at the Llodio glass-works, south of Bilbao. Also during the pre-accession period, finance went towards the construction of the pumped-storage hydro-electric complexes of Moralets (on the upper Noguera Ribagorzana in the eastern Pyrenees) and Cortes-La Muela (on the Jucar river, south-west of Valencia), towards the development of the Gaviota off-shore gas field (off Cape Machichaco, near Bilbao) and for the laying of a 130 km gas line between the Serrablo natural gas deposit in the Pyrenees (Huesca) and Zaragoza, to connect with the Barcelona-Vascongades mains. Global loan finance was made available, through Banco de Crédito Industrial, to support small and medium-scale schemes promoting a more rational use of energy in industry.

## EIB lending 1986-1987

Spain's accession to the Community in 1986 removed lending ceilings for the EIB and, from January 1986 to October 1987, loans totalling 658 million ECUs (i.e. more than the pre-accession total for five years) contributed towards the financing of Spanish investment in the sectors of infrastructure, industry and energy.

A notable feature of EIB lending in Spain in 1986-1987 is the diversification of borrowers. During the pre-accession period, the Bank's biggest clients were State-owned entities; since 1986, the range of borrowers has been widened to include private companies, private banks and the Autonomous Regions.

It was, therefore, in the productive sector, that EIB lending showed the greatest expansion after Spanish accession. Loans totalling 310 million ECUs helped finance small and larger scale industrial (and agro-industrial) investment throughout the country. A total of 52.7 million ECUs went to projects in the motor vehicle industry (construction of a factory producing car windows at Sagunto, near Valencia, and modernisation of two automobile plant, at Vigo and near Madrid). A further 10 million ECUs assisted modernisation and improvements to telecommunications equipment factories at Algeciras (Andalucía), la Coruna (Galicia) and Madrid.

## European University Institute: The EIB awards two scholarships

The European Investment Bank's "Campilli and Formentini" scholarships for the academic year 1987/1988 have been awarded to Luigi Bosco and Friedrich Schneider. These scholarships, which are named after Pietro Campilli, the EIB's first President (1958-1959) and Paride Formentini, the Bank's second President (1959-1970), have been granted annually, since 1978, to students writing their doctoral theses at the European University Institute in Florence on economic topics relevant to the EIB's areas of operation.

Mr Bosco's thesis will examine macroeconomic interdependence and co-ordination of economic policy, with reference to the relations between Europe and the United States, while Mr Schneider's research is on the regulation of the banking sector, with special emphasis on comparing the banking systems of Germany and the United States.

The scholarships, which are currently worth FB 476 000 (about 11 000 ECUs), are administered by the European University Institute and are intended to cover the students' study costs and living expenses for the year.

Those interested in applying for the European Investment Bank's "Campilli and Formentini" scholarships should contact the European University Institute at the following address:

Badia-Fiesolana  
Via dei Roccettini 9  
I-50016 San Domenico di Fiesole (FI)  
Telephone: (055) 477931

Investment by small and medium-sized industrial and agro-industrial enterprises throughout the country was financed through global loans, drawn on both EIB and New Community Instrument resources. These smaller-scale investments covered industrial modernisation and tourism in less-developed regions, agro-industrial ventures everywhere and industrial and related service investments in the industrialised areas. For the first time in Spain, funds were also made available through specialised intermediaries belonging to large private banking groups for the leasing of machinery, equipment and other materials to assist the expansion and modernisation of small and medium-sized industrial and related service enterprises throughout the country (tourism ventures in the less developed regions would also qualify).

The improvement of road and rail communications drew loans totalling 251.1 million ECUs and involved: works on the main rail connections between Andalucía and Madrid (including doubling of track between Lora and Cordoba, upgrading of the section Madrid-Linares and electrification of the Hueneja-Al-

meria line); improvements to the two main international lines across Spain to Portugal and France (from Fuentes de Onoro, through Burgos, to Irun and from Valencia de Alcantara, through Madrid and Barcelona, to Port Bou); works on the rail axis linking Galicia and Catalonia (including upgrading of 118 km of track and the installation of centrally-controlled signalling on 191 km, between Miraflores and Mora la Nova); road-widening and by-pass construction on sections (totalling 216 km) of the Madrid-Burgos, Madrid-Zaragoza and Burgos-Fuentes de Onoro highways and on sections (120 km) of the N-IV highway connecting Madrid with main towns (e.g. Cadiz, Seville, Cordoba) in Andalusia; and construction of a bridge on the Guadiana river near Ayamonte, linking Portugal

with South-West Spain. A further 23.3 million ECUs will help finance the construction of five dams on the middle and lower stretches of the Guadiana river basin. The Bank also contributed to the financing of small infrastructural schemes, carried out by local authorities in the less-developed regions, through a global loan to Banco de Crédito Local de España.

Two loans made further contributions to the construction of the Cortes-La Muela pumped storage hydro-electric complex and the port improvement works at Cadiz and Santa Cruz de Tenerife. Finance for investment in the energy sector also went towards the installation of a network of gaslines to supply the Basque country.

The correspondence between the investment needs of the Spanish economy and the objectives of the European Investment Bank has resulted in a flow of finance totalling 1 207.2 million ECUs for priority investment in Spain between 1981 and October 1987. Lending to the end of 1987 is expected to continue on this rising trend. The EIB was created to contribute to balanced and steady development in the Community and the Bank's operations in Spain have followed this principle, beginning with investment finance to facilitate the integration of the Spanish economy into the Community and continuing with support for investment which lays down the bases for long-term economic growth within the Community framework.

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## Eurotunnel moves forward

**Financing arrangements to back the construction of the Channel Tunnel have reached the final stage following the successful completion of the international syndication of a £5 billion equivalent credit facility for the project and the raising of the necessary equity capital. Eurotunnel's overall financing requirement has been to raise £1 billion equivalent in equity and £5 billion in bank credit. On the equity side, prior to the credit syndication, Eurotunnel had raised some £250 million under what is known as equity 1 and 2.**

Under the recent international syndication carried out by Eurotunnel and the Arranging Banks (Crédit Lyonnais, National Westminster, Banque Nationale de Paris, Midland Bank and Banque Indosuez) an additional 150 banks have now agreed to fund £2 billion equivalent of the credit. Earlier this year in August, 50 international banks agreed to underwrite the total credit facility and to fund £2 billion of it. This was followed in September by a Credit Agreement signed between the EIB and Eurotunnel to fund a further £1 billion equivalent. The international syndication now completes the debt financing arrangements.

The credit from the EIB and the syndicate banks was conditional on the completion of a further public issue of equity for the equivalent of £750 million. This issue, known as Equity 3, was underwritten by a group of financial institutions and banks before the public was invited to subscribe. Major construction work has already started on site at Sangatte in France, and Shakespeare Cliff and the Isle of Grain in the United Kingdom.

In conjunction with the EIB Credit Agreement, the EIB and the Arranging

Banks signed an agreement on the terms of the co-financing arrangements governing the EIB's participation in the syndicate credit. Under these co-financing arrangements, the EIB will provide primarily fixed-interest loans with a range of maturities of up to 25 years, a maturity in excess of the maximum of 18

years provided by the syndicate banks. The EIB loans will be secured by letters of credit from the syndicate until the successful completion of the project. Thereafter the EIB loans will be secured on the same basis as the syndicate loans.

The EIB agreements were signed on 7 September in Luxembourg by Mr Ernst-Günther Bröder, President of the European Investment Bank, Mr André Bénard and Mr Alastair Morton, Co-Chairmen of Eurotunnel, Mr Bernard Thiolon, Directeur général of Crédit Lyonnais, Lord Boardman, Chairman of National Westminster Bank, Mr J.H. Wahl, Direc-

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## EIB financing facilities outside the EEC

Outside the European Community the EIB finances capital investment projects in 66 African, Caribbean and Pacific (ACP) states within the framework of the Third Lomé Convention, and in 12 Mediterranean countries under Financial Protocols concluded as part of broader bilateral co-operation agreements with the EEC. In these countries the EIB's expertise in project financing is called on to assist in the implementation of the Community's development co-operation policy.

Details of how the EIB operates in the Mediterranean region are explained in a new EIB booklet **Financing Facilities under the Mediterranean Agreements**.

Information on how the EIB operates in the ACP countries can be found in **Financing Facilities under the Third Lomé Convention** published last year.

Both booklets can be obtained free of charge from the EIB's headquarters in Luxembourg or from one of the addresses to be found on the back page of this issue of "EIB-Information".

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teur général of Banque Nationale de Paris, Sir Kit McMahon, Chairman and Chief Executive of Midland Bank, and Mr Antoine Jeancourt-Galignani, Vice-Chairman and Chief Executive of Banque Indosuez.

In a joint statement, Lord Boardman, speaking for the Arranging Banks, and Mr Bröder expressed their satisfaction with the way Eurotunnel was progressing. The EIB's £1 billion, they said, was a significant support to successfully syndicating the Eurotunnel credit of £5 billion. The co-financing arrangement developed by the European Investment Bank and the banks for Eurotunnel was a possible example for future co-financings of other major European infrastructure projects which could contribute to

the economic development and prosperity of the European Community.

The EIB's Board of Directors' decision to lend the funds to the Eurotunnel project followed the Bank's own appraisal of the technical, economic and financial viability of the project. The EIB's finance for Eurotunnel, as the largest single source of funds for the project, reflects its view that the Channel Tunnel is of exceptional importance in the development of the Community's transport network.

The international syndication is the largest credit ever granted for a non-recourse project and the size of the syndicate is the biggest ever put together for a non-Sovereign financing.

## ECU

Below are the ECU's values in national currencies, as at 30 September 1987; these rates are applied to the fourth quarter in preparing financial statements and operational statistics of the Bank:

DM	2.07800	Bfrs	43.1259
£	0.693890	Lfrs	43.1259
Ffrs	6.91686	Dkr	7.98495
Lit	1 499.05	Dr	158.818
Fl	2.33827	IR£	0.774106
Ptas	137.874	Esc	163.619
		US\$	1.12965

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## Protection of Europe's cultural heritage

Contained within the territorial boundaries of the Community's twelve Member States is a rare cultural and architectural heritage, made up of unique sites, buildings and monuments of great historical value or exceptional quality. At first glance, the preservation of this heritage hardly seems to fall within the European Investment Bank's brief "to contribute towards the steady and balanced development of the Community through the provision of loans and guarantees for capital investment projects in all sectors of the economy". A closer look, however, shows that the Bank's investment financing (which must serve to increase economic productivity, or assist regional development, or be of common interest to several Member States or the Community as a whole) has no difficulty in taking in projects that involve the safeguarding of Europe's cultural heritage from deterioration or destruction.

In terms of Community common interest, the loss of these irreplaceable sites, buildings and monuments would be to the detriment of the Community as a whole. It is within this context that the EIB has provided loans to help finance the restoration of the Doges' Palace in Venice (as well as works of art in the palace) and for protection and restoration works at the archaeological sites of Pompeii, Herculaneum and Stabia.

There is also the aspect of regional development, a priority objective for the EIB. Throughout the Community, there are regions where economic development could depend largely on making the most of tourist potential. The conservation or restoration of cultural and architectural features would then also form part of a wider regional development programme. With this aim, EIB finance went towards the establishment of a museum on the island of Milos (in the Cyclades), an investment which not only supported Greek efforts to preserve archaeological treasures, but also helped to increase tourism which is one of the mainstays of the local economy. (The same economic benefit is derived from the works undertaken at Pompeii, Herculaneum and Stabia, which are located in less developed southern Italy). Other examples of such "double-purpose" projects, which the Bank has helped finance, are restoration of part of the old historical centre of Bari, in southern Italy and renovations to the Albert Dock Warehouse, in Liverpool, to house sections of the Merseyside Maritime Museum.

The latest EIB loan for this kind of project concerns restoration works at Dublin Castle and the construction of new conference facilities, so safeguarding one of Ireland's most important historical buildings (with origins dating back to the Viking period) and developing to the full its tourist potential.

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