

BULLETIN

NORDIC INVESTMENT BANK • DECEMBER 2001

Green power in the Nordic region

NIB celebrated 25th
anniversary

Infrastructure
improvement
in Lithuania



NIB invests in the environment



Mattias Uusikylä

A NEW FORUM OF cooperation has been established as part of the EU's Northern dimension, namely the Northern Dimension Environmental Partnership, NDEP. The goals of the partnership are to coordinate and streamline the financing of environmental investments with cross-border effects, above all in the Baltic Sea and Barent Sea regions. Through this partnership, international financial institutions, the European Commission, bilateral donors and transition economies are now taking a joint approach to important environmental projects.

In March 2001, NIB and Sweden, which at that time held the EU Presidency, initiated a meeting of heads of international financial institutions, i.e. the EIB, the EBRD, the World Bank, NIB and NEFCO. Representatives of the European Commission, Sweden, Finland and Belgium also attended this meeting held in Helsinki and hosted by NIB. The meeting resolved to establish an environmental partnership, the NDEP. A working group consisting of representatives of the IFI's and the EC, and chaired by the EBRD and Sweden was given the task of drafting a structure for the partnership. The working group's proposal received strong support upon its presentation at the June 2001 EU summit in Gothenburg, Sweden.

The NDEP's activities are headed by a steering group that decides which projects are to be given priority and coordinates the funding of projects.

The steering group also appoints a lead bank for each individual project. The EBRD, the EIB, NIB, the World Bank and the European Commission are permanently represented in the steering group.

NIB, elected to chair the steering group in its first year, called the first meeting in September 2001. At the invitation of the Swedish Ministry of Finance and the City of Stockholm, the meeting took place in the Stockholm City Hall, and was opened by the Swedish Minister of Finance Bosse Ringholm. In addition to

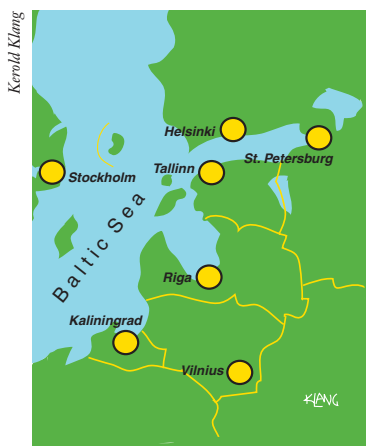
the permanent members of the steering group, representatives of the Russian Federation and NEFCO also attended the meeting.

Russia's active participation in the work of the NDEP is of the utmost importance for the environment of the Baltic Sea and Barent Sea regions. The presence of a Deputy Minister from the Russian Finance Ministry at the Stockholm meeting was a positive sign. The Russians are interested in cooperating on environmental projects in northwest Russia and the Kaliningrad region.

The NDEP will be involved in environmental projects that target sectors such as district heating, solid waste management, water purification, sewage treatment, and air pollution abatement. These kinds of projects are often expensive and complicated, as well as time-consuming. The results of this type of investment only become apparent in the longer term, for example, when distinct improvements are made in air quality. The Environmental Partnership aims to accelerate the implementation of environmental projects and facilitate their funding. Given effective coordination, the work of the partnership will lead to a distinct reduction of air pollution and other cross-border effects detrimental to the environment. The NDEP will help to bring about urgently needed environmental investments within the transitional economies of the Northern Dimension Area. This applies both to nuclear waste and to other environmental problems.

The initiative leading to the EU Northern Dimension came originally from Finnish Prime Minister Paavo Lipponen, in the autumn of 1997. The current environmental partnership can be seen as one of the most tangible results of that Finnish initiative. In the NDEP the Nordic countries and their neighbouring regions have an important channel for financing urgent environmental investments. NIB has been actively involved in the NDEP cooperation right from the start.

Jón Sigurðsson
November 2001



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BULLETIN

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Krenholm in Narva, Estonia, was one of the world's biggest textile concerns in the 19th century. Today it remains one of Estonia's foremost industrial export enterprises. NIB and other international banks are now committed to help Krenholm continue to develop.

Textile output growing in



A survivor of WWII, Krenholm is today a historic monument as well as a beacon of hope for the future.

AFTER ESTONIA GAINED independence in 1991, Krenholm no longer had access to the Soviet market. A couple of years later, it was on the brink of collapse. It lacked raw material, operating capital and any effective marketing. The government decided to privatise the company, and in 1995 it found an interested buyer in Swedish Borås Wärfveri AB. Lars Mauritzon, Borås Wärfveri's Group President, was appointed chairman of the board at Krenholm, a position he still holds today.

"Krenholm at that time was entirely production-oriented," says Mauritzon, "It had been controlled from Moscow, based its operations on annual production plans and had no regard for either quality or logistics."

UNDER SWEDISH MANAGEMENT, Krenholm has gone through a fascinating evolution. The mammoth enterprise was initially divided into a parent company and six subsidiaries. The subsidiaries were forced to, internally as well as externally, operate on commercial terms. Each subsidiary has its own board of directors. Borås Wärfveri acquired a controlling interest of 75 per cent of the parent company's share capital and votes; the Estonian government retained 25 per cent. Today, Borås Wärfveri is the sole owner of the company.

"The involvement of the Estonian government was important to us for political reasons. This is because Krenholm is located in what was then one of the politically most sensitive regions of Europe, on the Russian border," says Mauritzon.

In its agreement with the Estonian government, the company promised to employ a

minimum of 2,000 people and to invest at least EEK 20 million (equalling some EUR 1,3 million) over a three-year period.

Mauritzon continues, "Today we have 4,800 employees and technical investments of EEK 350 million. We have more than honoured our commitments."

SINCE BORÅS WÄRFVERI became principal owner in early 1995, turnover has more than doubled. It has risen from EEK 535 million to 1,240 million, even though personnel strength has declined somewhat. The average monthly wage has almost quadrupled and is now slightly higher than the regional average. As in many other countries, the textile industry is not wage leading in Estonia. Krenholm is one of the few companies in Estonia to sign a collective agreement. Mauritzon describes how the company assumes greater social responsibilities than the law requires, providing extra days holiday, health centres at every factory and biennial health examinations for every employee. The company also allows calls on sick employees; gives presents to employees who marry, have children or retire; runs summer camps for the employees' children; and arranges security for employees' house mortgages.

In January 2000, the World Bank, acting through the International Finance Corporation (IFC), granted a credit of EUR 25 million. NIB and the Nordic Environment Finance Corporation were also involved in the transaction. This was the last loan granted by NIB under the Baltic Investment Programme.

Estonia

Lauri Johnson, NIB's Baltic Regional Manager, describes textile manufacturing as one of Estonia's most important sectors for employment and exchange earnings. "This is a big sector in the Baltic countries and fits in well with their present stage of development. It was natural for NIB, working with the World Bank/IFC, to study the industry when we were approached by Krenholm's Swedish owner. We found that Krenholm, with the support given by its new owner, had made good progress. The company was operating at a profit and had the potential to meet new objectives."

THE AIM OF THE INVESTMENT is to make Krenholm more competitive. The goals are to include a higher proportion of upgraded products, reduce energy use, streamline operations to use the plant and infrastructure more efficiently, and improve its capital supply. Reduction of the use of steam and electrical power will also improve Krenholm's environmental performance.

Managing Director Meelis Virkebau says, "The investment loan from NIB has made it possible to construct a second garment factory for manufacturing more upgraded products. Next year, thanks to the credit, we will be able to establish a number of energy conservation measures. We'll change the lighting systems in three spinning mills and two weaving plants, and improve heat recovery. All new Western equipment is leaner than what we had in the old Soviet plant. Thanks to NIB we can invest for a much longer term than we could with our short-term cash flow."



Average monthly earnings have nearly quadrupled since 1995, when Borås Wärfveri became the principal owner.

Before Borås Wärfveri took over, Krenholm's sales were virtually confined to cheap raw fabric, some of which was exported to the USA. Today 90 per cent of sales go to the USA and Western Europe. The company's products are to be found in a growing number of areas – furnishing fabric, sheets, towelling and bathrobes. In the future, Krenholm will presumably start to build its own trademark.

ESTONIA'S LEADERS are very pleased with the advancements made by Borås Wärfveri. President Lennart Meri expressed his gratitude when he visited in the autumn of 2000. The Mayor of Narva, Imre Liiv, considers Krenholm important, not least as one of the city's biggest employers. The local taxes paid by its employees support the expansion of education, cultural amenities and health care. More than one quarter of the city's revenue comes from the company and its employees.

Imre Liiv says, "Above all, Krenholm is of great cultural and historical importance. The pride of Narva, the old city in Baroque style, was flattened during the war and the Town Hall is just about all that has been rebuilt. Krenholm survived. It is a monument to the past and a beacon for the future."

Andres Küng

NARVA TODAY

- Narva, with a population of 85,000, is the third largest city in Estonia.
- More than 95 per cent of the population is Russian speaking.
- In addition to the Krenholm textile plant, a furniture factory and two oil-shale-fired power stations are the city's biggest employers.

Economist Andres Küng is the author of more than 60 books, primarily on Baltic subjects. He lives in Sweden.



25 years of Nordic cooperation

When NIB was founded in 1976, its three primary goals were focused on the Nordic region: To increase the level of cooperation in the respective financial communities, improve the infrastructure and contribute to the internationalisation of Nordic companies. NIB's Chairman of the Board Bo Göran Eriksson opened the 25th anniversary festivities by saying, "We have succeeded far beyond our expectations!"

Speakers at the event, held on June 1 at the Finlandia Hall in Helsinki, included both NIB owners and financial experts. They touched on a range of topics that are reviewed on the following pages. Glimpses of the Bank's history are also presented.

NORTHERN DIMENSION A NATURAL FORUM FOR NIB

NIB can look back on a highly successful 25 years, said Prime Minister of Finland Paavo Lipponen at the Bank's anniversary celebration. He also described the vital role of the Bank in the future, as an essential player in ensuring a successful environmental partnership throughout the EU.

The establishment of the Nordic Investment Bank in 1976 took place against the background of the oil crisis, in a business environment where capital and the money market was regulated, and long-term capital was in short supply.

Lipponen said, "It was clear that the

Nordic countries had a common interest to stabilise our economies and promote business cooperation across national boundaries. NIB acquired the task of providing long-term capital and supporting the integration of Nordic business enterprise. Today, twenty-five years later, we can see that the Bank has amply fulfilled expectations."

THE WORLD HAS changed more rapidly than anyone could have foreseen. While Nordic integration was occurring, the focus of interest had shifted to markets

outside the Nordic area. Lipponen specifically mentioned the Baltic Investment Programme, inaugurated in 1992, and its developmental importance in the Baltic Sea region.

AS REGARDS THE future of NIB, he named a number of priorities, "Today it's natural for businesses to regard the Nordic area as a home market. In this area, NIB has supplemented other financing, especially for long-term projects of national economic importance. SME's are often the mainspring of the economy; this is a growth area where



Matti Uusikylä

During NIB's first quarter-century, the Nordic area has become a home market for business enterprise. In his jubilee address, Finnish Prime Minister Paavo Lipponen foresaw the Baltic Sea region as the next focal point. The photo shows him (second from the right) chatting with, from left, Ewald Nowotny, Vice President of the European Investment Bank, Bo Göran Eriksson, Chairman of the NIB Board of Directors, and NIB's President and CEO Jón Sigurðsson.

NIB can provide desirable added-value."

Lipponen described the role of technological development for NIB's future.

"Intellectual capital and knowledge-based industry are destined to eventually take over the role traditional industry has played. This applies to initiatives in the IT sector as well as to areas such as genetic research and biotechnology. These are both fields that can be significant to NIB's future role as a financier," said Lipponen.

Lipponen also stressed the importance of the Baltic Sea region. He said EU expansion will virtually transform the Baltic Sea to a

lake. While this development creates considerable potential for growth, it also poses challenges.

"The action plan for the Northern Dimension attaches great importance to measures of environmental improvement in the candidate countries and also in northwest Russia. The Environmental Partnership now being prepared is of pivotal importance, and NIB will undoubtedly have an important role to play in this area."

Lipponen named the southwestern wastewater treatment plant in St. Petersburg as particular proof that the Northern Dimen-

sion is actually working.

He urged the Bank to continue to adapt to changing circumstances when necessary.

"Nordic cooperation has been a central form of international partnership for almost fifty years for Finland. This cooperation is distinguished by preparedness and political determination to adapt to new conditions."

Lipponen believed NIB is in a good starting position, saying, "NIB has a sound financial position, strong political support, a well-established customer base and a highly competent personnel." ■

DISCUSSION ON THE FUTURE OF THE FINANCIAL SECTOR

Mergers and acquisitions absolute necessity

Never before has consolidation in the financial sector been so rapid as it is today. Judging by the discussion at the jubilee seminar on cross-border consolidation in the Northern European financial sector, this development can be expected to continue.

THE SEMINAR OPENED with speeches by Michael A. Carpenter, head of Citibank's Global Relationship Bank, and Thorleif Krarup, President and CEO of Nordea. Both banks have been involved in extensive mergers in the past few years.

Companies merge for many reasons, but in today's capital market there are no other options. The market is global.

As Carpenter put it, "If you aren't in globally, you're out."

This does not mean that everything in the finance market has to be viewed in a global perspective. For example, retail banking, insurance and smaller companies frequently operate in a geographically defined context. But the appropriate focal point for a financial analysis varies from case to case.

Carpenter said, "The distribution of financial services is becoming an increasingly important issue. There is a definite for customer control. Hopefully, the outcome of the battle will be a situation where banks, insurance agents and brokers are not competing for the same customers."

Carpenter described how Citibank had reached a point in 1997 where it had to choose between stagnating and positioning

itself as a niche bank, thus risking becoming marginalised, or acquire other companies to build a leading position in the big markets. Citibank opted for the latter course, and has now endured four major take-overs in three years, a very exacting process.

"Those takeovers involved difficulties I wouldn't wish on my worst enemy. We were forced to redesign our product completely," Carpenter commented.

Further consolidation is unavoidable in Carpenter's opinion. Consolidation is good for the customers, because it reduces costs.

THE TROUBLE WITH MERGERS and takeovers, as Carpenter saw it, is that they often occur without having been thoroughly considered from a strategic point of view and do not add any value for shareholders.

Carpenter's recipe for successful integration:

- Everyone in the organisations must be convinced of the strategic logic of the integration.
- Good communication is vital. Fifteen minutes after a takeover is announced,

the personnel wonder how the change will affect their jobs. There is an enormous need to communicate with customers and personnel.

- The new leadership should be selected immediately. Bosses should be chosen according to merit, not office politics.
- Complete all unpleasant tasks such as cutting jobs as quickly as possible.
- The differences between the merging companies' corporate cultures must be respected.

Matti Uusikylä



Michael A. Carpenter, Head of Citibank's Global Relationship Bank: "Communication is essential for a successful merger."

Thorleif Krarup noted that his own bank, Nordea, is the result of many mergers. There were several reasons for the latest merger, which has given the bank a presence in northern and northeast Europe.

Krarup explained, "Further organic growth was not possible. The bank needed a broader base in order to develop more advanced electronic services. There were synergies to be harvested. The Nordic area is regarded as one region by Europe, which makes it important for us to establish ourselves in the market as a Nordic bank."

The mergers have left Nordea with a customer base of approximately 10 million customers, making the organisation the twenty-second largest bank in Europe.

Krarup said, "This may not sound impressive, but it's important to be one of the top 25. It forces the analysts to watch our progress and include our shares in their portfolios."

NORDEA IS ALSO INTERESTING because of its nearly 2.5 million on-line customers.

"IT development is an important motive force in our sector," said Krarup. "It wasn't

always regarded as a production factor, but today it's an integral part of customer contact. The development of online services is essential, but it's expensive and not suitable for smaller players."

KRARUP MAINTAINED that Nordea's IT experience provides a definite advantage in the Nordic area. "We're also more customer-focused than our competitors, and much more so than competitors in other parts of Europe."

Krarup's suggestions for making a merger succeed:

- Present a clear vision and strategy.
- Install the new leadership quickly.
- Seek rapid profits: Act, ensure results and communicate.
- Take cultural differences seriously and manage them with a flexible management structure.

The mergers of recent years have taught Nordea that cross-border mergers raise many new issues. Banks, which by tradition have had a relatively straightforward structure, have been forced to find a more sophisticated way of working.

Experience has shown the importance of

adapting the legal structures to the commercial ones. If they can't be adapted, banking activities will not be able to be optimised. Krarup noted, in particular, the rules preventing the transmission of customer data between different countries represent one obstacle overcome.

In the discussion that followed, Björn Wahlroos, President and CEO of Finnish Sampo, also emphasised the importance of putting business logic first and of doing so in a long-term perspective.

"It's strategy that counts, not geography."

It can be good business logic for a Nordic bank to start an operation in North Germany, even if this is outside the existing Nordic framework.

Wahlroos believed the financial sector is in the first stages of mergers and consolidations, but it is important to develop electronic banking services.

"IT investments don't need to cost as much as people have said at this seminar," Wahlroos said. "You can do quite a lot on FIM 10 million."

BJØRN SKOGSTAD-AAMO, Director General of Kredittilsynet (The Banking, Insurance and Securities Commission of Norway), was sceptical of the benefit of big mergers.

"To be successful, you have to create relationships with customers on local levels. This is especially important in Norway, where we have a long tradition of treating everyone equally," he said.

In a panel discussion on the theme of 'small is beautiful,' Krarup declared it self-evident that one has to act locally. However, this does not alter the necessity of being globally active. Both approaches are needed. ■

In addition to Michael A. Carpenter, Thorleif Krarup and Björn Wahlroos, the panel included Halldor J. Kristjansson, Managing Director of Landsbanki Íslands and Björn Skogstad-Aamo, Kredittilsynet. NIB's President and CEO Jón Sigurðsson, chaired the panel.

Matias Unsicker



Nordea's President and CEO Thorleif Krarup: "IT knowledge and customer focus places Nordic banks ahead of the competition."

Matias Unsicker



Sampo's President and CEO Björn Wahlroos: "Business logic is crucial. It's the strategy that matters, not the geography."

JÓN SIGURÐSSON REVIEWED 25 SUCCESSFUL YEARS

Strong credit rating, favourable credit terms, great public benefit

"NORDIC INTEGRATION will continue. The Nordic countries have an important role to play in EU enlargement. The Baltic Sea region in the broad sense is already one of Europe's main growth centres. If the Nordic countries want to participate fully in these exciting developments, they have a useful common resource at their disposal in the Nordic Investment Bank."

This is how Jón Sigurðsson, President and CEO, summed up his jubilee overview of the Bank's activities.

NIB began with a simple business philosophy: Promotion of Nordic growth opportunities via long-term cross-border investments. A common Nordic financial institution would raise capital with long-term maturities and at favourable prices.

"These have proved to be the right ideas. The Bank has followed the internationalisation of Nordic industry. Today we are financing projects of mutual interest to the Nordic area, as well as to 33 borrower countries in other areas," said Jón Sigurðsson.

THE NORDIC INVESTMENT BANK has grown to an impressive size in the past 25 years. At the end of 2000, its assets totalled EUR 13.9 billion and its loan portfolio EUR 9.3 billion.

In addition to the lending facility made possible by the Bank's authorised capital, NIB has had special loan facilities at its disposal for Project Investment Loans (PIL) outside the Nordic area, for Baltic projects and for Environmental Investment Loans (MIL) in the neighbouring regions. Total lending capacity now stands at EUR 13.5 billion, of which 70 per cent has been utilised.



Matias Unsiökyllä

NIB won the top credit rating, AAA, from the leading credit rating agencies in 1982. In an overview of the Bank's activities, NIB's President and CEO Jón Sigurðsson said the rating is especially important during downturns.

NIB'S PROFITABILITY IS GOOD. The annual real return on equity between 1996 and 2000 averaged 8.5 per cent, which is 5.3 per cent higher than the average non-risk euro rate for the same period. A surplus of EUR 130 million was posted for 2000, and a dividend of EUR 39 million will be paid for 2001.

Jón Sigurðsson said, "In fact, NIB is the only international financial institution paying a regular dividend to its owners."

The Bank's Nordic lending statistics show the share of manufacturing industry to be relatively stable, accounting for roughly half of all disbursements. The relative share of the energy sector is diminishing. For the past five years it has been about 13 per cent of loans disbursed, but the absolute amounts remain high. Growing shares are noted for communications, retail trade and services.

NIB's latest decade has been dominated by environmental investments in the Nordic area and the neighbouring regions.

Jón Sigurðsson said this initiative has required patience and long preparation times, but is now starting to bear fruit.

The Bank has environmental procedures requiring environmental assessment of all credit applications. NIB does not participate in financing of projects that do not meet international environmental standards.

As part of its environmental profile, NIB has developed close cooperation with the Nordic environmental authorities and other international financial institutions.

REGARDING THE CREDIT FACILITY for environmental investments in the neighbouring regions, Jón Sigurðsson said this is now fully subscribed. The facility needs to be increased substantially to enable NIB to continue playing an active role in the Northern Dimension Environmental Partnership, NDEP. (More about the NDEP on pages 2 and 16.)

He said NIB already has a leading role in financing the first big environmental projects in northwest Russia, St. Petersburg and the Kola Peninsula, and that there is still much to accomplish in these areas.

NIB's strong capital base and good perfor-

mance already earned in 1982 a top credit rating, AAA, from the leading rating agencies Moody's and Standard & Poor's. The Bank has kept the rating ever since.

According to Jón Sigurðsson the great flexibility of NIB's funding and its policy of always searching for the best possibilities in the global capital market, has frequently led the Bank to enter new markets for its borrowing, such as Asia and Central and Eastern Europe.

TO STRENGTHEN ITS financial guidelines and risk management methods, NIB has established an independent risk management department and an autonomous back-office unit. Uniform quantitative risk grading and portfolio analysis of all the Bank's credit exposures have been introduced for lending and financial portfolios.

Jón Sigurðsson said that capital markets are undergoing a period of transformation. He said the liberalisation and deregulation affected by factors such as technological changes are in the process of forming a broad, deep common European capital market.

"This can have the effect of reducing NIB's added-value to some Nordic enterprises and, most importantly, can affect the very largest ones. However, there will continue to be gaps in capital supply for long-term projects of national importance and for SME's."

BY VIRTUE OF NIB'S AAA credit rating, the Bank's role of supplementing the Nordic commercial banks is particularly important during cyclical downturns.

"The operational base of Nordic lending activities plays an important part in the Bank's strong financial position. Our aim is to maintain a judicious balance between Nordic lending and the Bank's growing international activities." ■

Marius Uusikylä



Suvi-Anne Siimes, Minister at the Finnish Ministry of Finance said, "As Chairman of the Nordic Council of Ministers of Economy, I can assure you that the Nordic Investment Bank can count on continued strong political support from its owners."

OWNERS AGREE

NIB will focus on the Baltic countries, Russia and the environment

THE MAIN FOCUS OF ATTENTION should be on the Baltic countries and Eastern Europe said the Nordic finance ministers, commenting as representatives of NIB's owners on the role and future tasks of the Bank. They agree that much work needs to be done to benefit the environment.

Norwegian Minister of Finance Karl Eirik Schjøtt-Pedersen noted that the definition of "Nordic interest" has gradually expanded over the years. Although this change helped create new fields of activity for NIB, it has resulted in that the Bank has more competition.

To counteract unwanted competitive

effects, NIB should aim to supplement other credit sources. This can be achieved, for example, by granting loan facilities to local banks for SME finance.

Cooperation is also a key to current environmental initiatives in the Baltic countries and Russia through the EU's Northern Dimension.

"Considering the magnitude of the tasks that lie ahead of us in this area, we should welcome the international institutions that are also cooperating with the European Commission," said Schjøtt-Pedersen.

According to him, the Nordic countries have an important role to play in the deve-



Swedish Minister of Finance Bosse Ringholm said about NIB: “Perhaps the most important, most concrete result of economic and financial cooperation between the Nordic countries in recent decades.”

lopment of the Baltic region’s financial system and anti-pollution investments in the nickel plants of the Kola Peninsula.

“Modernisation of these facilities would mean a great deal for regional environment.” He said Norway gives the project high priority.

PERMANENT SECRETARY Michael Dithmer, representing the Danish Minister of Economy, Marianne Jelved, described how NIB and the European Investment Bank are working together.

“Cooperation between the two banks has developed fruitfully as regards, for example, cofinancing projects.”

According to Dithmer, NIB should prioritise its activities in the Baltic and the Barent regions. He’d like to see the Bank include this priority as part of its daily business in the next few years.

The environment and energy should be another focal area. In Dithmer’s view, NIB should now deploy its expertise on the environment and energy. NIB should also use its good relations with the neigh-

bouring areas to develop activities in these sectors.

“The Northern Dimension Environmental Partnership may require a heavy investment from NIB in the coming years, but it’s important for us to start dealing with the many environmental problems which have gone unnoticed for so many years.”

Icelandic Minister of Finance Geir Haarde said that NIB has adapted very successfully to changing conditions in the last few years in terms of market liberalisation, free movement of capital, globalisation, European integration, the fall of the Berlin Wall and the new configuration of national states in the Baltic region and Eastern Europe.

“Nordic involvement, partly through NIB, has clearly contributed to the build-up of a competitive business sector in these countries.”

He noted that the Bank’s activities are quite important for loan activities in Iceland, accounting for roughly 10 per cent of the country’s international borrowing.

Swedish Minister of Finance Bosse Ringholm called NIB “Perhaps the most important and most concrete result of economic and financial cooperation between the Nordic countries in recent decades.”

As he saw it, one important explanation for NIB’s success is the Bank’s capacity to continuously adapt its activities to changing requirements. Ringholm was convinced the speed of change will remain high.

Regarding the neighbouring areas, Ringholm mentioned Poland, “After considering the situation, NIB can grant loans to the Baltic countries as part of its regular lending. A similar change should be considered for lending to Poland, which does not involve any special risk.”

Ringholm pointed to NIB’s considerable knowledge of Russia and the Baltic Sea region. “An understanding of conditions in Russia is especially important in view of the EIB’s lack of lending experience in that country.”

Commenting on NIB’s resource utilisation, Ringholm said, “The Bank has accomplished its tasks with a relatively small work force, but it is clear that some of the tasks that lie ahead, such as the preparation of complicated environmental projects or the further development of specific sectorial competence, will require additional expertise. Therefore, a certain increase in spending can be acceptable.”

SUVI-ANNE SIIMES, Minister at the Finnish Ministry of Finance, noted in her concluding remarks that Nordic cooperation in the business sector has experienced an upswing since the late 1990s.

“This applies to the traditional manufacturing industry, banking, finance and telecommunication. This development is a source of strength for Nordic growth potential.”

Like her fellow-ministers, Suvi-Anne Siimes supported a concerted, coordinated effort to support EU candidate countries in the Baltic region as well as Russia. Siimes said it is essential that NDEP, as part of the Northern dimension, is successful. ■



President and CEO Jón Sigurðsson and master of ceremonies Ann-Kristin Schevelew welcome NIB guests.

An evening to remember

TO ROUND OFF NIB'S BIG DAY on 1st June, staff members, customers and associates gathered at the Helsinki Stock Exchange for a musical evening.

'Unlimited Entertainment' was the theme of the evening, with music by top-flight performers from several Nordic countries. Bass baritone Kristinn Sigmundsson and pianist Jónas Ingimundarson from Iceland, accordionist Maria Kalaniemi from Finland and, from Sweden, the Hej Kalle Orchestra with soloists Kalle Moreus and Viktoria Tolstoy all performed.

Ann-Kristin Schevelew was master of ceremonies. Guests also enjoyed a buffet and dancing to music by the Eije Oscarsson Quintet.

Matias Usickylä



Matias Usickylä



▲ Icelandic bass baritone Kristinn Sigmundsson opened the evening's musical programme.

◀ Swedish jazz with Viktoria Tolstoy.



NORDIC LENDING

NIB's FIRST CREDIT

The first loan application NIB received came from Icelandic Alloys. The partly state-owned company was building a plant with an output capacity of 50,000 tonnes of ferruginous quartz, used in steel manufacturing. This was a major Nordic project, organised on a project-financing basis. The Bank's participation, combined with export credits and commercial bank credits, was crucial to the realisation of the project. The credit granted by NIB totalled USD 38.6 million.



CEMENT PRODUCTION IN NORWAY

The first credit to Norwegian A/S Norcem, NOK 20 million, was granted in 1982 and helped finance the modernisation of a cement plant in Norway. The company wanted to use Danish fly ash in the production process. A new credit of NOK 60 million was granted in 1984, this time for Norcem to purchase shares in its Swedish associate Euroc. The two companies had worked closely together for a long time, particularly internationally.



CROSS-BORDER TAKE-OVERS

During the mid-1980s NIB's largest credit at that time, upwards of SEK 350 million, went to Finnish Outokumpu Oy for a major cross-border takeover; the acquisition of the Swedish company Gränges Metallverken. The merger resulted in a successful Finnish-Swedish joint project to manufacture copper and copper alloy products. The project signalled an important structuring of Nordic enterprise in the international market.



1976

1980

1985

1990

AFRICAN ENERGY PROJECT

NIB's first project investment loan (PIL) was signed with the Botswana Power Corporation. Totalling USD 15 million, it helped to finance a coal-fired power station at the Morupule coal mine near the town of Serowe. Several Nordic suppliers took part in the project, among them Denmark's Burmeister & Wain Energi, which delivered three boilers. The project, a positive example of infrastructure investment in a developing country, was cofinanced with the European Investment Bank and the World Bank.



ENVIRONMENTALLY FRIENDLY HYDROPOWER FOR INDIA

Towards the end of the 1980s, NIB signed an agreement worth SEK 420 million with the National Hydro Power Corporation (NHPC), to help finance the Uri hydro-power station in Kashmir in northwest India. A Nordic consortium consisting of Skanska, NCC, ABB, Sweco and Kvaerner Boving delivered a run-of-river plant. As the name implies, this type of plant does not need dam construction, resulting in reduced environmental impact. Instead the water is led through an underground tunnel. A large number of Nordic companies were subcontractors; NIB co-financed the project with the Swedish International Development Cooperation Agency (Sida), the Swedish Export Credit Corporation and Britain's Overseas Development Administration.



VENEZUELAN POWER PLANT

In eastern Venezuela, NIB financed a traditional hydroelectric station with a concrete gravity dam at Caruachi. The dam structure is 55 metres high and has a 238 sq. km reservoir. This is considered small in relation to the capacity generated, 2,160 MW, due to the abundant supply of water and the swift current (30,000 cu. m. per sec.). A consortium headed by Norwegian GE Energy (formerly Kvaerner A.S.) delivers the electro-mechanical equipment for the power station, which is due for commissioning in 2006 at the latest. In addition to the NIB credit of USD 60 million, the Nordic part of the financial package also includes export credits. The Inter-American Development Bank (IDB) is also one of the financiers.



INTERNATIONAL LENDING

MAJOR INFRASTRUCTURE PROJECT IN SWEDEN

The Arlanda Line, a direct rail link between Stockholm Central Station and Arlanda International Airport, was one of NIB's largest infrastructural projects of the 1990s. NIB's share of the credit to A-Train AB was SEK 500 million. Among other things, the project involved building 16 km of track to Arlanda, constructing new terminal buildings at the Arlanda airport and Stockholm Central Station, and purchasing rolling stock. The trains now run at fifteen-minute intervals between airport and station, with a guaranteed travel time of 20 minutes.



WIND POWER IN DENMARK

The years surrounding the turn of the millennium have witnessed a growth in NIB's lending to financial intermediaries for secondary loans to SMEs. The credit to Ringkjøbing Landbobank in Denmark is one such example. The



frame credit of DKK 75 million was granted for onlending to SMEs for financing projects of Nordic interest. The secondary loans have primarily helped finance wind power plants

and environmental investments in the agricultural sector. By financing wind power projects, NIB is helping to harness the Nordic area's own energy resources.

MILESTONES IN NIB's HISTORY

- 1975:** Agreement to found NIB. Authorised capital SDR 400 million.
- 1976:** Operations begin.
- 1980:** Regional loan facility established.
- 1982:** NIB awarded top credit rating AAA/Aaa. NIB's first Project Investment Loan (PIL).
- 1984:** Authorised capital doubles, to SDR 800 million.
- 1987:** Authorised capital doubles, to SDR 1,600 million. PIL facility raised to SDR 700 million.
- 1989:** Environmental investments in the Nordic area.
- 1992:** Inauguration of the Baltic Investment Programme (BIP).
- 1993:** The ECU established as NIB's accounting and capital currency. Authorised capital raised to ECU 2,809 million. Investments made in infrastructure.
- 1994:** PIL facility raised to ECU 2,000 million. PIL loans paid to the private sector for the first time.
- 1996:** The BIP is extended. NIB subscribes shares in Baltic investment banks.
- 1997:** New credit facility introduced, Environmental Investment Loans (MIL).
- 1998:** Authorised capital raised to ECU 4,000 million. PIL facility raised to ECU 3,300 million.
- 1999:** New agreement and new headquarters agreement acknowledges NIB's multilateral state. The euro established as NIB's accounting currency.
- 2001:** NIB joins the Northern Dimension Environmental Partnership, NDEP.

1995

2001

FLUE-GAS PURIFICATION AT POLISH COAL-FIRED POWER STATION

One of the biggest environmental projects in Europe right now is the modernisation of Poland's second-largest power station, the coal-fired Turów plant. Built in the 1960s with an output capacity of 2,000 MW, Turów was the biggest coal-fired generating plant in Europe. The goal of the modernising is to reduce sulphur dioxide emissions by 60 per cent before 2005. Among other things this will mean replacing boilers, turbines and generators as well as installing flue-gas purification facilities. NIB's share of the total financing for the state-owned Elektrownia Turów company is USD 150 million.



ENVIRONMENTAL CREDIT TO ESTONIA

NIB subscribed its first credit in the MIL environmental credit facility in 1999. The loan of 200 million Estonian crowns (EUR 13 million) helped the state-owned Eesti Energia power corporation finance important environmental investments in two oil-shale-fired power stations in Narva, eastern Estonia, and a gas and oil-fired power station at Iru, near Tallinn. These investments are expected to reduce sulphur dioxide emissions by 20,000 tonnes annually.



The investment programme also includes improvements to the national power distribution network.

NIB has granted two new credits for the project since 1999.

International envi

The inauguration of the Northern Dimension Environmental Partnership, NDEP, marks a new form of cooperation between international financial institutions.

A meeting of the NDEP steering group took place in Stockholm in mid-September 2001. The event was chaired and hosted by NIB and attended by the permanent steering group members the EIB, the EBRD, the World Bank Group, NIB and the European Commission. The purpose of the meeting was to draw up a list of important environmental projects that the NDEP can finance. Representatives of NEFCO and the Russian Finance Ministry were also present.

Swedish Minister of Finance Bosse Ringholm said that it was very gratifying that the Russian government was actively participating in this work and trying to help accelerate priority initiatives for the environment. He said cooperation under the NDEP would help speed up the mobilisation of resources and the implementation of environmental projects in the Baltic region.

The steering group discussed the allocation of tasks and the financial arrangements for individual projects. It also decided which environmental projects in the Northern Dimension Area, especially the Baltic and Barents regions, would have priority in the NDEP's operations. Northwest Russia, including the Kaliningrad region, was designated a priority region.

THE SOUTHWESTERN wastewater treatment plant in St. Petersburg will most likely be the first project to be financed through the Partnership.

The steering group decides which projects are to be financed and appoints a lead bank for each of them. In addition, the steering group will coordinate finances and how the different bodies in projects work jointly. The steering group has selected 13 priority projects in northwestern Russia, six of which NIB is leading.

One of the most important elements of the Partnership is a fund created to collect money from potential contributors who can help finance NDEP projects. Many environmental projects, especially in Russia, are only sustainable with the help of substantial donations. The European Commission is expected to play an important part as one of the biggest donors to the NDEP fund.

WORK WITHIN THE Partnership is advancing rapidly. In January 2002, the European Commission and the EBRD will be calling potential donors to a pledging conference to raise funds and secure the financing of several important NDEP projects.

The EU and the Nordic countries strong-

“It is gratifying that the Russian government is actively participating in this work.”

ly support working with the NDEP. In 2000, the EU Summit in Santa Maria da Feira, Portugal, approved an action programme for the Northern Dimension as part of the EU's foreign policy in northern Europe. In March 2001, during Sweden's EU Presidency, a meeting was convened at the initiative of Sweden and NIB to discuss the possibilities of supporting the realisation of the EU action programme for the Northern Dimension.

REPRESENTATIVES at the meeting, with other international financial institutions, resolved to draft a plan for establishing a partnership, the NDEP. The goal of the NDEP is to resolve the most pressing environmental problems within the Northern Dimension Area by reinforcing and co-ordinating the funding of environmental projects that have cross-border effects. The proposal was approved by the EU at its Gothenburg summit in June 2001, and the NDEP received strong support in connection with the EU Russian summit in October 2001. ■

EBRD

European Bank for Reconstruction and Development

EIB

European Investment Bank

HELCOM

Helsinki Commission, the Baltic Marine Environment Protection Commission

NDEP

Northern Dimension Environmental Partnership

NEFCO

Nordic Environment Finance Corporation

NDA

Northern Dimension Area

ronmental cooperation



Anders Lund

PILOT PROJECT: WASTEWATER PURIFICATION IN RUSSIA

NIB is actively involved in the Northern Dimension Environmental Partnership, NDEP, which has been inaugurated as part of the EU's Northern Dimension. The completion of St. Petersburg's southwest wastewater treatment plant is expected to be the first project to be funded by the NDEP's participants.

Construction work on the southwest wastewater treatment plant in St. Petersburg started in the 1980s, but was suspended for lack of funds. It is now hoped that the plant will be completed under NDEP auspices. International financial institutions such as the EBRD, the EIB, NIB and NEFCO, the European Commission, Sweden, Finland and Denmark are expected to help finance the project, through credits or donations. Other donors may also be involved.

It is essential that the project gets started. Currently, unprocessed sewage from a population of a million people is being dis-

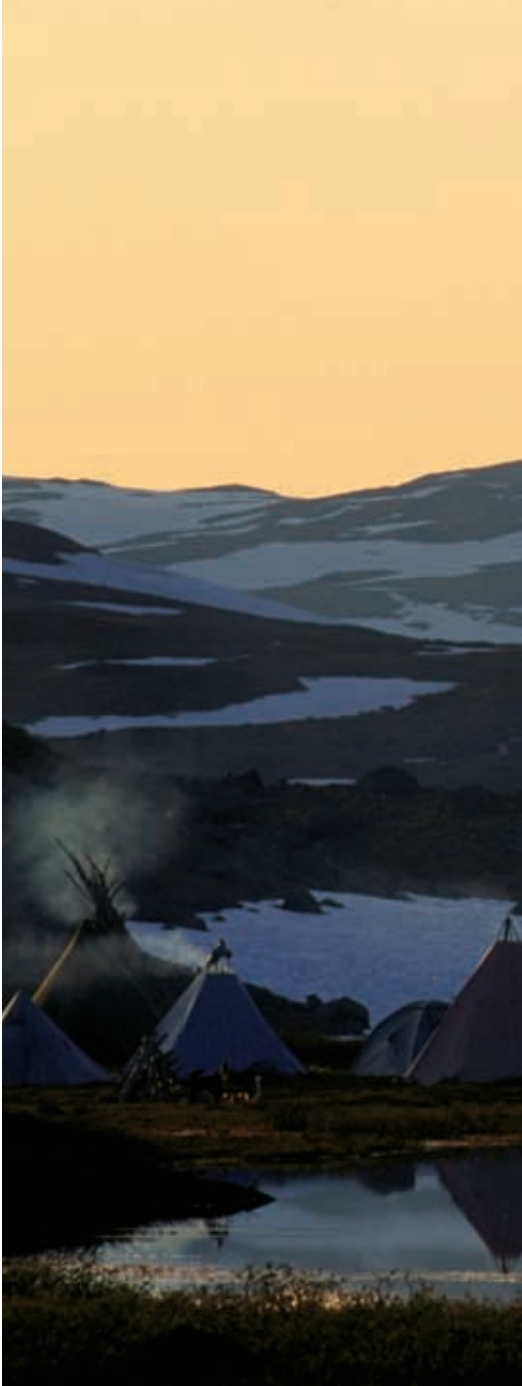
charged into the Gulf of Finland, which dramatically affects the water quality of the entire Baltic Sea. Most importantly, emissions of oxygen-consuming substances (BOD₅), nitrogen and phosphorus will be substantially reduced when the purification plant is working. Once it's running, the new plant will meet the HELCOM efficiency requirements.

Roughly one-fifth of the plant's concrete structures were completed in the 1990s. The current plan is for the plant to be completed on the basis of a PPP (Public-Private Partnership) model. This means a project company owned by the Nordic construction consortium, NEFCO and the St. Petersburg municipal water and sewage company Vodokanal will be in charge of project implementation. The total cost of the project is estimated at EUR 125 million. Work on the plant is planned to commence in early 2002, and aims to have the plant ready to open in 2004. ■

The St. Petersburg Southwestern Wastewater Treatment Plant will probably be the first project to be financed through the Environmental Partnership. Construction work on the plant began in the 1980s, but was suspended for lack of funding.



Kerold Kläng



KATE KÄRRBERG

Photographs by Käte Kärrberg of Lerum, Sweden, who specialises in the people and culture of the North, and Sami culture.

Her work has been exhibited at the Ethnographic Museum in Gothenburg and at the National Museum of Greenland in Nuuk.



The three Baltic countries have been rebuilding, renovating and restructuring their countries in the last ten years. International support and money has played an important role in the rebuilding project.

Lithuanian infrastructure undergoing constructive changes

STROLLING THROUGH the old parts of Vilnius, Lithuania, you admire the newly renovated, beautiful buildings. The country's infrastructure is also being restructured and developed at a rapid pace, as part of the preparation to join the EU.

NIB has played an active role in the development of the neighbouring areas to the Nordic region throughout the 1990s. The Baltic states have high priority, particularly when it concerns environmental and infrastructure development projects. In Lithuania, NIB has been supporting these kinds of projects through the Housing and Urban Development Foundation, HUDF.

Established in 1996 by the Lithuanian Ministry of Finance, HUDF is a state-owned financial intermediary that acts as an agency to ensure sustainable financing for municipal infrastructure development, housing, and energy efficiency improvement projects in the country.

Managing Director at HUDF Aloyzas Vitkauskas says, "These projects include improvement of the environment, energy efficiency, water supply and wastewater treatment, and solid waste management. One of HUDF's important tasks is assisting Lithuanian governmental or municipal institutions establish sound policies and promoting sustainable urban development."

THROUGH CREDIT LINES to the Foundation, NIB and the World Bank have participated in the financing of 200 school renovations in Lithuania. The schools are now healthier and more comfortable for pupils and teachers. Before the renovations, the indoor temperature could fall to +5°C; today the indoor temperature holds at +18°C. The asbestos in the roofs of the buildings has also been removed. New windows and doors and modern heating regulation systems contribute to a more pleasant classroom environment. The addition of new, efficient boilers in the buildings improves energy efficiency and reduces pollution emissions.

The school renovation projects have been worthwhile from both an infrastructure and environmental viewpoint. "The environmental as well as the socio-economic effects are important. The pupils learn the benefits of the renovations and can teach their parents how to save energy at home," says Vitkauskas.

The pilot projects have been highly successful. People are starting to care, which they should. Lithuanians pay up to 40 per cent of their salaries for energy. Although energy prices are on the same level as in the Nordic countries, the consumption is significantly higher in Lithuania. As energy





Lithuanian ambassador, Stockholm



Linda Hintze

A team of international experts and HUDF staff, a total of 22 people, support local communities in their efforts to improve the country's housing conditions and urban development.

efficiency is improved in private and public buildings, people need to learn how to use energy wisely and economically. Information is conveyed to the public in seminars and leaflets. In the near future, monthly energy costs for Lithuanians should be dramatically less than they are today.

NIB HAS ALSO participated in the financing of six water and wastewater treatment projects, and one solid waste management project. These projects are also accomplished via the Housing and Urban Development Foundation. NIB provided loans to complete the funding package of two important wastewater treatment plants in Lithuania, the Ignalina and the Trakai wastewater projects. Both projects are important from an infrastructure and environmental perspective, as well as for the country's EU accession.

The town of Ignalina is located in the eastern part of Lithuania, 110 km from the capital Vilnius and adjacent to the Aukštaitija National Park. The town's original wastewater treatment plant was old and did not meet effluent standards, which led to pollution in the local environment, including the environmentally sensitive region of the National Park. The goal of the Ignalina project is to replace the town's wastewater

treatment plant. The new plant is designed to cater for a population of 8,500 people served with an average capacity of 1,200 cubic metres per day.

"The plant will meet national effluent standards, the EU's Urban Wastewater Directive and the HELCOM standards. All this will contribute to Lithuania's accession to the European Union," says John Charlton, HUDF's Water and Environment Expert. The construction of the new plant will be completed in the autumn of 2001 when the treatment of wastewater according to effluent standards will commence.

A similar project is under construction 30 km west of Vilnius. The existing wastewater treatment plant in the town of Trakai is being rebuilt. When completed, it will service Trakai and the nearby town Lentvaris. Offering an average capacity of 2,200 cubic metres per day, the new plant is designed to serve about 20,000 people. It will meet the same national and HELCOM standards and EU directives as the Ignalina plant.

"The nearby Trakai National Park, with its environmentally sensitive system of lakes, will benefit from this project," says Charlton. "The improved water quality will ensure that watercourses and the groundwater will not become polluted."

NIB and IBRD have initiated an extensive institutional development programme in order to support the implementation of municipal infrastructure projects via HUDF. Bilateral aid contributors such as Denmark, Finland and Sweden provide some of the external financing for development programmes. With Nordic funding, experts from Denmark, Finland and Sweden work at HUDF providing their expertise in municipal financing, procurement, environment, and energy.

Vitkauskas says, "The joint approach works very well, for HUDF, the Lithuanian municipalities, for NIB and the other financial institutions involved in the projects. We believe we're making an important contribution to the well being of the Lithuanians. After all, they're the ones who're the actual endusers for all our projects." ■

NIB has an ongoing relationship with HUDF. In November 2001, NIB approved a credit line of EUR 30 million for Lithuanian municipalities to develop their infrastructure and environmental projects. The aim is for HUDF to function as a representative for the Lithuanian Ministry of Finance and oversee the management of each project.

Green power growing

World demand for energy continues to grow. The global emphasis is on environmentally friendly and renewable sources of energy. And energy should be produced as efficiently as possible and in a way that does as little damage as possible to the environment.

NIB aims to actively assist the development of alternative sources of energy by financing suitable projects. Finland is investing heavily to produce energy from biomass and Denmark has set its sites on wind power.

HEAVY WINDS AT SEA

THE WORLD'S BIGGEST offshore wind farm is due to be up and running in the summer of 2002. West of Blåvands Huk, in the Jutland area of Denmark, 80 wind turbines will be located 14 to 20 km offshore, in the North Sea. NIB is one of the financiers of this exciting energy project.

Jutland is the home of the Elsam power corporation and the Eltra transmission company. A few years ago they were one company, but following the deregulation of Denmark's power market they are separate companies with their own responsibilities. Elsam produces and sells electrical power. Eltra secures power supplies and ensures the transmission capacity and dependability of the Jutland and Fyen high voltage network.

Eltra is also responsible for network connections between Norway and Sweden.

Eltra and Elsam are jointly involved in a unique project since 1998. They are in the process of constructing the world's biggest offshore wind farm, Horns Rev, south of Jutland.

Denmark is a wind-powered country, 12 per cent of its electricity supply is generated by wind turbines. Compare this to Sweden, where the corresponding figure is roughly 0.3 per cent or Finland, where it is less than 0.1 per cent. Norway produces virtually no electrical energy from wind power.

Denmark is also the world's biggest exporter of wind turbines. There is a political explanation for this situation. Since the





André Masminkov, Pressens Bild



Paul-Jacob Vilhelmsen, Tech-wise

Pile-driving for the platform to house Eltra's transformer station at Horns Rev off the coast of Denmark. Drilling in the shipping lanes off Esbjerg was resumed at the beginning of October after several weeks' high winds and waves.

IT STARTED WITH THE OIL CRISIS

Denmark's development of renewable energy sources, wind power among them, gathered new speed a few years after the 1973 oil crisis. When the USA decided in the mid-1980s to focus on native, renewable and clean energy sources, Danish industry was able to provide mass-produced wind turbines. The substantial American commitment to wind power at this time did much to hasten its development in Denmark.

1980s, the Danish government has prioritised wind power, providing research support and guarantees to private investors. But there is also a geographic explanation: Denmark has favourable wind conditions and few natural windbreaks.

The Danish government's objective is for 50 per cent of the country's power consumption to be based on wind power by the year 2030. Today Denmark has 6,000 wind turbines and there is not much room for further expansion on the onshore. The government has therefore decided to construct five large wind farms. One advantage of offshore wind turbines is that they have 50 per cent more output, since winds tend to be

much stronger offshore than on-shore. These wind farms are pilot projects. If the experiment turns out well, the offshore wind power initiative will be expanded.

Eltra and Elsam have been commissioned by the Danish Ministry of Environment and Energy to construct two of the wind farms. The first is Horns Rev. Elsam is in charge of the construction and operation of the plant, Eltra for feeding the current into the national grid. This is where NIB comes in. A NIB loan of DKK 300 million has been granted to Eltra for construction of a grid connection cable and an offshore transformer. Elsam has been granted a loan of DKK 300 million to finance the wind farm.

Per Klaumann, NIB's Regional Manager for Denmark, says, "Our point of departure is our willingness to take part in financing projects that benefits the entire Nordic area. Ultimately, we would like to see the Nordic area self-sufficient in energy."

A total of 80 wind turbines with a combined output capacity of 160 MW will be working by the end of 2002. The cost of Horns Rev is estimated at DKK 2 billion, with Elsam providing 1.7 billion and Eltra 300 million.

"It's a gigantic project, but at the same time, it is fraught with risks. Placing wind turbines offshore on this scale is completely new. Weather conditions can be difficult, with heavy winds and very high waves, which means that safety aspects are important," says Flemming Thomsen, Elsam's Head of Wind Power.

HORNS REV WAS CHOSEN because it offers excellent wind conditions and the location of the farm will disturb as few people as possible. Additionally, Horns Rev is an area where fishing is infrequent and radio communication will not be interrupted. It is also essential that any area chosen as a wind farm must not be involved in military activities.

"In order to get maximal power from the wind, the turbines have to be at least 110 meters tall. They should also be located in water 5 to 15 meters deep, which makes Horns Rev the perfect site," says Flemming Thomsen.

The wind turbines will be 560 metres

apart. The total site measures 20 sq. km. The plan is for the wind turbines to be built from March to November 2002, and Elsam expects the first turbine to start generating in the summer of that year.

Careful checks are planned concerning the wind farm's environmental impact. Financial and technical performance will also be closely monitored.

"What is new about Horns Rev is that it will now be technically feasible to control the amount of current that the wind turbines generate. If we see that we don't need 160 MW, we can ask Elsam to generate 100 MW instead," says Per Andersen, Eltra's Head of Information.

Regulating electricity production is one of the present-day difficulties of wind power. Per Andersen explains that current can easily be wasted because winds can change so very quickly.

Horns Rev, in his opinion, will be Denmark's first wind farm worthy of the name.

"We have had wind turbines before, but Horns Rev will be the first large-scale wind power production."

THE CURRENT FROM the wind turbines will be transmitted by cable to the transformer platform that Eltra is planning on the edge of the wind farm. From there the current will be transferred to the coast, for

delivery into the national grid.

The NIB loan will also help finance the infrastructure of the power transmission network between Denmark and Sweden, which will make it easier to buy and sell electrical power in the Nordic area, among other things.

Örjan Hedblom, a handling officer with the Swedish Wind Power Association (SVWF) says Sweden is taking a very close interest in the Danish wind power project.

"Local residents in Denmark are often shareholders in wind power stations. This is financially advantageous to them, because they don't have to pay tax on their full profit, and as owners they receive a guaranteed payment for every kWh produced."

Hedblom says, "Historically speaking, high costs have been the principal difficulty where wind power is concerned, but the cost of production keeps falling. Today wind power is competitive. Electrical energy from a wind farm today costs no more to produce than power from other newly constructed generating facilities. And internationally, wind power is growing faster than any other kind of energy where new production of electricity is concerned." Örjan Hedblom would like to see the other Nordic countries following Denmark's example of commitment to wind power.

AS REGARDS THE FUTURE of wind power in Denmark, Per Andersen expects to see more wind farms offshore.

"I think many of the onshore turbines are going to disappear. A lot of them are small and inefficient. The government will probably choose to make investment in offshore wind turbines economically interesting."

Flemming Thomsen believes that the trend is in favour of larger wind turbines, and that the next generation will be a good deal bigger than those of Horns Rev.

"Sure, electricity produced via wind power is expensive. But if Denmark wants to reduce carbon dioxide emissions, then wind power is the cheapest way to achieve that goal," say Per Andersen and Flemming Thomsen. ■

Eighty wind turbines will be completed by the end of 2002.

DANISH WIND POWER – FACTS AND FIGURES

- Denmark has over 6,000 wind turbines, nearly all of them onshore. Only 40 are offshore.
- There are many ageing wind turbines all over the country with no more than 100 kW capacity. The biggest onshore wind turbines in Denmark today have ratings of 2,000 kW. That kind of turbine has an annual output of roughly 5.3 million kWh, which is enough to supply electricity to 1,900 flats or to 365 electrically heated houses. The gross cost of such a turbine is about DKK 18 million.
- A wind turbine has an estimated service life of 20 to 25 years.
- The blades on a 2,000 kW wind turbine rotate at about 19 rpm. Inside the generator, this is increased to 1,500 rpm.
- Wind farms in Denmark are built a minimum of 300 metres away from houses and buildings.

Elsam





One of the new facilities being built by Pohjolan Voima in the town of Jämsänkoski in central Finland.

NIB AND ENVIRONMENTALLY FRIENDLY PROJECTS:

Major Finnish investment in bioenergy

Finnish power company Pohjolan Voima is increasing its biomass facilities. The company is adding five new plants to the already existing four, putting Finland further ahead as the leading European nation in this field.

WHEN THE NEW wood and peat-fuelled power stations are commissioned, Finland's consumption of wood chips will double from the current figure of 700,000 cubic metres. The power stations being built are next to the large paper and pulp mills in the towns of Jakobstad, Kokkola, Jämsänkoski, Kuusankoski and Ristiina. However, the new power stations won't only fill the energy demands of forest industry. A new kind of joint project between the forest industry and power companies has resulted in the formation of joint companies. Various communities also play a pivotal role in the projects.

The sum being invested in the new Pohjolan Voima facilities is FIM 2.5 billion. NIB participates in the financing of four of these power stations, contributing a total of slightly more than half a billion FIM. The plants are expected to be commissioned by 2002 at the latest. Publicity concerning the new generation of power stations has primarily focused on Alholmens Kraft in Jakobstad. Its output of 240 MW makes it the biggest plant of its kind in the world, according to Senior Vice President Kauko Relander, who is in charge of Pohjolan Voima's fuel procurement.

Despite the magnitude of these projects, oil and nuclear power remain more impor-

tant sources of energy than wood, peat and hydropower. Kauko Relander says, "I think the energy sources are gratifyingly versatile. The same goes for Finland's energy policy."

THE MINISTRY OF TRADE AND INDUSTRY estimates that electricity demand in Finland will grow by 13 TWh by 2010. How that demand is met will, to a great extent, depend on the policy choices the EU and Finland make regarding energy and the environment. One important energy policy issue concerns a possible expansion of nuclear power. Pohjolan Voima and its subsidiary, Industrins Kraft, are campaigning. Pohjolan Voima's task is to produce and procure electricity and heat as cheaply as possible for its owners.

It is currently estimated that woodchip energy can fill a gap of 3 TWh between the anticipated electricity demand until 2010 and the anticipated supply. Finnish power companies can benefit from exporting energy from the biomass facilities. Kauko Relander says, "We know how to manufacture boilers and customise entire power stations, which enables us to export as well. For example, we're working with a major project in Milwaukee in the USA."

The company continues its research and development in the unceasing search for ►

THE NEW FACILITIES SUIT NIB

Concerning NIB's role as financier of biomass facilities, Assistant Regional Manager Asko Heilala says, "We want to be expressly involved in financing environmentally friendly energy projects using renewable energy sources."

In addition to the environmental aspects, the Bank also emphasises cost-efficiency. "It is very important that the energy should be as advantageous as possible for the customers." Heilala anticipates a very palpable growth of energy demand. "One has to be realistic and understand that the growing energy demand cannot be met entirely with bioenergy, for example. However, that form of energy can still account for a surprisingly large share of supply."

Heilala believes that NIB's forward-thinking in the area of energy was recognised when the Bank was selected as a financier for energy projects of the magnitude of these new biomass facilities.

“The energy sources are gratifyingly versatile. The same goes for Finland’s energy policy.”

new ways to produce energy. “One of the things we’re doing is investigating the possibilities of converting town fuel produced from dry refuse as well as municipal and industrial waste into gas. This can be burned with coal in the old coal-fired power generating plants. The first project for gasification plants has already started in the town of Vantaa, north of Helsinki,” says Kauko Relander. If 23 per cent of a coal-fired power station’s fuel input is replaced with gasified town fuel, emissions can be brought down to the same level as if the plants were running on natural gas.

Gaining acceptance for modern energy thinking in a large corporation like Pohjolan Voima isn’t easy.

Kauko Relander explains, “This is primarily because investments in the energy industry are very long term. We should be able to forecast what global energy needs will look like in 2030.” He admits that the Finns have failed to fully exploit the PR potential of the bioenergy projects. “If this project had happened in Sweden, all Europe would know about it,” he says.

Relander quotes a revealing example of Finnish modesty. He describes how a leading eurocrat in Brussels proudly pro-

claimed that Europe was already capable of manufacturing biomass boilers with an electricity output of 10 or 20 MW. “When I said we were making boilers with an output of 240 MW I had to show them our drawings before they’d believe me,” says Relander.

THE RENEWABLES PROGRAMME of the Ministry of Trade and Industry assumes that the use of chips in energy production can be raised to five million cubic metres annually. Kauko Relander believes that this can just about be achieved, as long as nothing in the forest is wasted – including knot wood, which is expensive and mainly gathered by hand, and comes to 1.5 million cubic metres.

For Pohjolan Voima the most profitable proportion is to build its biomass power stations close to paper and pulp mills. “The essential requirement is for collection and transport of the raw material which both the factory and the power station depend on to form part of the same logistical chain. Collecting the raw material more than 100 km away from the power station would be too expensive, because timber waste is so porous,” says Kauko Relander. He maintains that, technically speaking, wood and

peat are a very good energy combination.

“If the price of chips goes up, we can use more peat, and vice versa. The problem with peat is that it produces carbon dioxide when burned. For that reason, some people maintain that peat isn’t a real biofuel, just ‘a slowly renewable biofuel’.”

INCREASED USE of natural gas is often equated with wind and hydropower, bio-energy or refuse gasification. Kauko Relander says that natural gas is not a competitive raw material today, which is why Finland’s latest and technically most sophisticated natural gas plant has only been running for a few days this year. He says, “Things will change, of course, if a diminishing supply increases the price of electricity.”

Relander describes the present day situation in the energy sector, “In the mid-1970s, I moved from a labour market organisation to the energy industry. Energy in those days was a fairly tranquil industry, with its machines and turbines turning. Basic stability, dependability and continuity were the main considerations in those days. Instead we have perpetual movement now. We need to lead development and understand how the world situation will look in the future.” ■

UPM-KYMMENE OPTED FOR BIOENERGY

Four of the five new bioenergy plants are projects that are initiated by the giant forest industry undertaking UPM-Kymmene. The new power stations are being built in Jakobstad, Kokkola, Jämsänkoski, Kuusankoski and Ristiina. UPM-Kymmene controls 38 per cent of Pohjolan Voima.

Pertti Simola, UPM-Kymmene’s Energy Director, says that bioenergy cooperation between the two companies “has come very naturally.” The biomass facilities replace worn-out boilers. The new

facilities are also bigger than their precursors. UPM-Kymmene calls this a replacement investment programme. Pertti Simola says, “The technological leap from old to new is enormous.”

UPM-Kymmene’s main environmental objective is to increase its use of bio-energy and cut down on fossil fuel inputs. It is easy to support the use of bioenergy, because in terms of carbon dioxide emissions this production is a neutral form of energy. The company has estimated that another three power sta-

tions could be built within five or ten years to supplement those now under construction.

Simola says, “I know that a great deal more bark and chips could be collected and used in all industrial communities. We have very systematically developed methods for this process.” He sees signs of new attitudes from manufacturing plants and nearby urban communities to establish a cooperative approach to energy. He says, “The time is now ripe for that sort of cooperation.”

Loan for long-term power investments

A 30 million euro credit from NIB strengthens the financing of long-term investments made in recent years by the utility Trondheim Energiverk AS. The investments concern power production, district heat and distribution networks.

"WE HAVE BEEN FINANCING OUR investments with short-term credits," Arne Hovd, Finance Manager of Trondheim Energiverk, TEV, explains. "When we looked for long-term financing, NIB could offer us long-term credit on competitive terms. The NIB credit helps create a sensible financing structure and a good foundation for modernising and developing our operation."

TEV aims to become the power centre of central Norway in the Nordic market. The market has become fiercely competitive since Norway's deregulation in 1991, which has been followed by similar measures in the other Nordic countries. The vision demands investment at every level. Operations need to be streamlined and changes implemented. In addition, the company will invest in profitable projects and develop its range of products and services.

As part of this adjustment, TEV changed its structure in 1999. Today it is a group with subsidiaries that focuses on four core areas, hydropower, district heating, distribution and power sales.

"Hydropower and district heating enable us to produce environmentally friendly energy," says Arne Hovd.

HYDROPOWER PRODUCTION is done in 14 fully owned and five part-owned power stations. Most production is sold through NordPool, the Nordic power exchange, and the hydropower company is a leading player in the financial power market.

The group's district heating company produces and distributes waterborne energy to 4,000 households and 250 industrial



Mikal Sævi

The Moholt power station in Trondheim, Norway, owned by TEV. TEV is the biggest energy company in Mid-Norway and an important energy producer and energy distributor.

and other undertakings. Production, which is primarily based on refuse incineration and waste heat, recycles 92,000 tonnes of refuse annually from Trondheim and 16 neighbouring communities.

Power distribution is also handled by a separate subsidiary, and the power distribution company sells its own and outsourced electrical power to about 84,000 end customers.

THE HISTORY OF Trondheim Energiverk, TEV, goes back to 1890, when construction work began on the Øvre Leirfoss power station. The first turbine was started in the

autumn of 1901, and the company's power station began supplying electrical power to the railway and a few subscribers.

Much has happened during the intervening hundred years. TEV today is the biggest energy company in Mid-Norway. At national level, it is the seventh largest energy producer and sixth largest power distributor. Operations grew slowly to begin with. In the 1960s growth surged at a very healthy rate of six per cent annually until the mid-1980s. Electricity consumption today in the company's distribution area is six times the figure for 1960. ■

The Nordic Finance Group consists of four multilateral financial institutions whose goal it is to finance projects of Nordic interest. The institutions are located in the Nordic House in Helsinki.

SUPPORTING THE PRIVATE SECTOR



The Nordic Council of Ministers approved an amendment to the statutes of the Nordic Development Fund, NDF, in September 2001. The amendment allows NDF to support private sector activities in developing countries, without government guarantee.

The new private sector activities will become an integral, permanent part of NDF's operations and supplement the Fund's lending with government guarantee for the public sector.

Through its support to the private sector, NDF promotes economic and social development and poverty reduction in developing countries. The poor developing countries, especially in Africa, will have priority.

During a trial period from the mid-1990s until the end of 2000, NDF operated a facility, which enabled it to participate in private sector activities. In cooperation with Nordic enterprises, local partners, interna-

tional and Nordic development institutions, the Fund participated in the financing of several large infrastructure projects, venture capital funds and SME's. The



NDF participates in a telecommunications project in Uganda where 2000 public telephones are installed throughout the country.

modalities for the Fund's permanent activities in the private sector were based on experience gained during the trial period.

Considerable advantages can be gained, especially in the infrastructure sector, by combining the Fund's public sector lending with private sector financing. In addition to the financial contribution, borrowers can benefit from the Fund's experience of cooperation with multilateral financial institutions and national authorities in the borrower countries.

Financial support to SME's in developing countries will mainly be channelled through national and sub-regional development banks, and via participation in venture capital funds.

NDF's private sector activities will require that Nordic enterprises contribute to the projects in the form of equity capital, know-how and products. ■

www.ndf.fi

FINNISH HEALTH CARE IN ST. PETERSBURG



SCANFERT OY, a privately owned Finnish medical company, is extending its activities to St. Petersburg. Nopef, the Nordic Project Export Fund, helped finance a pilot study, which is the basis for investment decisions and financial solutions.

Founded in 1993, Scanfert Oy has clinics in Tampere and Turku in Finland. The company specialises in infertility treatment, urology and gynaecology. With Tohtoritalo Oy, a private hospital that offers general medicine, surgery and occupational health care, Scanfert Oy will now establish a med-

ical station in the heart of St. Petersburg.

The medical station will offer a wide spectrum of specialities: outpatient care, a laboratory, X-ray and ultrasound examination, and a hospital wing with three operating theatres and about 20 beds. It will be the first medical station in St. Petersburg to offer its clients such a comprehensive range of services. Activities will proceed in stages, starting with general medicine and paediatric services in November 2001.

Private health care is increasingly popular in St. Petersburg. Scanfert Oy is targeting companies and individuals who have medical insurance. The company has

established a joint approach with various insurance companies, with a view to attracting new groups of patients.

The investment will cover procurement of medical equipment, construction and repair work. These activities are being financed partly with Scanfert's own resources and partly with loans from the IFC (International Finance Corporation), Finnfund, Nordea, Finnvera and the International Moscow Bank. The main contractor has been selected locally in St. Petersburg. ■

www.nopef.com



The new programme will reduce agricultural run-off in the Baltic Sea.

CREDIT FOR A CLEANER INLAND SEA

NEFCO AGRICULTURE is one of the principal villains for eutrophication, the over-fertilisation of a body of water, of the Baltic area. The World Bank has established a vigorous action programme under the Global Environment Fund (GEF) to decrease the run-off from farming. Credits from NEFCO will help to improve fertiliser management and provide implements for environmentally appropriate planting.

The World Bank, which administers the GEF, has developed a comprehensive programme for identifying the most effective means of reducing agricultural run-off in the coastal regions on the eastern side of the Baltic Sea.

The initiative is expected to be highly effective in a region where these problems are above all due to lack of knowledge and resources for sustainable fertiliser management. The programme includes training and funding. During the training, a sustainable development plan will be developed for the individual farm. Funding goes to implementing activities and monitoring the results. Standardised design of fertiliser plants and a list of qualified local contractors will make it

easier to take the necessary steps. NEFCO will work with local agricultural advisory organisations in each of the Baltic countries, to support the preparation and undertaking of projects.

The programme will also have the effect of improving the individual farmer's quality of life. Liquid manure will not be able to infiltrate the soil and drinking wells, and less ammonia will be released into the atmosphere.

The project is being financed with donations from the GEF and credits from NEFCO. The NEFCO credit facility, with funds from the Nordic Environmental Development Fund (NMF), is expected to result in 20-25 investments in better fertiliser management and tools for environmentally appropriate planting depths to maximise plant nutrition uptake. The loans will make it easier to adapt to HELCOM's recommendations for managing plant nutrients and pesticides, and to the stricter legislation that is expected to come into force in the Baltic countries. ■

www.nefco.org

THE NORDIC FINANCE GROUP

THE NORDIC DEVELOPMENT FUND (NDF) grants long-term credits on concessional terms for high priority projects in developing countries. The Fund also provides loans to private sector projects. All projects must be in accordance with development aid policies of the Nordic countries.

THE NORDIC ENVIRONMENT FINANCE CORPORATION (NEFCO)

finances environmental projects in Central and Eastern Europe. Projects in the private sector and local government qualify. NEFCO works with equity investments as well as loans. In addition, NEFCO manages the Nordic Environmental Development Fund (NMF), through which the Nordic countries channel their financial support of urgent environmental projects in the neighbouring areas. NMF supplements the Nordic countries' national environmental support programmes.

THE NORDIC PROJECT EXPORT FUND (Nopef) promotes the internationalisation of Nordic enterprise by financing feasibility studies that are expected to lead to project deliveries or joint enterprises with Nordic participation.

THE NORDIC INVESTMENT BANK (NIB) finances projects both in and outside the Nordic countries. The Bank provides long-term loans to projects in the private and public sectors. Loans are granted on competitive market terms.
www.nib.int

SUPPORT FOR FEMALE ENTREPRENEURS

Through a loan facility of EUR 1 million NIB has been able to support women entrepreneurs in the Baltic countries. The loan facility has now been fully utilised and the response from participants is generally positive. A total of 44 projects in Estonia, Latvia and Lithuania were financed by the loan programme, which offered female entrepreneurs medium term loans for commercial projects.

NIB's Senior Vice President Siv Hellén presented the results of the loan programme at the Women and Democracy conference in Vilnius, in June 2001. She comments, "The programme has received a great deal of attention and we have gotten quite a bit of feedback. We are currently exploring the possibilities of how to continue the programme. Estonia has expressed definite interest in continuing, and with Lithuania we are discussing how to reach smaller companies in rural areas. In Russia there is also interest in a similar programme for female entrepreneurs."

NORWEGIAN FINANCIERS ON THE WEB

Now it is easier for Norwegian companies to find information on contacts, market surveys, exports, investments and start-ups. A number of Norwegian organisations joined forces in the spring of 2001 to launch www.midler.no.

The goal of the website is to provide essential information related to companies that are active in the area of international ventures. NIB, NEFCO, NDF and Nopef are participating in this joint project.



China enlists the aid of Nordic technology to develop its healthcare.

INTERNATIONAL LENDING

Healthcare a topical sector in China

NIB's Board of Directors granted a loan programme of USD 40 million to the Finance Ministry of the People's Republic of China to finance projects in the country's healthcare sector.

This is the first time NIB has granted a specifically sectorial loan programme to China. Nordic suppliers and the Chinese Finance Ministry have called for a special loan programme for the health sector for some time. China wants to utilise Nordic technology in its comprehensive plans for the development of health services, especially in the poorer, interior regions of the country.

NIB and the Chinese Finance Ministry have a longstanding relationship. The first loan programme was signed in 1990. The eighth general loan programme, worth USD 60 million, was signed in June 2001. Previous loan programmes have financed projects in such sectors as food manufacturing, paper, energy, telecommunication and healthcare.

With this loan programme for the health sector, NIB makes it possible for Chinese projects to be financed up to a total of USD 116 million. Loans generally range from USD 2 to USD 5 million, with a normal maturity of approximately 10 years.

RUSSIA PROJECT DRAMATICALLY REDUCES EMISSIONS

The Bank has signed an agreement on a loan of USD 30 million for financing pollution abatement measures and modernisation of nickel smelter plants in the Kola Peninsula. The investment, which totals approximately USD 93,5 million, is also financed with grants and assistance from

Norway and Sweden. Once the plants are modernised, emissions of sulphur dioxide and heavy metal particles will be reduced by 90 per cent. The current sulphur dioxide emissions from these nickel smelters are three times that of Sweden.



NEW E-MAIL ADDRESSES FOR NIB

NIB switched to a new e-mail address on 1st December 2001. The new domain address is **nib.int** (the old address ended in nib.fi).

New addresses:

www.nib.int

firstname.lastname@nib.int

info@nib.int

MAJOR ISSUE IN SWEDISH KRONOR

Pound sterling, Swedish kronor, Japanese yen and new Taiwanese dollars were the Bank's main borrowing currencies in the first eight months of 2001. Sterling bonds have been issued for the equivalent of EUR 722 million.

The Bank carried out a SEK 3 billion transaction, corresponding to EUR 326 million. This is the first liquid benchmark transaction to be issued by a supranational in Swedish kronor. ■



Eirik Brekke



Tore Emanuelsson



Henrik Michaelsen



Lars-Åke Olsson



Lars Synnes



Linda Hintze



Seija Ehanti



Aini Joensuu



Jouni Järvenpää



Tuija Raukola



Torben Vindeløv



Jani Poikkimäki

NEW APPOINTMENTS

THE OPERATIONAL DEPARTMENTS:

Eirik Brekke (N) has been appointed Deputy Regional Manager for Norway in the Bank's Nordic Department. He has previously worked for Kreditkassen, Oslo, and the Norwegian Focus Bank.

Tore Emanuelsson (S) has been appointed Manager in the Private Sector Unit of the International Department. He has worked for NIB earlier, but his most recent appointment was with Scania CV AB in Sweden.

Henrik Michaelsen (DK) has taken over as Deputy Regional Manager for Denmark in the Bank's Nordic Department. He comes most recently from Unibank in Copenhagen and is stationed at NIB's Copenhagen office.

Lars-Åke Olsson (S) has been appointed Senior Vice President of the Bank's International Department where he will continue to serve as Regional Manager for Latin America.

Lars Synnes (S) has accepted an appointment as Deputy Regional Manager for

Sweden in the Bank's Nordic Department. His last position was with Handelsbanken.

NEW STAFF FUNCTION MEMBERS:

Linda Hintze (FIN) has joined our Information Department as an Information Officer. She comes from the Institute for Corporate Competence Development of the Swedish School of Economics and Business Administration, Helsinki.

In the IT Department, **Seija Ehanti** (FIN) has taken over as Development Manager.

Aini Joensuu (FIN) and **Jouni Järvenpää** (FIN) have been engaged as System Managers and **Tuija Raukola** (FIN) as IT Specialist.

THE NORDIC FINANCE GROUP:

Torben Vindeløv (DK) has been appointed Senior Investment Manager with NEFCO. He comes from Danida and a posting in South Africa. Prior to that he worked for Nopef, NIB's and NEFCO's sister organization.

Jani Poikkimäki (FIN) has joined Nopef as a Project Manager specialising mainly in Swedish and Danish enterprises. He joins Nopef from SEB's London office.



This is NIB

The Nordic Investment Bank (NIB) finances private and public projects, which have high priority with the Nordic countries and the borrowers. NIB finances projects both within and outside the Nordic countries.

NIB is a multilateral financial institution owned by the five Nordic countries. The Bank operates in accordance with commercially sound banking principles. The mem-

ber countries appoint representatives to the Bank's Board of Directors and to its Control Committee.

The Bank's operations are controlled by an agreement between the Nordic countries as well as the Statutes connected with this agreement.

NIB offers its clients long-term loans and guarantees on competitive market terms. NIB acquires the funds to finance its lending

by borrowing on the international capital markets. NIB's bonds enjoy the highest possible credit rating, AAA/aaa, with the leading rating agencies Standard & Poor's and Moody's.

NIB has its headquarters in Helsinki and offices in Copenhagen, Oslo, Reykjavik, Stockholm and Singapore. The Bank has approximately 135 employees, recruited from all the five Nordic countries. ■

NIB'S FINANCING POSSIBILITIES

The Nordic Investment Bank grants loans and guarantees on commercial banking terms within and outside the Nordic countries for projects, which are of mutual interest for the Nordic countries, and for the borrower country. Loans and guarantees are granted to finance investments that assure energy supply, improve infrastructure or support research and development. High priority is also given to projects, which improve the environment in the Nordic countries and their neighbouring areas. NIB participates in the financing of foreign investments, which provide employment in the Nordic countries. NIB finances various international projects in emerging markets as well as within the OECD area. The Bank grants loans to projects that support economic development in the Nordic countries' neighbouring areas as well as to investments of mutual interest in various parts of the world.

In addition to loans, NIB also grants guarantees for projects that meet the Bank's conditions.

NORDIC LOANS

INVESTMENT LOANS

NIB offers medium-and long-term loans with maturities of 5 to 15 years. The loans are granted in various currencies at fixed or floating market-based interest rates, for up to half of the project's total cost. NIB finances projects in:

- The manufacturing sector, including investments in facilities and machinery,
- Infrastructure, including transportation, telecommunications, energy, water supply, sewerage and waste treatment,
- Environmental improvement, both in the private and the public sector,
- Research and development,
- Cross-border investments, such as mergers and corporate acquisitions,
- Foreign investments in the Nordic countries.

REGIONAL LOANS

Regional loans are granted to national, regional credit institutions for the further development of business in priority regions.

INTERNATIONAL LOANS

The core of NIB's international lending operations consists of project investment loans. These are long-term loans, up to 20 years, for projects in emerging markets in Asia, the Middle East, Central and Eastern Europe, Latin America as well as Africa.

Project investment loans are usually granted on a sovereign basis but may also be granted without a government guaran-

tee, particularly to private sector infrastructure investments. The loans are granted for up to half of the project's total cost. Project investment loans can be utilised to finance all types of project costs, including local costs. The loans are granted at market-based interest rates in a currency preferred by the customer. Project investment loans have been granted for projects in more than 40 countries. NIB can also provide loans to investments, including joint ventures and corporate acquisitions, within the OECD area.

THE NEIGHBOURING AREAS

NIB gives priority to the financing of public and private infrastructure and industrial investments in the neighbouring areas to the Nordic region. Further, NIB participates in the financing of projects in the Baltic countries through investment loans to companies, which are investing in the Baltic countries.

NIB is authorised to grant special environmental investment loans to public and private sector environmental projects in the neighbouring areas to the Nordic region, i.e. to Poland, the Kaliningrad area, Estonia, Latvia, Lithuania and northwest Russia (St. Petersburg, the Leningrad area, the Karelian Republic and the Barents region). The projects are to help in reducing environmental degradation, and thereby also in reducing cross-border pollution. The environmental investment loans are granted on the basis of commercial banking terms to governments, governmental authorities, institutions and companies. ■

Increasing investments in energy sector

The Nordic Investment Bank has good results to report for the first eight months of the year. Net interest income came to EUR 98 million as against EUR 94 million for the corresponding period last year. Profits for the period came to EUR 88 million (85). Total assets rose by 5 per cent, amounting to EUR 14.5 billion at end-period, compared with 13.8 billion at end-2000. Net liquidity at period-end reached EUR 3,421 million, compared with EUR 2,913 million at end-2000.

Much of NIB's borrowing programme was carried out during the first eight months of the year, as in the year 2000. During this period, NIB carried out new borrowing transactions in an amount equivalent to EUR 1,889 million, compared with EUR 1,288 million by the same time last year. The pound sterling, Swedish kronor, Japanese yen, and new Taiwanese dollar were NIB's most important borrowing currencies.

MORE LENDING TO THE ENERGY SECTOR

The demand for NIB's Nordic and international loans was greater during the first eight months of 2001 than during the cor-

responding period last year. Within the Bank's Nordic lending the energy sector has about one-third of all disbursements during the period in question. During the period, NIB financed several investments for bio-fuelled power stations and for the expansion of electricity transmission networks. Environmental investments in steel and metal production constitute the largest recipient group within the manufacturing industry, now NIB's second-largest sector.

Forty per cent of NIB's international loan disbursements went to the Baltic countries and Central and Eastern Europe, and 27 per cent to Asia. Several new lending programmes were also signed during the period under review, including NIB's eighth lending programme with China.

ENVIRONMENTAL COOPERATION

A number of important environmental projects are currently in the planning stage or being carried out in northwestern Russia. The operational focus is primarily water and wastewater treatment projects in St. Petersburg and Kaliningrad. NIB has been mandated to lead the structuring and implementa-

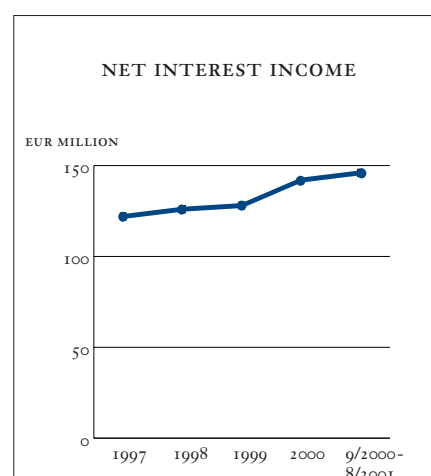
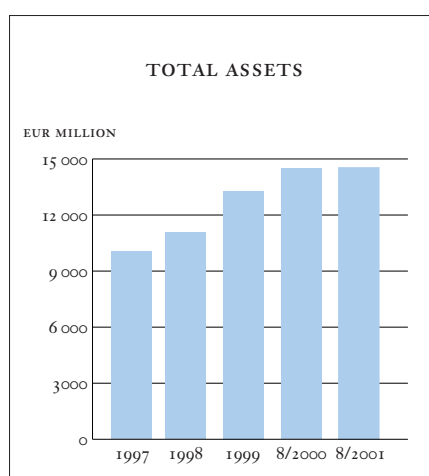
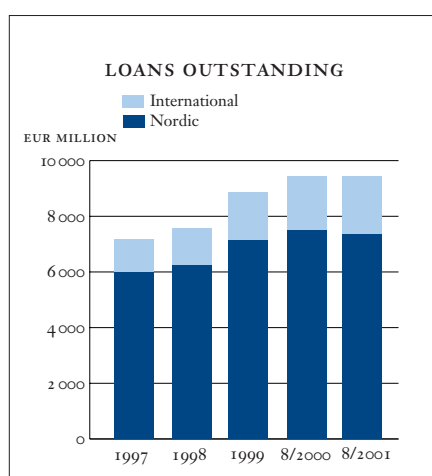
tion of the large South West Wastewater Treatment Plant in St. Petersburg.

NIB has approved a loan of USD 30 million for a project designed to modernise the nickel smelting works in Pechenga on the Kola peninsula. The project is part of an investment totalling about USD 93.5 million. Major contributions from Norway and Sweden will also support the financing of the project.

STABLE PROFITS

The quality of NIB's loan portfolio and that of its financial counterparties continues to be maintained at a high and stable level. During the period under review NIB made one loan loss provision in the amount of EUR 0.5 million, in respect of one loan. A provision for anticipated loan losses, which NIB made at end-2000, resulted during the first four months of 2001 in a realised loss, without any effect on profits.

The stable development in NIB's profits experienced during the first eight months of the year is expected to continue. ■



Bright future in fibre optic networks

Iceland is constantly strengthening its link with modern information society. Geographically isolated, it is firmly committed to the very latest information technology. Efficient connections with the outside world are essential and Icelanders want to be part of the latest technical developments.

THE LINA.NET COMPANY'S investments in a fibre optic cable network has a vital part to play in increasing Iceland's infrastructure as a modern information society. NIB has contributed ISK 200 million to financing fibre optic cables for the greater Reykjavik area.

Lina.net, established in 1999, builds and operates a carrier system for national and international connections. It offers telecommunication services, mainly data transmission and permanent Internet connections, in the capital and the largest communities.

Iceland has had a certain amount of foresight when it developed cable networks in and around the capital. The spare capacity created when Reykjavik Energi laid new cable pipes for its power distribution network a few years ago can be used by Lina.net today. The existing pipeline system is a great asset for the new venture, enabling Lina.net to lay new lines and create a network of fibre optic cables for the Reykjavik region in record time. The company now operates the IP Metropolitan Area Network, which partly uses the power distribution network as last mile solution.



Fibre optic cables transmit signals faster over greater distances than copper wires. Each optic cable contains 96 fibre strands.

Lina.net's Managing Director, Eirikur Bragason, says the company most likely set a new world record by laying 150 km cable in only six weeks.

Each cable contains 96 fibre threads or 48 pairs of lines. Signals travel through the cables, efficiently and in large quantities, in the form of light beams. Fibre optic cables have the same function as traditional copper wires, but allow faster transmission over longer distances.

LINA.NET'S MAIN CUSTOMERS are public institutions, universities and hospitals. Lina.net offers three last mile solutions to the fiber optical network, i.e. the conventional fiber connection, connection over the microwave network and also the con-



nection over the powerline grid. Using the broadband networks, households can subscribe to a variety of services, such as the Internet, music and video-on-demand.

EIRIKUR BRAGASON sees a bright future ahead of the company, "Internet use is growing all the time. There is also a market for other new services, and we want to be able to offer customers what they want. Our strength lies in a flexible organisation, speed and outsourcing. We can offer rapid installations through our subcontractors when the need arises, with systems of consistently high quality." ■