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# M Simoes, représentant de la municipalité de Lisbonne

- Député européen (Verts, France) - Économie - Banque européenne d'investissement - Auditions sur la Banque européenne d'investissement -



Publication date: mardi 23 novembre 2004

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**I would like to share with you an experience I had during the 90's, when I was deputy-mayor for planning & finance, related to a financial agreement negotiated with the EIB for the modernisation of Lisbon's road infrastructure.**

In the beginning of the last decade, the main road network was basically radial with an extremely insufficient capacity and flexibility to deal with a rapid increase of road traffic.

Even though Lisbon was a medium-sized town with 7 hundred thousand inhabitants, the car park grew from 2 hundred thousand vehicles, in '85, to 4 hundred thousands in nineteen ninety ; there were also 3 hundred eighty thousand cars entering daily into Lisbon and this traffic was increasing 36% each year.

The time spent daily in traffic congestions, the decrease of commercial speed for buses, the decrease of traffic safety and the fuel consumption represented a heavy charge for people living in Lisbon and for those living outside but working in the town.

On July '91 the Municipal Council approved a master plan for the next 10 years. Summarizing, that plan established :

- ▶ First, the reinforcement of radial roads capacity, through :
  - ▶ the construction of viaducts and tunnels in crossing areas ;
  - ▶ the removal of parking areas in these roads ;
  - ▶ upgrading existing arterial roads in order to create alternatives to radial roads.
  
- ▶ Second, the completion of two inside ring-roads planned in the 60's but never finished, in order to have a radial-concentric network.
  
- Third, the construction of car-parking areas, near the interfaces of railways, metro and bus stations in the periphery of Lisbon, at low prices for users, in order to create incentives for the use of public transports.
  
- ▶ And, finally, the construction of under-soil car-parking zones inside the first and second rings, with prices increasing with the proximity of the down-town zone.

At nowadays prices, this plan implied an investment of 500 M Euros during 10 years ; around 100 M Euros concerned first priority actions.

At the same time, the Municipality had to construct 20 thousand new flats for squatters - a program established with the Government, subsidized at 50 % by the national budget, with a very strict completion time - and also had to construct an interception conveyance tunnel alongside the river - which meant 17 kms in an urban environment -, in order to finish Lisbon's sewage system, also with a strict timetable, because 25% of the investment was financed by the FEDER.

So there were few financial means for the above mentioned road plan and the only solution was to get loans from the banking system. At that time there were legal restrictions, establishing that the debt service of each year couldn't be higher than 20% of the total investment of the previous year - and that meant that the capacity to contract new loans

depended, heavily, on the period of the loan and, of course, on the interest rate.

In '91 it was quite impossible, for municipalities, to get long term loans, even with collateral. The maximum term we could get were 5 years and the interest rates offered were around 16% - with an inflation rate of 8%. So, we had no solution.

Mid '92 we contacted the EIB and we were able to get a first approval in the same year, after presenting and discussing our plan. Afterwards we had a visit of a team of experts, and we could establish a frame-work where :

- ▶ first, the whole plan was considered a project and the individual works were considered subprojects ;
- ▶ second, the contracted loan would finance 50% of the plan's first priority actions ;
- ▶ third, the loan had a 20 years reimbursement period and a spread of 0,15% ;
- ▶ last but not least, it was flexible enough to contemplate the substitution of sub-projects.

The contract had a final approval and was signed in June '93, so the whole process, including getting a guarantee from the Portuguese State, took us a little less than a year.

During the first half of the contract's lifetime, things ran smoothly ; most of the projects were already completed and there was a complete change in the traffic situation in Lisbon. From my point of view, we were highly successful.

Finally, I would like to emphasize 2 points :

- ▶ First, the availability and flexibility from the EIB to consider an extensive intervention as a sole project. This was particularly useful because most of the sub-projects didn't have a sufficient dimension in order to be financed by the bank on an individual basis.
- ▶ Second, the possibility to substitute sub-projects. This was very important, because, while developing works in an urban environment, it was very difficult to control timetables of : acquisitions of land, construction of new flats for people living in buildings that had to be demolished, public discussions on environmental impact, and most importantly, sometimes one had to wait for court decisions, on the mentioned issues.