

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(87) 413 final

Brussels, 16 September 1987

Commission report to the Council and to Parliament  
on the borrowing and lending activities of the Community  
in 1986

COM(87) 413 final

Abbreviations and symbols used

Countries

|               |  |
|---------------|--|
| <b>B</b>      | Belgium  |
| <b>DK</b>     | Denmark  |
| <b>D</b>      | Federal Republic of Germany                                  |
| <b>E</b>      | Spain  |
| <b>GR</b>     | Greece   |
| <b>F</b>      | France   |
| <b>IRL</b>    | Ireland  |
| <b>I</b>      | Italy  |
| <b>L</b>      | Luxembourg   |
| <b>NL</b>     | The Netherlands  |
| <b>P</b>      | Portugal   |
| <b>UK</b>     | United Kingdom   |
| <b>EUR 10</b> | Total of the Member States of the European Community in 1985 |
| <b>EUR 9</b>  | Community in 1985 excluding Greece                           |
| <b>EUR 12</b> | Community  |

Currencies

|            |                        |
|------------|------------------------|
| <b>ECU</b> | European currency unit |
| <b>BFR</b> | Belgian franc          |
| <b>DKR</b> | Danish krone           |
| <b>DM</b>  | Deutschmark            |
| <b>DR</b>  | Greek drachma          |
| <b>ESC</b> | Portuguese escudo      |
| <b>FF</b>  | French franc           |
| <b>HFL</b> | Dutch guilder          |
| <b>IRL</b> | Irish pound (punt)     |
| <b>LIT</b> | Italian lira           |
| <b>LFR</b> | Luxembourg franc       |
| <b>PTA</b> | Spanish peseta         |
| <b>UKL</b> | Pound Sterling         |
| <b>USD</b> | US dollar              |
| <b>SFR</b> | Swiss franc            |
| <b>YEN</b> | Japanese yen           |
| <b>CAD</b> | Canadian dollar        |
| <b>ÖS</b>  | Austrian schilling     |

Other abbreviations

|           |  |
|-----------|--|
| ACP       | African, Caribbean and Pacific countries having signed the Lomé Convention |
| ECSC      | European Coal and Steel Community  |
| EDF       | European Development Fund  |
| EIB       | European Investment Bank   |
| EMCF      | European Monetary Cooperation Fund   |
| EMS       | European Monetary System   |
| ERDF      | European Regional Development Fund   |
| EURATOM   | European Atomic Energy Community   |
| EUROSTAT  | Statistical Office of the European Communities                             |
| GDP (GNP) | Gross domestic (national) product  |
| GFCF      | Gross fixed capital formation  |
| mio       | Million  |
| NCI       | New Community Instrument   |
| OCTs      | Overseas Countries and Territories   |
| OECD      | Organization for Economic Cooperation and Development                      |
| OPEC      | Organization of Petroleum Exporting Countries                              |
| SMEs      | Small and medium-sized enterprises   |
| SOEC      | Statistical Office of the European Communities                             |
| toe       | Tonne of oil equivalent  |

Contents

|  |    |
|--|----|
| Methodological comments  | 8  |
| Foreword   | 10 |
| 1. Financial change and Community financial engineering  | 12 |
| 1.1 Recent financial changes   | 12 |
| 1.2 The European dimension : the establishment of an<br>integrated financial market in the Community               | 15 |
| 1.3 The emergence of financial engineering   | 18 |
| 1.3.1 The tools  | 19 |
| 1.3.2 Application to large-scale infrastructure<br>projects of European interest                                   | 20 |
| 1.3.3 Other fields of application  | 24 |
| 2. Investment in the Community   | 27 |
| 2.1 Investment : a factor for growth   | 27 |
| 2.2 Investment in the Member States  | 28 |
| 2.3 The stimulus provided by industrial investment   | 32 |
| 3. Developments and decisions relating to the borrowing and<br>lending instruments in 1986                         | 34 |
| 3.1 The New Community Instrument (NCI)   | 34 |
| 3.2 Euratom  | 35 |
| 3.3 European Coal and Steel Community (ECSC)   | 35 |
| 3.4 European Investment Bank (EIB)   | 36 |
| Box : Financing intangible investment  | 38 |
| 4. Borrowing   | 42 |
| 4.1 Situation on capital markets in 1986   | 42 |
| 4.1.1 General  | 42 |
| 4.1.2 Currencies of borrowing and interest rates   | 43 |
| 4.2 Community borrowing in 1986  | 46 |
| Box : Operations under the Community loans mechanism<br>designed to support Member States' balances of<br>payments | 51 |

|  |    |
|--|----|
| 5. Lending   | 52 |
| 5.1 General  | 52 |
| 5.2 Sectoral breakdown   | 53 |
| 5.2.1 Productive sector  | 54 |
| 5.2.2 Infrastructure   | 55 |
| 5.2.3 Energy   | 55 |
| 5.3 Country breakdown  | 56 |
| 5.4 Employment effects   | 58 |
| <br>   |    |
| 6. Lending in the Community, by instrument   | 59 |
| 6.1 New Community Instrument (NCI)   | 59 |
| 6.1.1 General analysis of utilization  | 59 |
| 6.1.2 Country-by-country review  | 62 |
| Box : List of NCI loans 1986   | 64 |
| 6.2 European Investment Bank (EIB)   | 67 |
| 6.3 Euratom  | 70 |
| 6.4 European Coal and Steel Community (ECSC)   | 70 |
| 6.5 Interest subsidies   | 72 |
| <br>   |    |
| 7. Lending outside the Community   | 74 |
| 7.1 General  | 74 |
| 7.2 Loans to Mediterranean countries   | 74 |
| 7.3 Loans to African, Caribbean and Pacific States and<br>Overseas Countries and Territories | 76 |

LIST OF TABLES

|  |    |
|--|----|
|  | 30 |
| 1. Investment in the Community   |    |
| 2. Volume of capital raised on international markets, 1985-86                | 43 |
| 3. International bond issues, by currency                                    | 46 |
| 4. International bond issues, by geographical zone of issuer                 | 47 |
| 5. Trend of borrowing by Community institutions                              | 48 |
| 6. Community borrowing in 1986, by currency                                  | 50 |
| 7. Trend of lending in the Community   | 52 |
| 8. Lending in the Community in 1985 and 1986, by sector and<br>by instrument | 53 |
| 9. Geographical breakdown of lending in the Community in 1985<br>and 1986    | 57 |
| 10. NCI utilization  | 60 |
| 11. ECSC interest subsidies paid out in 1986                                 | 72 |

List of graphs

Graph 1 - Public sector yields on national markets

Graph 2 - Yields on international markets

Graph 3 - Trend of borrowing contracted by the European Community  
by instrument (1977-1986)

Graph 4 - Trend of lending in the Community by instrument (1977-1986)

Graph 5 - Breakdown of loans in the Community in 1986 by instrument  
and by sector

Graph 6 - Breakdown of NCI loans in 1986, by country and sector

Methodological comments

The ECU

The ECU is a 'basket-type' currency unit made up of specific amounts of Member States' currencies, determined mainly by reference to the size of each Member State's economy.

Since 17 September 1984 when the last periodic revision of the composition of the ECU took place and when the drachma was included, the amounts have been the following: BFR 3.71, LFR 0.14, HFL 0.256, DKR 0.219, DM 0.719, LIT 140, FF 1.31, UKL 0.0878, IRL 0.00871, DR 1.15.

A joint declaration annexed to the Act of Accession of Spain and Portugal provides that the peseta and the escudo may be included in the ECU at the request of the new Member States on the occasion of the first five-year review of the weighting of the currencies within the ECU (i.e. in 1989)

Value of the ECU at 31 December

|                       |          |
|-----------------------|----------|
| BFR/LFR (convertible) | 43.2325  |
| BFR/LFR (financial)   | 43.6928  |
| DM                    | 2.07610  |
| HFL                   | 2.24488  |
| UKL                   | 0.724942 |
| DKR                   | 7.86192  |
| FF                    | 6.87503  |
| LIT                   | 1446.19  |
| IRL                   | 0.764828 |
| DR                    | 148.526  |
| PTA                   | 141.151  |
| ESC                   | 156.382  |
| USD                   | 1.07038  |
| SFR                   | 1.73562  |
| Yen                   | 171.046  |



Balance between borrowing and lending

This report is not an accounting document concerned with depicting the financial balance over time between borrowing and lending for all the instruments examined. That purpose is served by specific documents such as the EIB annual report (together with its balance sheet and details of activities under the special section), the ECSC financial report and, as far as the NCI, EURATOM and Balance of payments facilities are concerned, Part II of the preliminary draft general budget of the European Communities, together with its Statistical annex II.

Generally speaking, the imbalance in this report between lending and borrowing is due to the following main factors:

- loans contracted during a particular year may give rise to payments, and thus entail borrowing, only in subsequent years;
- conversely, funds may need to be borrowed in a particular year in order to pay out loans contracted in previous years;
- movements in the cash position may produce a temporary increase or reduction in the funds available out of borrowings;
- lending and borrowing operations give rise to costs, premiums and discounts before settlement;
- the EIB and ECSC have sources of revenue which go into their cash holdings.

In addition, some of the discrepancies between the figures given in the different accounting documents are due to the special methodological features of certain instruments, including:

- (i) the dates on which operations are recorded;
- (ii) the periods for which interim sub-totals are calculated;
- (iii) the dates on which conversion into ECU takes place and therefore the conversion rates applied.

Foreword

This is the seventh comprehensive report drawn up by the Commission to provide the Council and Parliament with information on the Community's borrowing and lending activities. It covers the year 1985.

It was drawn up to meet the wishes expressed by Parliament on various occasions, and in particular in its resolution on improving political monitoring of the Community's borrowing and lending activities (1)

The report reviews all the borrowing and lending activities for structural purposes (i.e. excluding those intended to support the balance of payments of Member States) including those of the ECSC and the EIB(2). It thus fulfils the Commission's obligation to inform the Council and Parliament each year about:

- the activities of Euratom, in accordance with Article 4 of the Council Decision of 29 March 1977;(3)
- the activities of the NCI, in accordance with Article 6 of the Council Decision of 16 October 1978 (NCI I) (4), Article 6 of the Council Decision of 15 March 1982 (NCI II) (5) and Article 7 of the Council Decision of 19 April 1983 (NCI III) (6);
- the Community aid granted by way of exception for the reconstruction of the regions affected by the Italian earthquake in November 1980, in accordance with Article 7 of the Council Decision of 20 January 1981 (7);
- the Community aid granted by way of exception for the reconstruction of the regions affected by the Greek earthquakes in February/March 1981, in accordance with Article 7 of the Council Decision of 14 December 1981 (8).

Like the previous reports, this report, which covers the 1986 financial year, provides a complete picture of the borrowing and lending activities for structural purposes of the Community instruments within the European Community. It reviews not only the activities of Euratom and the NCI, but also those of the ECSC and, in brief, those of the EIB.

It also includes loans granted by the EIB in third countries from its own capital market borrowing and from the Community's budgetary resources. These loans concern the ACP States, the OCTs, and the Mediterranean countries linked to the Community through agreements establishing different forms of economic and/or financial cooperation (Maghreb and Mashreq countries, Israel, Cyprus, Malta, and Turkey).

The ECSC's financial report and the EIB's annual report will, of course, be sent to Parliament and the Council as before.

## 1. Financial change and Community financial engineering

### 1.1 Recent financial changes

For a number of years, western financial systems have been undergoing rapid and substantial changes. Although these changes vary in nature and intensity from one country to another, they nevertheless display some common features.

The explosive growth of financial markets, which is causing a decline intraditional bank intermediation, is illustrated by the growing volume of issues of negotiable securities and the contraction of bank lending. In the first half of the 1980s the volume of international loans fell to a quarter of the levels previously reached, declining from approximately USD 100.000 million to some USD 25.000 million per year. At the same time, issues of bonds and other securities quadrupled from USD 50.000 million to almost USD 200.000 million.

While this pattern no doubt reflects the decline since 1982 in traditional bank intermediation on behalf of the developing countries as a result of their debt crisis, securitization is also the result of the changing behaviour of non-financial operators-public and private borrowers and savers-in response to the changes in the economic environment.

The slowdown in growth resulting from the oil shocks has added to economic disequilibria and, given the growing burden of debt interest, has substantially increased public sector borrowing requirements. In order to cover those requirements while at the same time limiting the monetary financing of deficits, governments have had recourse to the securities markets at both the long end (bonds) and the short end (Treasury bills and certificates).

The adjustment measures which they have taken have brought into being restrictive monetary policies giving rise to high real interest rates. This rise in rates has led firms to reduce their debts by cutting their bank borrowing, to increase their equity capital and to make use of the securities market.

This trend has been encouraged by the public authorities, which have promoted capital increases through tax incentives or by opening up the share market to medium-sized companies. As a result, there has been a decline in firms' need for loan finance. The biggest companies, anxious to improve their debt management and to cut the cost of their new borrowing, have been led by the banks' intermediation spreads to tap the market directly. Their long-term financing requirements have been covered by bond issues and their short-term needs by the use of commercial paper.

Like that of borrowers, the behaviour of savers has changed. In many countries, the investment of savings in property and the loan demand which it generates, hampered by the high level of real interest rates, have declined in favour of financial investments. Savers have opted for products offering the highest rate of market-related return. Savings invested in shares, bonds or short-term instruments have thus grown as funds have been switched from demand deposit accounts or savings accounts. The virtually continuous fall in nominal rates, which has increased the yield on bond investments, and rising share market prices have underpinned this trend.

The growth of the markets has been accompanied by a growing diversification of financing instruments. A whole variety of securities has been added to traditional shares and bonds.

This trend towards financial innovation developed in response to increasing uncertainty about the economic environment, reflected in fluctuating inflation, interest and exchange rates. Most of the innovations have been motivated primarily by the desire to ensure that risks within the financial system are shared and covered, for borrowers but particularly for lenders and investors. This desire to improve risk division and liquidity led to the introduction of variable rates (first of all in bank lending and then on bond markets), the opening up-through convertible bonds or bonds with warrants attached -of opportunities for reviewable arbitrage between fixed and variable rates and between currencies, the development of short-term instruments (particularly commercial paper and "billets de trésorerie", the French variant) and the emergence of various other products (zero coupon bonds, non-voting shares, etc.).

This trend has been encouraged by national Treasuries, which have been intent on offering investors attractive investment products such as renewable and exchangeable bonds in France or Index-linked bonds in the United Kingdom.

Finally, one of the most striking aspects of the recent changes has been the decompartmentalization and growing integration of markets.

Decomartmentalization has a sectoral aspect in that it links up hitherto separate markets: shares and bonds, the short-term and the long-term sections, gilts and bank loans. It is reflected in the despecialization of financial intermediaries as a consequence of securitization, deregulation and competition. In an effort to diversify their activities, the commercial banks have moved into the securities market. Mergers with activity sectors with which they are henceforth in competition (brokerage, insurance) are being carried out and are giving rise to single units which provide loans for firms, undertake investment and look after cash management, thus offering almost the whole range of banking and financial services.

It is the geographical dimension of this decompartmentalization, however, which merits particular attention. The trend towards greater integration of markets is the result of the expansion of world output, trade, the international activities of firms and the opening up of domestic markets to foreign financial institutions. However, the vital catalyst has been the new information technologies. The advances which have boosted the capacity for and speed of processing and dissemination of financial information and altered clearing and settlement techniques have led to the establishment of an operating round the clock world market. By offering opportunities for instant arbitrage, the development of decision-making aids using micro computers has greatly increased transactions and the interlinking of markets.

1.2 The European dimension : the establishment of an integrated financial market in the Community

The Community cannot remain aloof from these major developments in the financial world. It must take part in the internationalization, globalization and innovation process affecting financial activities and derive the maximum benefit therefrom by creating at Community level a competitive and stable financial area which truly serves its economic development. The large internal market which the Community proposes to complete by 1992 as stated in the Single Act must be given its full financial dimension.

Continued progress must be made towards liberalizing capital movements if an integrated financial market is to be set up in the Community.

Two Council Directives adopted in 1960 and 1962, have hitherto formed the framework laying down Member States' obligations. They provide mainly for the liberalization of capital movements directly linked to the exercise of the other freedoms provided for in the Treaty (direct investments and personal capital movements linked to freedom of establishment and the free movement of workers, short- and medium-term credits linked to trade in goods and services) and the liberalization of the acquisition by residents of a Member State of securities (shares or bonds) issued in another Member State and dealt in on a stock exchange. The process of gradually liberalizing capital movements then became blocked. The situation even deteriorated in that many Member States took advantage of the safeguard clause provided by Article 108 §3 of the Treaty in the event of balance-of-payments difficulties to escape for long periods the liberalization obligations arising from the Directives.

In 1983, the Commission transmitted to the Council a communication on financial integration<sup>(9)</sup> with the intention of reviving Community discussion of the matter. To help achieve the large internal market, the liberalization of capital movements was subsequently made one of the priorities of Community action, with the Commission presenting a two-phase programme<sup>(10)</sup> to the Council on 23 May 1986.

The first phase consists of extending the scope of the liberalization obligation to all transactions most directly linked to the proper functioning of the common market or essential for the interlinking of national financial markets.

This phase was completed in November 1986 with the adoption of a new Directive<sup>(11)</sup> which extends the previous liberalization obligations to three new categories of capital movement :

- long-term credits (five years or more) related to commercial transactions or to the provision of services in which a resident is participating; only short- and medium-term credits were previously liberalized;
- the acquisition of securities not traded on a stock exchange (shares, bonds or units of collective investment undertakings);
- the admission of the securities of a company from one Member State to the capital market of another Member State : shares and bonds, provided that they are traded on or in the process of introduction to a Community stock exchange; units of collective investment undertakings subject to the coordinating provisions of the Council Directive of 20 December 1985 <sup>(12)</sup>.

The new Directive came into force at the end of February 1987. Because of the transitional period allowed for capital movements by the 1985 Act of Accession, Spain and Portugal have until the end of 1990 and the end of 1992 respectively to implement it.

Application of this Directive will enable operators to diversify their investments and their medium- and long-term borrowing. The liberalization of the acquisition of securities not traded on a stock exchange should in particular facilitate the movement of equity issued by small and medium-sized companies. The opportunity given to any company in a Member State to issue new securities on different financial markets will be exploited by the promoters of large-scale European projects in the infrastructure and industrial cooperation fields.



The Commission has also since 1984 taken a much stricter line on application of the safeguard clause in Article 108 §3 of the Treaty. The protective measures previously authorized in France and Denmark have been completely dismantled and the relaxation of exchange controls in those two countries already goes beyond Community obligations. Apart from the transitional arrangements laid down in the Act of Accession for Spain and Portugal, three Member States-Italy, Ireland and Greece-are currently benefiting from a safeguard clause which has been strictly limited in scope and duration.

The second phase recommended by the Commission in its 1986 programme should permit the principle of complete liberalization of capital movements to be established. This would therefore also cover financial loans and credits (including those granted in national currencies to non-residents), transactions in money market instruments and the building up of deposits and liquid assets in foreign currencies. Such transactions are currently liberalized only in the Federal Republic of Germany, the United Kingdom, the Netherlands and, subject to the constraints of a dual foreign exchange market, Belgium and Luxembourg. The Commission is currently examining the implications of, and the conditions for, achieving this complete liberalization of capital movements and is shortly to transmit its initial conclusions to the Council and to Parliament. The preparatory work should continue until the autumn of 1987, with the Commission planning to present further proposals to the Council before the end of the year.

While the free movement of capital is an essential pre-condition of financial integration in the Community, it does not alone suffice. An integrated financial area which is more than simply a free trade area must also have two other vital features.

Firstly, if trade is to grow within that area, it must be sustained by stable exchange rates between the Member States' currencies. Arrangements must therefore be made for a Community response to the extra constraints imposed on coordination of economic and monetary policies by complete liberalization of capital movements, without compromising rigorous application of the European Monetary System.

Secondly, Community residents should be able to establish relations with each other within a regulatory and prudential framework which is as uniform as possible. In keeping with the guidelines and measures set out by the Commission in the White Paper on completing the internal market,<sup>(13)</sup> further progress must therefore be made in harmonizing the national rules and regulations applied to the exercise of national activities (activities of credit institutions and insurance companies, operation of securities markets, the taxation of savings, etc.). At the same time, steps must be taken at Community level to guarantee proper protection for savers, to maintain fair conditions of competition between financial institutions and to ensure the stability of the financial system.

### 1.3 The emergence of financial engineering

The Commission has been working on an approach - similar to that developed by the Member States - towards refashioning the Community's assistance methods so as to adapt them better to the Community's priority needs.

On 9 December 1986 it adopted a communication on financial engineering<sup>(14)</sup> which explains its initiative.

Financial engineering at Community level means adapting to a new financial context and meeting new needs.

This context and these needs are as follows:

- . the concern of national authorities to limit their budgetary commitments;
- . the constraints on the Community budget;
- . the abundance of readily available private capital, which is all too frequently invested in purely financial transactions;
- . the necessity of improving the channels through which savings pass in the Community;

. the need for cohesion, which has become even greater with enlargement and which requires the Community to refashion the methods and tools it uses to provide structural assistance. In its communication "Making a success of the Single European Act",<sup>(15)</sup> the Commission explained the steps it intends to take to reinforce the effectiveness and coordination of the Community's structural instruments.

This context and these needs call for a redistribution of the financing roles played by the public and private sectors. Financial engineering must encourage the market to create or develop instruments or mechanisms for facilitating the financing of measures or projects to which the Community attaches particular importance and which are not spontaneously or adequately financed through the market.

To achieve this, Community action must exert a catalytic, multiplier and leverage effect while being sparing with budget resources.

#### 1.3.1 The tools

In order to provide firms with the financial products and services they need, the Commission intends to promote the use in Europe of a range of instruments and mechanisms with the aim of:

- enabling a greater volume of funds to be lent for priority investment by small-and medium-sized enterprises;
- improving the provision of equity capital by providing inducements to set up investment companies (e.g. high-technology projects);
- helping set up guarantee funds to encourage the temporary acquisition of equity investments in innovative projects;
- facilitating the change of conventional EIB loans into limited recourse loans (large-scale infrastructures); this new form of EIB activity will be made possible through guarantees based on the Community budget;
- helping large-scale Community projects raise adequate volumes of capital by making a budget contribution in the form of equity capital; this is designed to trigger the assembly of financial packages;

- helping establish service agencies (mainly financial services but also consultancy, help with setting up abroad, finding partners);
- signalling a political priority conferring a number of advantages ("declaration of European interest" for large-scale projects).

This is the set of tools that the Commission plans to use in devising tailor-made solutions that meet the new needs for investment funding in the Community.

These tools have the following features in common:

- they require little in the way of budget resources;
- they meet funding needs which are insufficiently met by the market;
- they make maximum use of the Community dimension;
- they seek systematically to promote private funding by employing the "Community multiplier" effect.

They do not constitute an end in themselves but rather a means of helping to achieve the Community's major objectives.

The following three priority areas have been singled out : small- and medium-sized enterprises, high technology and large-scale infrastructure projects of European interest.

### 1.3.2 Application to large-scale infrastructure projects of European interest

Large-scale infrastructure projects of European interest will serve as the first illustration of the new Community approach, since they were the subject of the Commission's first proposals. The Commission adopted a communication and a proposal for a Council decision in this field on 9 December 1986.<sup>(16)</sup>.

There are three reasons why Community assistance of the financial engineering type is appropriate for infrastructure projects.

The first is to do with the existence of a number of large-scale, frequently transnational, infrastructure projects in Europe which are being held back by numerous difficulties. These include the Paris-Cologne high-speed train link, the Milan-Ulm rail link via the Spluga tunnel, the road and rail links with Scandinavia (Scanlink), the planned broadband telecommunications network, the cleaning up of the North Sea and the Mediterranean (an environmental project) and the building of the Severn dam in the United Kingdom (an energy project).

Community assistance could help to get these projects underway.

It would be all the more justified because all of these projects will benefit the Community.

These projects would contribute to the unification of the internal market by facilitating trade and reducing its cost. They would constitute a major factor in moves to integrate the outlying regions and would reinforce Community cohesion through the multiplier effect they would have on the economic development of those regions. They would also improve the competitiveness of European industry.

Finally, one of the obstacles facing these projects is their very high cost: between 20.000 million ECU and 30.000 million ECU in total. Financing on this scale is difficult to provide, not only because of the sums involved but also because of the substantial risks and delayed return of infrastructure projects. Account must also be taken of the new financial context in Europe, which is characterized by the concern of national authorities - which have traditionally played an important part in financing infrastructure projects - to limit their financial involvement, whether directly in the form of grants or indirectly in the form of government guarantees.

It is therefore appropriate that the Community should seek, by developing new financial engineering formulae, to channel private capital towards the funding of these large-scale infrastructure projects.

The role which the Commission proposes the Community should play would be twofold:

- to provide the requisite conditions for large-scale projects to emerge and be launched;
- to mobilize the market through a new form of Community assistance.

Providing the requisite conditions for large-scale projects to emerge and be launched.

The following three types of assistance are envisaged :

- A budget contribution to preparatory studies.

Before large-scale infrastructure projects can be carried out, their technical and financial viability must be demonstrated. This will determine whether or not the private sector becomes involved.

The feasibility studies, analyses and other preparatory work involved in this phase entail high costs and risks, particularly as they may lead to the abandonment of the project.

The Community would aim to play a pump-priming role and to lever finance from the private sector by making a contribution from the Community budget to such studies.

- A "declaration of European interest"

Projects in respect of which such a declaration is made are given a special dimension and prominence and will receive political support from the Community. Selected projects would benefit from special advantages: an improved financial environment, specific loans from the EIB and a Community budget contribution to their financial launching. This declaration will be made by the Commission.

To qualify, projects will need to comply with the objectives and criteria laid down by the Community programmes for the sectors to which they relate, such as the medium-term transport infrastructure programme (17) presented in June 1986.

- A Community contribution to the initial financing of projects.

Such contributions would be made in the form of equity capital injections through repayable advances financed from the Community budget.

The raising of a large volume of equity capital is particularly suited to large-scale infrastructure projects. It helps to limit the level of debt during the construction period and to tailor loan repayment more closely to the pace at which cash flow is generated. It also signals the project's viability to the banking and financial markets.

#### Mobilizing the market through a new form of assistance

The "project financing" technique bases reimbursement to lenders exclusively on the cashflow generated by the project. The loan guarantee relates to the assets of the project and not to those of the promoter.

Such a technique is particularly suited to the financing of large-scale infrastructure projects of European interest for which promoters and Member States are not willing or able to provide first-class security.

The Community should therefore be able to contribute to the financing of such projects by means of similar techniques.

Community loans, and particularly those granted by the EIB, must be backed by first-class guarantees.

A formula must therefore be found which makes it possible to ask the EIB to offer limited recourse loans to the promoters of projects declared to be of European interest, with repayment backed solely by the revenues of the project.

The formula proposed by the Commission is to grant an appropriate guarantee under the Community's general budget.

The Community budget guarantee would be limited and conditional. It would be granted on a case-by-case basis by the Commission and would be tailored to the type of project concerned and the financial package. It would be subject to an overall ceiling set by the Council, which would decide to raise it on a proposal from the Commission.

The effectiveness of all of these measures could be increased if steps were taken:

- firstly, to improve the environment for private investors;
- secondly, to streamline the decision-making and financial process for large-scale infrastructure projects.

The Commission therefore also looked into these aspects in its communication. It put forward a number of ideas, including the granting of "most favoured security" status to securities issued by the promoters of large-scale projects, the adoption of a technique similar to that of tax-exempt bonds in the United States and the setting up of a European infrastructure agency modelled on the United States "Authorities".

### 1.3.3 Other fields of application

Financing small- and medium-sized enterprises.

The Commission has explored a number of new approaches to this problem. A few years ago, it embarked upon some decidedly innovative measures: the financing of innovation and the development of a genuinely European venture capital activity.

It has thus instigated and given financial backing to the setting up of an association representing the main European venture capital companies: the European Venture Capital Association (EVCA). With the help of that association, it has also launched an experimental programme ("Venture Consort") designed to facilitate the financing of innovation in SMEs, if possible through transnational cooperation. Drawing on its budget resources, the Community supplements the equity capital provided simultaneously to a SME by EVCA member companies.



At regional level, the Community is to use its budget resources to help finance the following two main types of action in areas covered by the Integrated Mediterranean Programmes, where venture capital activity is inadequate:

- the setting up or extension of funds for guaranteeing capital holdings, the aim being to encourage this type of investment by reducing the risks of loss run by investors;
- extension of the acquisition of holdings in the equity capital of SMEs situated in IMP areas through the medium of investment companies already existing or being set up.

The EEC credit institutions specializing in long-term credit have decided, in consultation with the Commission and the EIB, to set up a European Financial Engineering Company (EFEC) <sup>(18)</sup>. This company which was formally set up on 10 April 1987, is to provide support for SME initiatives, particularly those of a transnational nature, involving high-tech or innovative projects. Its activity will be centred on the promotion of initiatives, the study of business plans, assistance with implementing such plans, the integration of financial services and support for launching initiatives. The Commission and the EIB are to provide financial assistance during the start-up period.

The task now is to continue and to expand these measures, which are aimed: at increasing the supply of funds lent to help finance SMEs' investment; at providing access to credit for firms whose financial standing is too low to provide the necessary security (development of mutual guarantee schemes); at increasing the equity capital of SMEs (promotion of European venture capital activity) or at providing them with the financial and other services they need in order to grow.

Some of these measures can be extended beyond the territory of the Community so as to step up investment by SMEs in third countries, particularly in the form of joint ventures. Work on this is already underway in the context of the cooperation agreements concluded with the ASEAN and southern Mediterranean countries<sup>(19)</sup>.

### Financing high technologies

Equity capital is the best form of finance for projects that are situated midway between research and industrial application. Yet the provision of equity capital is particularly difficult to organize if the project is the result of international cooperation and if it is a long way back in the chain which runs from research to industrial application. Wide-ranging joint research programmes are being part-financed by the Community or undertaken with its collaboration within a broader framework such as EUREKA. The projects making up these programmes are at the research stage or at the pre-competitive development stage, for which grants are the appropriate form of finance since their success is too uncertain. Against this, no specific mechanism exists for projects that represent the industrial follow-up to those programmes.

To overcome this particular difficulty, the Commission has sounded out the financial community and professional circles and has found confirmation of the relevance of new financial packages. These would be based on the setting up of investment companies (EUROTECH CAPITAL), with exclusively private capital, and the establishment of a guarantee scheme (EUROTECH INSUR) that would be publicly and privately funded and would back up the EUROTECH CAPITAL companies. These suggestions have met with a favourable response and the Commission will soon put forward proposals for instituting the guarantee scheme.

## 2. Investment in the Community

### 2.1 Investment : a factor for growth

Community GDP increased by 2.5% in real terms in 1986 and growth is now being sustained by domestic demand.

Exports performed disappointingly in 1986, growing by only 1.7% in volume compared with 5.6% in 1985. The reasons lie in contracting demand for industrial products from the oil-producing countries; slow growth of imports by the non-oil developing countries due to financial difficulties connected with their external debt, depressed raw material prices and lack of foreign currency; and the loss of price competitiveness suffered by Community exports.

The sluggish performance of exports-compared with that of imports, which increased by 6.5% in volume - was offset by the buoyancy of domestic demand, and particularly of two of its components: private consumption and investment in plant and machinery. Private consumption increased by 3.8% in real terms and gross fixed capital formation by 3.4%. While investment in construction picked up in 1986 (+2.4%) after having declined in 1985, it is expanding at only a moderate pace. The main engine of growth remains investment in plant and machinery.

Because of the relatively modest pace of growth, the number of jobs in the Community has so far been merely stabilized. Continued investment growth, which the Commission recommends as part of its cooperative strategy,<sup>(20)</sup> is essential if the job losses caused by an excessively low level of investment in the second half of the 1970s and the early 1980s are to be made up.

The aggregate investment ratio in the Community is still some 4 percentage points below the level reached before the first oil shock. Only an increased effort will raise production capacity and create new jobs.

A number of the determinants of investment are performing favourably. The average return on the capital stock is increasing, although it is only in Germany that it is almost back to its pre-oil shock level. The degree of utilization of productive capacity is growing rapidly in all Community countries. The decline in nominal interest rates is continuing and is helping to modify the return on financial investments in favour of that on productive investment.

These positive developments should help to remove any lingering uncertainties about the trend of demand.

## 2.2 Investment in the Member States

In 1986, investment growth was strongest in Denmark (+12.8%), Spain (+8.4%), Portugal (+8%), the Netherlands (+7.1%) and Belgium (+5.3%).

In Denmark, the marked improvement in business profitability, the healthier budget which has facilitated the financing of firms, and the resultant sharp fall in interest rates all contributed to the continuing growth of investment. Activity in building and construction, however, while still at a high level, is showing signs of weakening.

In Spain, GFCF benefited from the favourable effects of improved profits, better sales prospects and the necessary industrial modernization triggered by accession. Business profits, which had fallen to a relatively low level since 1980, recovered and were boosted by tax measures. Steps were taken in March 1986 to stimulate saving and investment.

After showing a cumulative fall of 25.5% in real terms during the preceding three years, investment in Portugal picked up in 1986 thanks to the improved financial position of firms, to the measures taken to boost productive and residential investment and to the public investment programmes. The recovery of investment has been the priority objective since 1985.

In the Netherlands, investment grew briskly despite the weak trend of housing demand and public investment. In 1986, falling interest rates reinforced the stimulatory effect which improved business profitability is having on investment.

In Belgium, investment growth has been mainly generated by the business sector. Firms' profit margins, profitability and financial positions improved in line with the reduction in real wage costs which has resulted from the policies pursued since 1982. Firms also benefited from the further reduction in corporation tax and the fall in interest rates.

Investment also grew in France (+3.5%), in Germany (+3.1%), in Luxembourg(+3%) and, to a lesser extent, in Italy (+2.1%).

In France, the upturn in investment continued and spread to the distributive trades and services. The improvement in firms' financial positions should make it possible to correct the inadequate level of investment recorded for many years in the competitive sector and the unsatisfactory sectoral distribution of that investment.

Table 1 :

Investment in the Community

(Annual growth rate in volume terms)

|                 | 1985/1984 |                   |                           | 1986/1985 |                   |                           |
|-----------------|-----------|-------------------|---------------------------|-----------|-------------------|---------------------------|
|                 | Total     | Construc-<br>tion | Plant<br>and<br>machinery | Total     | Construc-<br>tion | Plant<br>and<br>machinery |
| Belgium         | 1.2       | -0.4              | 3.6                       | 5.3       | 2.1               | 9.5                       |
| Denmark         | 13.1      | 9.9               | 16.8                      | 12.8      | 9.8               | 16.3                      |
| F.R. of Germany | -0.3      | -6.2              | 9.4                       | 3.1       | 1.9               | 4.6                       |
| Greece          | 3.4       | 2.6               | 4.4                       | -4.4      | -2.2              | -7.0                      |
| Spain           | 3.9       | 1.3               | 8.5                       | 8.4       | 6.3               | 12.0                      |
| France          | 3.1       | -0.6              | 5.1                       | 3.5       | 0.9               | 4.8                       |
| Ireland         | -0.3      | -7.5              | 5.5                       | -2.7      | -4.5              | -1.5                      |
| Italy           | 4.1       | -1.7              | 9.9                       | 2.1       | -0.4              | 4.5                       |
| Luxembourg      | 1.7       | 0.7               | 4.0                       | 3.0       | 2.1               | 5.0                       |
| Netherlands     | 3.7       | -3.3              | 13.7                      | 7.1       | 5.8               | 8.7                       |
| Portugal        | -1.2      | -3.2              | 1.9                       | 8.0       | 6.0               | 10.8                      |
| United Kingdom  | 1.9       | -3.5              | 8.5                       | 0.8       | 3.2               | -1.9                      |
| EUR 12          | 2.3       | -2.7              | 7.9                       | 3.4       | 2.4               | 4.3                       |

|                 | Aggregate investment<br>ratio (as % of GDP) |      | Public investment<br>as a proportion of<br>total investment (as%) |      |
|-----------------|---|------|---|------|
|                 | 1985  | 1986 | 1985  | 1986 |
| Belgium         | 15.5  | 15.5 | 14.4  | 12.9 |
| Denmark         | 18.8  | 19.6 | 11.4  | 9.5  |
| F.R. of Germany | 19.5  | 19.2 | 11.7  | 12.0 |
| Greece          | 19.1  | 19.0 | 23.8  | 19.6 |
| Spain           | 20.4  | 20.0 | 12.5  | 12.5 |
| France          | 18.9  | 19.0 | 16.0  | 15.8 |
| Ireland         | 20.8  | 19.3 | 18.1  | 18.0 |
| Italy           | 18.2  | 17.6 | 21.7  | 22.0 |
| Luxembourg      | 21.6  | 20.8 | 25.3  | 24.9 |
| Netherlands     | 18.6  | 19.1 | 14.1  | 13.4 |
| Portugal        | 21.9  | 21.4 | 12.0  | 12.2 |
| United Kingdom  | 17.1  | 17.2 | 12.0  | 12.1 |
| EUR 12          | 18.5  | 18.3 | 15.0  | 14.8 |

Source : Commission estimates

In Germany, business investment was underpinned by a further rise in profits. The renewed growth of productive capacity led to an appreciable increase in non-residential construction.

Investment in residential construction, by contrast, showed a less favourable trend because of demographic factors and the disparity between the trend of building costs and that of incomes, which is strengthening the tendency for demand to slacken. The crisis in construction has been aggravated in recent years by the fall in public investment, particularly at local authority level, caused by budgetary consolidation measures. Since 1985, however, public investment has begun to grow again and measures have been taken to promote urban renewal, the development of infrastructures and the protection of the environment.

In Luxembourg, where economic activity has remained at a high level, measures to diversify the economy were continued in the form of selective action to help new firms.

In Italy, business profits benefited from the fall in import prices and the appreciable easing of production costs. The financial structure of enterprises also improved as a result of savings flowing into equities and of the further improvement in the situation of those public sector branches in deficit.

In the United Kingdom, by contrast, the growth of investment has slackened over the last two years probably as a result of the relatively sharp increase between 1982 and 1984 and the continuing high level of real interest rates.

Business profitability has improved appreciably despite the continued rise in real wages, thanks to a higher rate of productivity growth and to a fall in non-wage costs. In 1986, however, business profits fell overall owing to the worsening profits situation in the oil sector and despite the continued improvement in other sectors.

The level of investment fell in Ireland and Greece.

In Ireland, private sector investment in plant and machinery has contracted since reaching the peak of the replacement cycle in 1984-85. The overall recovery in business profits in recent years is due mainly to foreign firms; national firms must consolidate their results before new investment can be undertaken. In 1986, the high level of real interest rates more than made up for the tax benefits enjoyed by firms borrowing from banks. There were few signs of an upturn in construction and public sector investment continued to decline.

In Greece, public sector investment fell and the budgetary constraints affecting public enterprises are casting doubt on any upturn in investment in plant and machinery.

### 2.3 The stimulus provided by industrial investment

Industrial investment is maintaining its role of stimulating gross fixed capital formation and growth in the Community.

According to the findings of the investment survey carried out in the Community at the end of 1986, industrial investment spending increased by 9% in 1986 (i.e. by about 5% in real terms). With private consumption feeding the upturn, the increase was strongest among manufacturers of consumer goods. On average, investment is still growing at an appreciable rate, albeit below that forecast. The sluggish economic trend in the second half of 1986 and the rapid depreciation of the dollar probably caused many firms to cut their planned spending on investment.

Investment increased by 14% in the processing industries (textiles, wood, paper, plastics, etc.) and by 13% in the mechanical and electrical engineering and basic products industries.



By contrast, the European food industries increased their investment by only 2%, while investment in the metal working industries fell by 4% owing to the gloomier economic outlook and a further inescapable reduction in capacity in the steel industry. The investment cutbacks in this latter sector occurred mainly in the Federal Republic of Germany, France, the United Kingdom, Denmark and Greece.

Industrial investment in 1987 is expected to increase by roughly the same amount as in 1986 (9% in nominal terms, 6% in real terms). While this is a less buoyant trend than in the period 1984/85, the level of real investment in 1987 should be a quarter higher than the level recorded in 1984. Nevertheless, the persistently low level of investment in the early 1980s and the associated job losses have not yet been made good and a rapid growth of investment is therefore still necessary.

### 3. Developments and decisions relating to the borrowing and lending instruments in 1986

#### 3.1 New Community Instrument (NCI)

On 7 June 1985,<sup>(21)</sup> the Commission had proposed that the activities of the New Community Instrument be continued by providing for a new programme of loans amounting to 1500 million ECU (NIC IV) to be used for financing productive investment projects carried out by small and medium-sized enterprises, particularly projects involving the application of new technologies and innovation.

Three new features were introduced to ensure that the lending arrangements were better suited to such investment projects and to SMEs:

- the financing base was to be extended to cover certain types of intangible assets directly connected with the investment projects concerned, such as patents, licences, know-how, computer software and research and development expenditure. This extension was in response to the rise in intangible investment throughout the Community and to the resultant new financing requirements (see box);
- the possibility of permitting deferment of interest payments - and not only of repayment of the principal - was to be introduced;
- financial intermediaries were to be able to pass on to firms the funds made available either in the form of loans or in the form of a capital contribution, with the financial intermediary being responsible for servicing the loan and for the associated risk in both cases.

On 17 November 1986, the Council endorsed the essential object of the Commission proposal, i.e. that an amount of 1500 million ECU should be made available to small and medium-sized enterprises in the form of loans.

To this end, the Council decided:

- to provide 750 million ECU through NCI IV;
- to request the European Investment Bank to provide 750 million ECU from its own funds, on the understanding that the EIB loans would have the same scope and would be made on the same conditions as those provided for in the NCI IV Decision.

On 8 December 1986, in line with that agreement, the Council approved as a common position the decision to adopt a figure of 750 million Ecu for NCI IV. It also formally requested the EIB to make 750 million Ecu available to SMEs from its own resources. The EIB's Board of Governors responded favourably to that request in February 1987.

Parliament requested a conciliation meeting, which took place on 9 March 1987 and produced an agreement. This was the subject of a formal Council decision on the same date<sup>(22)</sup>.

### 3.2 Euratom

Following the raising of the ceiling for Euratom borrowing, decided on by the Council on 5 December 1985 <sup>(23)</sup>, the Commission is now empowered to contract loans up to a total of 3000 million Ecu in principal for the purpose of contributing to the financing of nuclear power-stations and industrial fuel cycle installations.

The granting of Euratom loans, which had slowed in 1985 as the line of credit authorized by the Council was used up, was stepped up substantially in 1986, reaching its highest level ever.

### 3.3 European Coal and Steel Community (ECSC)

In 1986 the Commission continued to pursue its industrial conversion policy in accordance with Article 56 of the Treaty. However, it decided on 16 July to adjust the interest-subsidy rates for loans to take account of the substantial fall in interest rates on capital markets. The rate was thus cut from 5% to 3% for global loans and from

3% to 2% for direct loans. One of the effects of this was to place the Commission in a better position to meet increased demand in this sector within the limits of the budgetary resources currently available.

With regard to industrial loans, 1986 saw the carrying out of the first operations designed to promote the consumption of Community steel.

With regard to subsidized housing, 1986 was the first year of application of the second instalment of the 10th programme (1986-88). However, almost all the payments made during the year related to loan contracts concluded under the first instalment.

#### 3.4 European Investment Bank (EIB)

The accession of Spain and Portugal to the Community has had a marked effect on the EIB, both at institutional level (the participation of two new Member States in its decision-making and management bodies, contributions to the Bank's capital) and on the operational front (the EIB will no longer operate in these two countries under the pre-accession aid agreements but on the same basis as in the other ten Member States, i.e. without pre-determined limits on the amounts which may be lent).

The Bank continued to pursue its activities in the Community of Twelve on the basis of the objectives set out in Article 130 of the Treaty of Rome and spelt out in greater detail by its Board of Governors in the context of Community policies. The Bank gave priority not only to regional development but also to projects in the energy sector, to advanced technologies, to environmental protection and to infrastructure projects of Community interest.

Following the Council's request to the Bank to make available 750 million ECU from its own resources for loans meeting NCI IV objectives, the Bank's Board of Governors authorized the Bank on 25 February 1987 to accept the mandate to administer NCI IV and to grant loans for projects carried out by SME's outside areas in receipt of regional aid.

Outside the Community, the year was marked by the entry into force of the third Lomé Convention and the committing of the bulk of the funds available under the second financial protocols concluded with the Maghreb and Mashreq countries and Israel.

So as to be able to deal with the increase in EIB financing from the EIB's own resources in the years ahead, while at the same time maintaining a first rating on the capital markets, the Board of Governors had decided to double the Bank's capital with effect from 1 January 1986. This increase, which took account of the contribution of Spain and Portugal and the alignment of Italy's contribution on those of Germany, France and the United Kingdom, brought the subscribed capital to 28.800 million Ecu. The outstanding amount of loans and guarantees can thus total 72.000 million Ecu.

---

## Financing intangible investment

### 1. Expansion of intangible investment

With growth slackening and rapid technological change intensifying competition on domestic and export markets, firms are obliged to sharpen their competitive edge. Technology is of paramount importance here. Its development and application hold the key to a firm's future. However, technology alone is not sufficient. It must be accompanied, within an overall strategy, by efforts to train the workforce and to promote products.

Firms, therefore, have had to step up spending on intangible investment increasing its share relative to their physical investment. This has meant higher expenditure on R&D, vocational training, marketing, software, licences, patents, know-how, etc.

No comprehensive analysis has yet been made of total investment - tangible and intangible - at microeconomic, sectoral or macroeconomic level. France seems to be virtually the only country where research has been undertaken to identify and measure the intangible component of investment, defined there as the sum of spending on R&D, marketing, vocational training and information technology. It is reckoned at the moment to be equivalent to over 40% of gross fixed capital formation and will probably grow four times faster than tangible investment over the next five years.

Proper use of the latest technology confers a decisive advantage in competition on domestic and export markets. R&D spending affects external trade in a variety of ways, notably through the balance on patents and royalties and through technical cooperation.

Training performs three main roles :

- it provides the workforce with the skills needed to adapt to changes in a firm's plans, thereby boosting productivity;
- it permits the acquisition of new knowledge in a changing industrial world;
- it fosters development of the individual skills that make it easier for workers to change jobs more frequently in response to modernization.

Spending on marketing relates to a range of coordinated activities (market surveys, product definition, promotion, advertising, mobilization of sales force) that help to find a market for and increase the sales of a particular product or service.

Such spending is expected to go on expanding in response to the growing role of advertising in firms' business strategies and to the spread and strengthening of sales networks abroad.

---

The growth in spending on software is also expected to continue as information technology advances by leaps and bounds and prices of components fall. Intangible investment linked to information technology is bound to expand further because of :

- the on-going computerization of the various functions of a business (design, production, commercial management) using what have already become traditional tools;
- and the development of new techniques (artificial intelligence, electronic banking, automated manufacturing and other computer-assisted techniques, software engineering).

Both developments will also be assisted by technological progress incorporated in equipment (miniaturisation, computing power) which is opening up new horizons.

The following information, which is no more than illustrative, is based on the findings of a survey conducted among a number of large financial institutions in the Community.

At the moment, intangible investment is reckoned to be equivalent to between 30% and 40% of tangible investment in the Community, with probably a higher percentage in the high-technology sectors and the service sector.

This new pattern of investment does, of course, raise the question of how it is to be financed. Steps should, therefore, be taken to ensure that intangible investment is financed in the appropriate manner and the financing procedures adapted where necessary.

## 2. Financial practice in the Community

Accounting rules and practices may be an obstacle to the financing of intangible investment.

Although an asset is customarily defined in terms of its ability or potential to generate services or profits for the entity owning or controlling it and although intangible investment satisfies this definition, it is rarely shown on the assets side of a company's balance sheet.

Intangible investment is classified as expenditure not so much because it lacks physical substance but because of the uncertainties and difficulties involved in estimating the profits it will generate and because of the problems associated with determining its intrinsic value.

As a general rule, intangible investment undertaken by a company itself is regarded as expenditure whereas a more flexible approach is adopted if it is obtained by way of acquisition. This inherently conservative practice ensures the consistency and uniformity of business accounts and varies from one country to another.

---

All the financial institutions questioned as part of the aforementioned survey are able, to differing degrees, to finance intangible investment.

Basically, three approaches are followed:

- Under the most liberal approach, the cost of intangible investment is regarded as forming part of a company's overall net borrowing needs. It is followed by institutions that finance companies and not projects. For them, the nature of the investment, whether tangible or intangible, is irrelevant;
- The second approach applies the technique of project financing to intangible investment. Only intangible investment directly linked to a tangible investment project and indispensable to its success is considered eligible for medium-term or long-term financing. A project may not consist solely of intangible investment and financing of the latter in isolation is precluded. In some cases, the intangible investment eligible for financing must not exceed a certain percentage (15%-20%) of the overall cost of the project and capitalization of the items financed in this way must be permitted by law.

However, some financial institutions that have opted for this approach can, in some cases, especially when it is a matter of financing innovation, finance a wider range of intangible investments even where these are not directly linked to tangible investment projects and can even finance intangible investment on its own.

- Under the third approach, the ways in which financial institutions may finance intangible investment are laid down by law. In this case it is possible to finance such investment separately from tangible investment. However, the law gives very precise definitions of the categories eligible :
  - . either by stipulating that financial institutions may finance only non-physical assets that may be capitalized under accounting law;
  - . or by authorizing financial institutions to provide finance only as part of specific programmes covering a clearly defined number of non-physical assets.

Leaving aside R&D and the acquisition of new technologies, the categories of non-physical assets that may be financed vary from one Member State to another.



---

The term for which loans are made by financial institutions towards intangible investment differs according to the approach applied. Institutions financing such investment on its own make loans whose term generally ranges from 2 to 6 years or, more rarely, depends on the economic life of the investment if this can be estimated. Institutions applying a project-financing approach help to finance non-physical assets on the same terms as the tangible investments to which they are directly linked.

Financing of intangible investment is also hampered by problems of loan guarantees. While some non-physical assets such as patents, licences and know-how can be realized and hence used as security for a loan, this is not the case with most other forms of intangible investment. The practice generally followed by financial institutions in the case of intangible investments consists in securing the loans through a claim on the company's physical assets or accepting any other form of security, notably a bank guarantee.

On the whole, although financial institutions in all Member States finance intangible investment to differing degrees, the conditions under which they do so need to be improved. In other words, intangible investment is not yet regarded as being investment in the full sense of the word. Financial practice in Europe should in future be more closely tailored to the new pattern of investment.

#### 4. Borrowing

##### 4.1 Situation on capital markets in 1986

###### 4.1.1 General

The volume of funds raised on international capital markets once again expanded vigorously in 1986, although at a slower rate than in 1985. The scale of the expansion - due among other things to increasingly close integration of markets - is not fully reflected in Table 2, for whereas aggregates are expressed in ECUs a major share of transactions was in fact denominated in dollars, a currency that depreciated sharply in 1986. Measured in dollars, borrowing increased by over 30%.

For some years, the bond market has been by far the most active sector of the capital market. Among the other instruments, the most spectacular increase has been in Eurocommercial paper (ECP) and, to a lesser extent, Euroequities. Syndicated credits were more or less static in relation to 1985, while note issuance facilities (NIFs) contracted sharply.

The predominance of such instruments as bonds, ECP and Euroequities is due to massive calls on the markets by prime quality borrowers (public sector and private sector), who can approach investors direct, by-passing the banks; the vast majority of borrowers raising funds through bond issues are nationals of OECD countries.

Table 2

Volume of capital raised on international markets, 1985-86 (ECU '000 million)

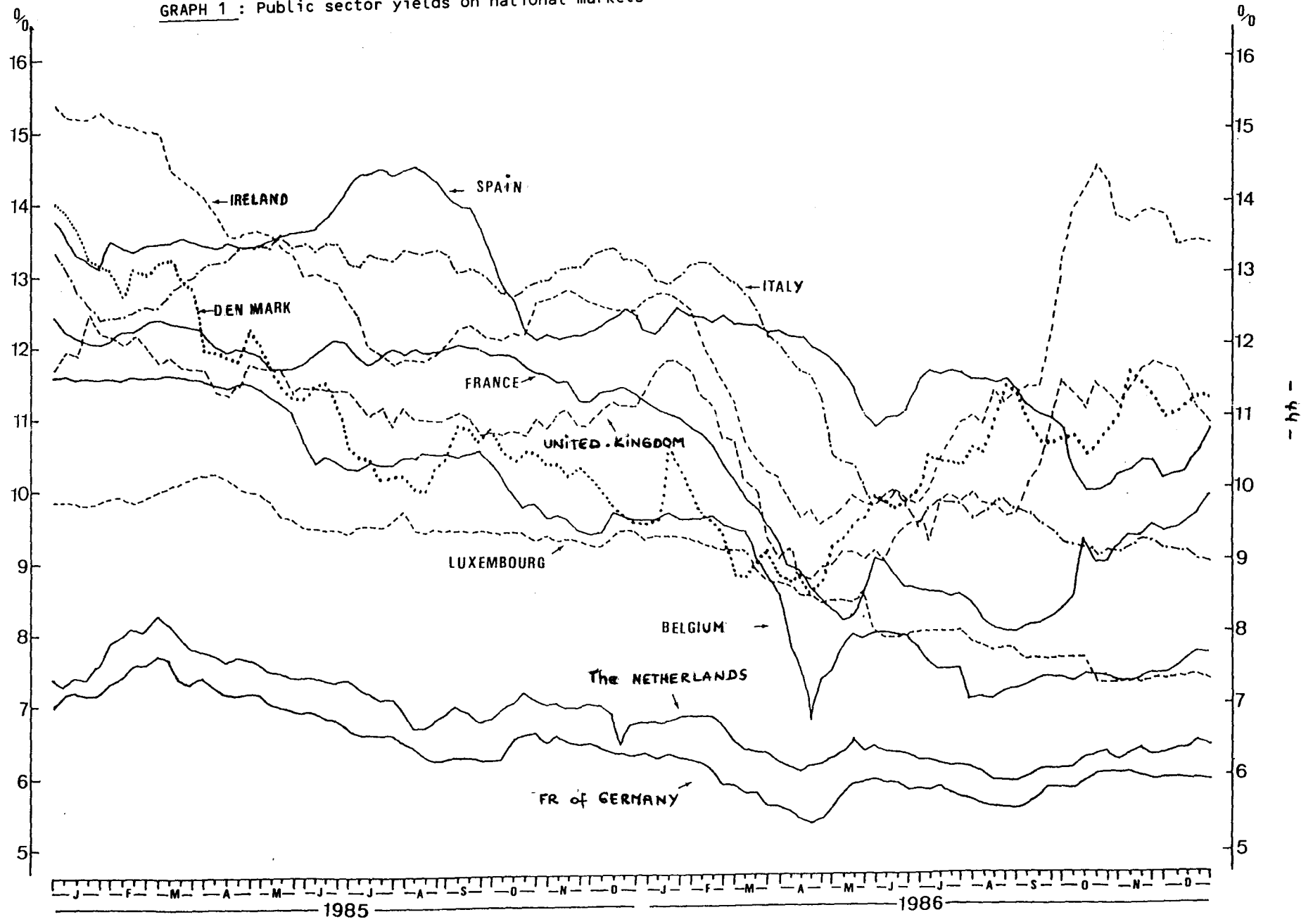
|  | 1985  | 1986  |
|--|-------|-------|
| International bond issues                  | 199.2 | 200.0 |
| International syndicated credits and loans | 55.0  | 48.6  |
| Note issuance facilities                   | 47.6  | 21.7  |
| Total                                      | 301.8 | 270.3 |
| Eurocommercial paper programmes            | 14.7  | 56.5  |
| Equities                                   | 3.0   | 11.5  |
| Other                                      | 27.6  | 13.8  |
| Grand total                                | 347.1 | 352.1 |

Sources: Community and OECD

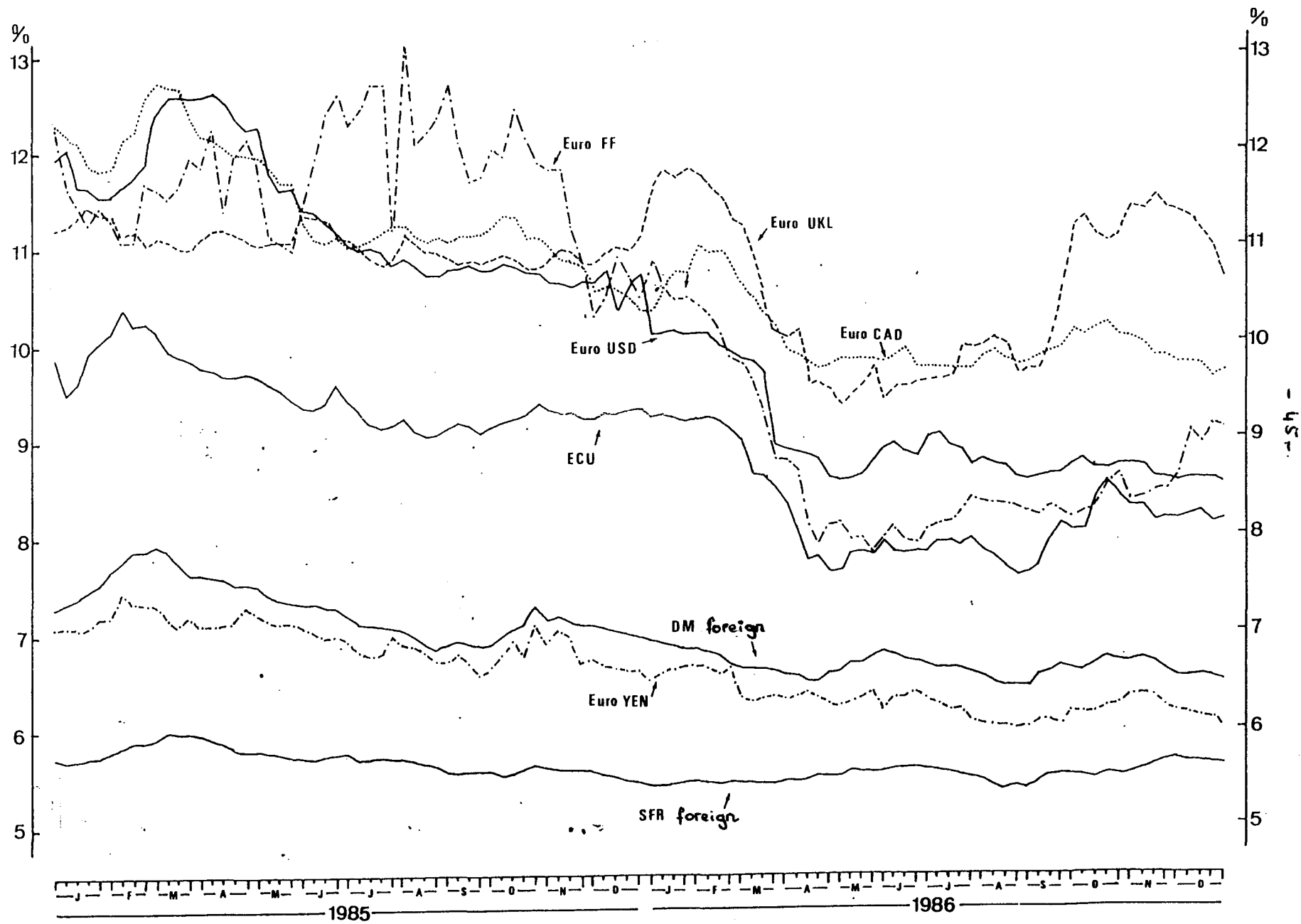
4.1.2 Currencies of borrowing and interest rates

On the most important markets, interest rates were lower, sometimes considerably so, at the end of 1986 than at the end of 1985. However, movements over the year differed substantially from one country to another. The decline was sharp in the first half-year in most countries, but subsequently levelled off; rates even tended to rise in certain countries because of uncertainty surrounding economic policies and exchange rates (see graphs 1 and 2).

GRAPH 1 : Public sector yields on national markets



GRAPH 2 : Yields on international markets



The dollar was still the major currency of borrowing, but its share fell relative to the other currencies. However, this was mainly a statistical phenomenon due to the decline of the dollar exchange rate. As the dollar lost ground it was replaced by the yen, the Swiss franc and -accounting together for over 17% of the market - the currencies of Community countries, particularly the German mark and sterling. The ECU's share contracted slightly compared with 1985.

Table 3

International bond issues, by currency

|               | USD    | YEN   | DM    | SFR   | UKL   | ECU  | CAD  | Other |
|---------------|--------|-------|-------|-------|-------|------|------|-------|
| <u>1985</u>   |        |       |       |       |       |      |      |       |
| in mio ECU    | 130939 | 14402 | 12268 | 8978  | 8581  | 8960 | 4157 | 10918 |
| as % of total | 65.7   | 7.2   | 6.2   | 4.5   | 4.3   | 4.5  | 2.1  | 5.5   |
| <u>1986</u>   |        |       |       |       |       |      |      |       |
| in mio ECU    | 113721 | 21801 | 15811 | 12899 | 11126 | 6668 | 5265 | 12722 |
| as % of total | 56.9   | 10.9  | 7.9   | 6.4   | 5.6   | 3.3  | 2.6  | 6.4   |

#### 4.2 Community borrowing in 1986

Table 4 below shows international bond issues - the only form of international financing that can be broken down in this way - by geographical zone of issuer.

The shares of borrowers from the Community countries and from Japan continued to increase; the United States remained a major source of issues, the decline shown in Table 4 being due to the dollar's fall.

The shares of the other European countries and of the rest of the world remained virtually stable, while those of international bodies declined.

The Community institutions issued 17.5% less, which sharply reduced their share in the total.

Table 4 :

International bond issues,<sup>(1)</sup> by geographical zone of issuer

|   | 1985           |            | 1986           |            |
|---|----------------|------------|----------------|------------|
|   | Mio Ecu        | %          | Mio Ecu        | %          |
| EC Member States                                    | 55.082         | 27.7       | 64.035         | 32.0       |
| EC institutions                                     | 8.773          | 4.4        | 7.236          | 3.6        |
| Other European countries                            | 19.944         | 10.0       | 19.610         | 9.8        |
| United States of America                            | 52.332         | 26.3       | 42.927         | 21.5       |
| Japan   | 18.934         | 9.5        | 24.338         | 12.2       |
| International bodies (excluding<br>EC institutions) | 12.859         | 6.4        | 10.405         | 5.2        |
| Rest of world                                       | 31.279         | 15.7       | 31.412         | 15.7       |
| <b>Total</b>  | <b>199.203</b> | <b>100</b> | <b>200.013</b> | <b>100</b> |

(1) This table covers only public issues and hence only part of the borrowings by Community issuers (see Tables 1 and 2 in the Annex).

The total amount borrowed by Community institutions in 1986 for structural purposes, i.e. excluding balance-of-payments borrowings, was 9,312 million ECU, compared with 8,168 million ECU in 1985, an increase of 14%, spread across all the instruments except the NCI. NCI borrowings fell by 37.1%, while ECSC borrowings increased by nearly 20%, EIB borrowings by 18.7% and Euratom borrowings by 41.8%.

Table 5 : Trend of borrowing by Community institutions

(million ECU)

| YEAR <sup>(1)</sup> | ECSC  | EIB <sup>(2)</sup>   | EURATOM | NCI   | TOTAL |
|---------------------|-------|----------------------|---------|-------|-------|
| 1977                | 729   | 1 030                | 99      |       | 1 858 |
| 1978                | 981   | 1 863                | 72      |       | 2 916 |
| 1979                | 837   | 2 437                | 153     | 178   | 3 605 |
| 1980                | 1 004 | 2 384                | 181     | 305   | 3 874 |
| 1981                | 325   | 2 243                | 373     | 339   | 3 280 |
| 1982                | 712   | 3 146                | 363     | 773   | 4 994 |
| 1983                | 750   | 3 508                | 369     | 1 617 | 6 244 |
| 1984                | 822   | 4 339 <sup>(3)</sup> | 214     | 967   | 6 342 |
| 1985                | 1 265 | 5 699 <sup>(4)</sup> | 344     | 860   | 8 168 |
| 1986                | 1 517 | 6 766                | 488     | 541   | 9 312 |

(<sup>1</sup>) Up to 1982, the series are for borrowings signed during the year under all the instruments. From 1983, the figures for the ECSC, Euratom and the NCI represent borrowings collected during the year. As a result of this change in method, a 200 million dollar borrowing under the NCI was counted in both 1982 and 1983.

(<sup>2</sup>) The EIB also raises funds by selling participations in EIB loans to third parties (20 million Ecu in 1986).

(<sup>3</sup>) Including 289 million ECU in short-term operations (189 million ECU in commercial paper and 100 million ECU in certificates of deposit).

(<sup>4</sup>) Including 374 million ECU in short-term operations (commercial paper).

The following points emerge from the analysis of issues by source and currency of borrowing :

- Issues denominated in Community currencies were slightly down in relative terms compared with 1984-85, accounting for 55.6% of total borrowings. As in the previous year, the ECU ranked second among Community currencies, behind the German mark and before the lira and the guilder.

The total amount raised in ECU was 1167 million, equivalent to 12.5% of total borrowings.

The EIB and Euratom significantly stepped up their borrowings in ECU. The ECU thus now ranks first among the Community currencies borrowed by the EIB, the NCI and Euratom.



Issues denominated in lire increased considerably in 1986, placing the lira in third position among Community currencies. Issues in German marks, guilders and French francs fell back, while issues in sterling increased.

- Borrowing in non-Community currencies increased to 44.4% of the total. Dollar issues rose sharply (by 43.5%). This was mainly due to the EIB using dollars for fixed-rate issues, but also for floating-rate and interbank transactions.

The US dollar accounted for the entire amount of the EIB's floating-rate transactions in 1986 (540.6 million ECU or 8% of the total raised) and for 296.2 million ECU of the 321 million ECU in interbank transactions.

Issues in Swiss francs also increased, and the EIB tapped the Austrian schillings market.

- Some 26% of the funds borrowed by Community instruments was raised in the form of private placings.

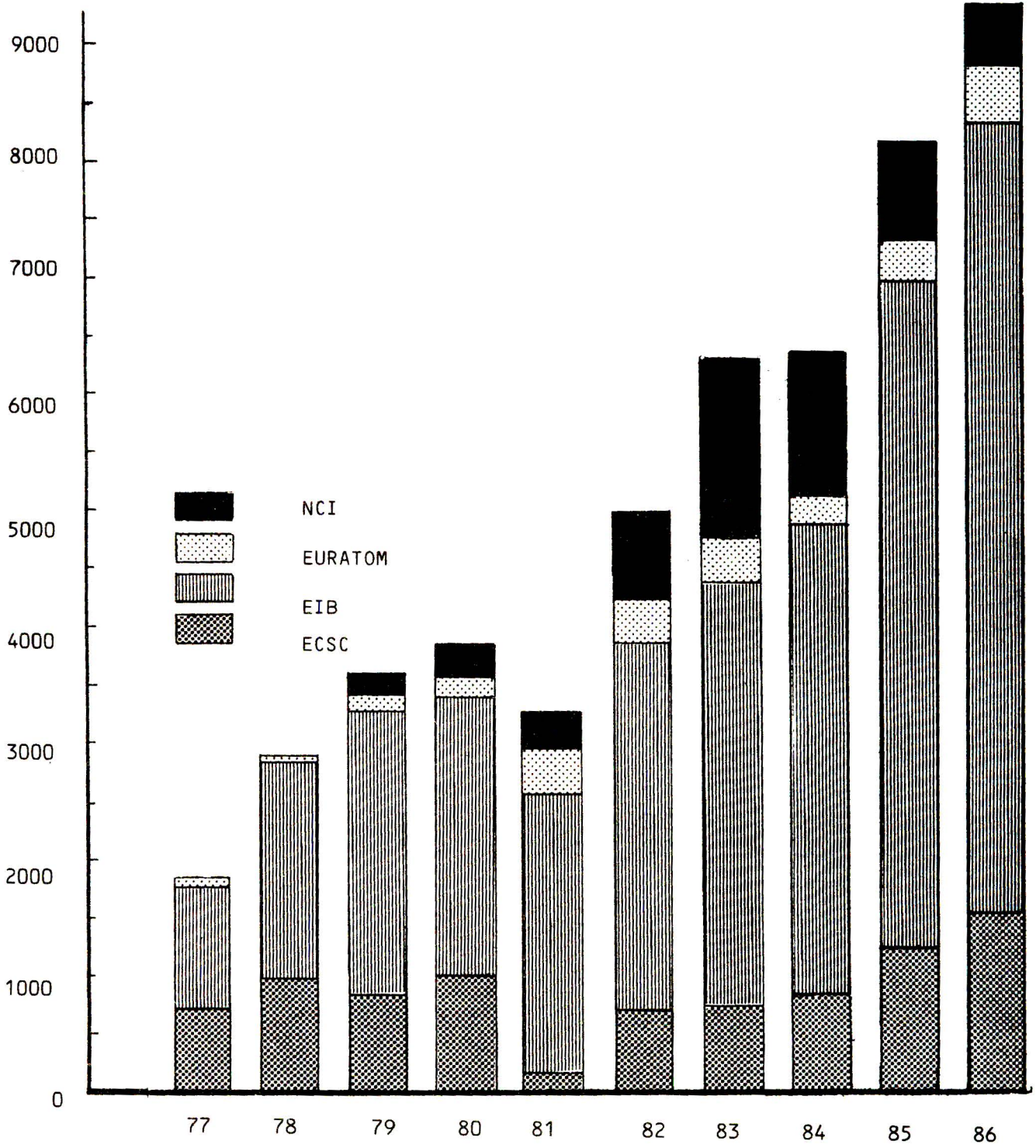
Table 6 :

COMMUNITY BORROWING IN 1986, BY CURRENCY

(million ECU)

|         | COMMUNITY CURRENCIES |        |       |       |       |       |       |       |           | OTHER CURRENCIES |       |       |      |           | TOTAL  |
|---------|----------------------|--------|-------|-------|-------|-------|-------|-------|-----------|------------------|-------|-------|------|-----------|--------|
|         | DM                   | ECU    | LIT   | HFL   | FF    | UKL   | BFR   | LFR   | SUB-TOTAL | USD              | YEN   | SFR   | OS   | SUB-TOTAL |        |
| EIB     | 859.4                | 897.0  | 594.1 | 515.0 | 412.8 | 304.1 | 262.6 | 81.3  | 3926.3    | 1760.2           | 514.0 | 510.5 | 54.4 | 2839.1    | 6765.5 |
| EURATOM | 96.3                 | 100.0  | -     | -     | 72.7  | -     | -     | 64.8  | 333.8     | 73.9             | 80.4  | -     | -    | 154.3     | 488.1  |
| ECSC    | 503.6                | 45.0   | 81.6  | 15.1  | 17.5  | 29.0  | -     | 9.5   | 701.3     | 633.0            | 112.5 | 70.6  | -    | 816.1     | 1517.4 |
| NCI     | -                    | 125.0  | -     | 64.0  | -     | 6.9   | -     | 23.1  | 219.0     | 280.3            | 42.1  | -     | -    | 322.4     | 541.4  |
| TOTAL   | 1459.3               | 1167.0 | 675.7 | 594.1 | 503.0 | 340.0 | 262.6 | 178.7 | 5180.4    | 2747.4           | 749.0 | 581.1 | 54.4 | 4131.9    | 9312.4 |
| %       | 15.7                 | 12.5   | 7.3   | 6.4   | 5.4   | 3.7   | 2.8   | 1.9   | 55.6      | 29.5             | 8.0   | 6.2   | 0.6  | 44.4      | 100    |

GRAPH 3 : Trend of borrowing contracted by the European Community by instrument (1977-1986)



---

Operations under the Community loans mechanism designed to support Member States' balances of payments

Established in 1975 <sup>(1)</sup>, the balance of payments support mechanism was adjusted in 1981 and 1985 <sup>(2)</sup>. It serves a different purpose from that of the other borrowing and lending instruments for financing investment projects discussed in this report. The Community uses its credit-worthiness to borrow and then onlend the borrowed funds on identical terms to any Member State in balance-of-payments difficulties.

Under this mechanism the Council, acting on a proposal from the Commission and after consulting the Monetary Committee, decided on 16 May 1983 to grant the French Republic a loan equivalent to 4000 million ECU <sup>(3)</sup>.

In July 1986, France made early repayment of part of the loan, worth USD 1800 million, so that the Commission also made early repayment of a 1800 million Ecu loan whose terms had been adjusted in 1985.

The mechanism was used again when the Council decided on 9 December 1985, on a proposal from the Commission and after consulting the Monetary Committee, to grant Greece a loan of 1750 million Ecu <sup>(4)</sup>.

The Commission arranged the first tranche of this loan in January and February 1986, and made borrowings on the capital markets for the equivalent of 865 million Ecu as follows:

- a seven year floating-rate loan of 350 million Ecu;
- a six year floating-rate loan of DM 500 million;
- a five-year fixed-rate loan of USD 150 million which was subsequently the subject of an interest rate swap to arrive at a variable rate below Libor;
- a six-year fixed-rate loan of SFR 227 million.

---

<sup>(1)</sup> Council Regulations (EEC) No 397/75 and No 398/75 of 17 February 1975.

<sup>(2)</sup> Council Regulations (EEC) No 682/81 of 16 March 1981 and No 1731/85 of 30 April 1985.

<sup>(3)</sup> Council Decision 83/298/EEC.

<sup>(4)</sup> Council Decision 85/543/EEC.

5. Lending

5.1 General

The total value of loans granted in 1986 was 8583.5 million ECU, a nominal increase of 10.8% and a stronger surge than in the two previous years.

ECSC activity increased by 5.8%, with the growth of lending to the steel industry (up by 55.7%), to the coal industry and for low-cost housing more than offsetting the decline in industrial conversion loans and loans for thermal power stations. The use of global loans for conversion projects continued to expand (96.5% of conversion loans) and there was also an increase, though less strong, in the use of this lending technique to promote the consumption of Community coal and steel (40% of loans for this purpose). ECSC global loans amounted altogether to 248.2 million Ecu in 1986.

EIB lending increased by 18.4% in nominal terms. Euratom lending, whose expansion had slowed down in 1985 as the borrowing ceiling was reached, gathered momentum and more than doubled. By contrast, NCI lending fell by over half as the amounts available under NCI III were gradually used up.

Table 7 : Trend of lending in the Community (1)

(million ECU)

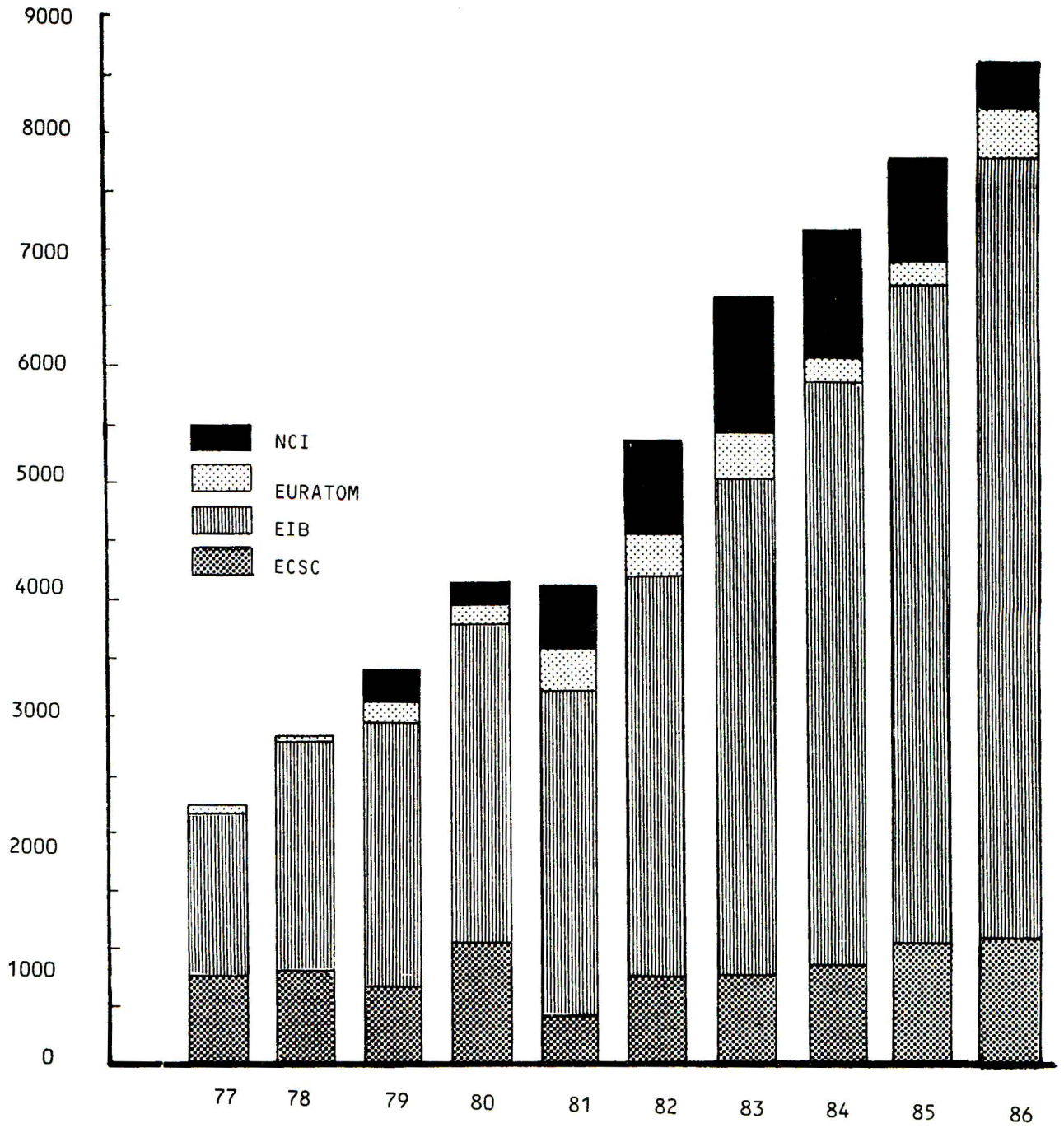
| YEAR | ECSC    | EIB<br>(2) (3) | EURATOM | NCI     | TOTAL   | ANNUAL<br>GROWTH<br>RATE AS % |
|------|---------|----------------|---------|---------|---------|-------------------------------|
| 1977 | 709.0   | 1.390.9        | 96.9    |         | 2.196.4 | 7                             |
| 1978 | 797.7   | 1.966.5        | 70.3    |         | 2.834.5 | 29                            |
| 1979 | 675.8   | 2.281.2        | 151.6   | 277.0   | 3.386.4 | 19                            |
| 1980 | 1.030.7 | 2.738.4        | 181.3   | 197.6   | 4.148.0 | 23                            |
| 1981 | 387.6   | 2.805.9        | 357.6   | 539.8   | 4.090.0 | - 1                           |
| 1982 | 740.6   | 3.446.0        | 361.8   | 791.0   | 5.339.4 | 30                            |
| 1983 | 778.1   | 4.243.5        | 366.4   | 1.199.6 | 6.587.6 | 23                            |
| 1984 | 825.5   | 5.007.0        | 186.0   | 1.181.8 | 7.200.3 | 9                             |
| 1985 | 1.010.6 | 5.640.7        | 211.0   | 883.7   | 7.746.0 | 8                             |
| 1986 | 1.069.2 | 6.678.1        | 443.2   | 393.0   | 8.583.5 | 11                            |

(1) Balance of payments loans are not included in this table.

(2) Including loan guarantees: 1980: 14.2 million ECU  
1981: 282.1 million ECU  
1983: 97.6 million ECU

(3) Including loans for reconstruction in areas stricken by the earthquakes in Italy in November 1980 and in Greece in February/March 1981 (1981-86).

GRAPH 4 : Trend of Lending in the Community by instrument (1977-1986)



5.2 Sectoral breakdown

Lending in the Community in 1985 and 1986, by sector and by instrument  
(million Ecu)

| SECTOR  | ECSC             |               | EIB           |               | EURATOM    |              | NCI          |            | TOTAL         |               |            |            |
|---|------------------|---------------|---------------|---------------|------------|--------------|--------------|------------|---------------|---------------|------------|------------|
|   |                  |               |               |               |            |              |              |            | Million Ecu   |               | %          |            |
|   | 1985             | 1986          | 1985          | 1986          | 1985       | 1986         | 1985         | 1986       | 1985          | 1986          | 1985       | 1986       |
| Productive sector (of which global loans <sup>(1)</sup> ) | 932.5(3)         | 923           | 1240.7        | 1654.3        |            |              | 657.0        | 261.5      | 2830.2        | 2838.8        | 37         | 33         |
| Infras-structure  | 17.3             | 26.2          | 2169.1        | 2581.4        |            |              | 226.7        | 40.5       | 2413.1        | 2648.1        | 31         | 31         |
| Energy  | 60.8             | 120.0         | 2230.9        | 2442.4        | 211        | 443.2        | -            | 91.1       | 2502.7        | 3096.7        | 32         | 36         |
| (of which global loans <sup>(2)</sup> )                   |                  |               |               |               |            |              |              |            |               |               |            |            |
| (3)   |                  |               | (458.0)       | (270.6)       |            |              |              |            | (8.7)         | (458.0)       | (279.3)    | (6)        |
| <b>TOTAL</b>  | <b>1010.6(3)</b> | <b>1069.2</b> | <b>5640.7</b> | <b>6678.1</b> | <b>211</b> | <b>443.2</b> | <b>883.7</b> | <b>393</b> | <b>7746.0</b> | <b>8583.5</b> | <b>100</b> | <b>100</b> |

(1) Global loans to finance mainly small and medium sized enterprises.

(2) Global loans for infrastructure and energy projects.

(3) Including 114.4 million Ecu for an iron ore project at Carajas of direct interest to the Community.

### 5.2.1 Productive sector

Despite the growth of EIB lending, loans to the productive sector, while remaining at a high level (2838.8 million Ecu), were virtually stable compared with the previous two years. Their share of total lending was consequently down to 33%.

ECSC lending declined by 1.4%, as the expansion of industrial loans did not entirely offset the decline in conversion loans.

EIB lending expanded by a third, reflecting the brisk growth of individual loans (from 470 million Ecu to 960 million ECU), which more than made up for the fall-off in global loans. NCI lending was down sharply as most of NCI III had been used up. NCI lending to the productive sector, which accounts for 66.5% of NCI activity, took the form of global loans amounting altogether to 261.5 million Ecu to finance productive investment by small and medium sized enterprises outside assisted areas. EIB global loans totalled 693.7 million Ecu; an amount of 595 million Ecu was for small and medium-sized projects in less-favoured areas, 43.6 million Ecu for investment furthering the development or deployment of advanced technologies outside areas assisted under regional aid schemes, and the rest for industrial investment consistent with the Community's aims for energy and environmental protection.

Sub-loans allocated in 1986 from new or current global loans for small and medium-scale industrial investment projects declined significantly in relation to 1985, to 1023,6 million Ecu. A total of 3569 sub-loans were allocated comprising 2104 (572.7 million Ecu) from EIB resources in areas eligible for regional aid, 1368 (304 million Ecu) from NCI resources, mainly outside assisted areas, 80 (91 million Ecu) for investment in the efficient use of energy, 14 (44 million Ecu) for investment in advanced technology projects, and 6 (13 million Ecu) for environmental protection projects.

ECSC global loans amounted to 248 million Ecu (235 million Ecu for conversion and 13 million Ecu for coal and steel consumption).



### 5.2.2 Infrastructure

Lending for infrastructure projects increased by almost 10%.

EIB and NCI loans for transport were up again, while those for telecommunications (579.6 million Ecu, including 83.4 million Ecu for satellite links) levelled off. Assistance for water engineering projects, including sewerage declined. Global loans totalled 173.5 million Ecu. ECSC lending to finance low cost housing rose considerably, to 26.2 million Ecu.

### 5.2.3 Energy

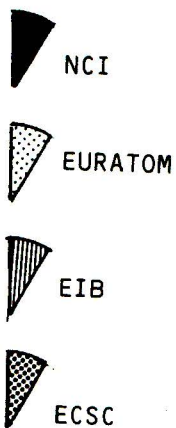
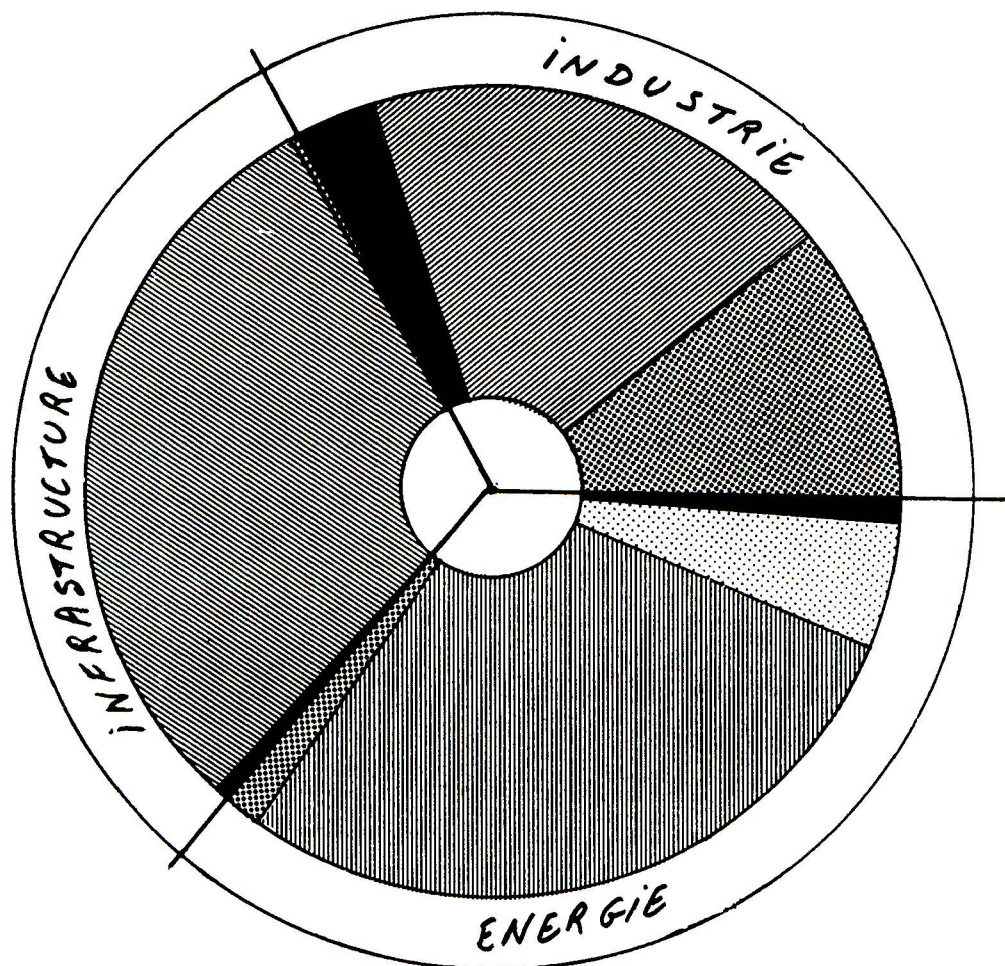
Lending to the energy sector showed the sharpest increase (23.7%) under the combined impact of the doubling of ECSC and Euratom lending, the granting of NCI loans (of which there were none in the sector in 1985) and the 9.5% increase in EIB lending. While ECSC loans for thermal power stations fell sharply, with only one loan in 1986, an amount of 103.6 million Ecu was lent for coal production, for which no loans were made in 1985.

After slackening in 1985, Euratom lending expanded sharply owing to the increase in the borrowing ceiling decided by the Council on 5 December 1985. EIB loans totalled 2442.4 million Ecu. The financing of nuclear power stations and nuclear fuel reprocessing and storage facilities still accounts for a major, if declining, share (712.8 million Ecu). Loans for hydroelectric, geothermal and coal-fired power stations expanded, as did loans for oil and gas exploitation, transport projects and energy distribution projects.

There had been no NCI loans in the energy sector in 1985; in 1986, NCI loans totalled 91.1 million Ecu.

Global loans from the EIB and the NCI to the energy sector totalled 105.8 million Ecu.

GRAPH 5: Breakdown of Loans in the Community in 1986 by instrument and by sector.



### 5.3 Breakdown by country

More than 70% of lending was concentrated in countries with major regional problems : Greece, Ireland, Italy, Spain, Portugal and the United Kingdom; the figure is 83% if France is included.

The share of Ireland tended to increase in line with the expansion of EIB financings, that of the United Kingdom in line with EIB and Euratom financings.

Since the rate of increase in lending to Italy was considerably below that of total lending, owing to the contraction in NCI loans, Italy's share in the total fell.

Lending to France declined by 38% owing to a contraction in loans from all the instruments except Euratom, and especially in NCI global loans; the result was a very sharp contraction of France's share in the total : from 20.2% in 1985 to 11.2%.

Spain and Portugal received loans from the NCI and the EIB. The amounts lent by the EIB were considerably higher than financing under the pre-accession arrangements.

Germany's share in Community loans (EIB and ECSC) increased appreciably and was comparable in 1986 to France's share.

EIB and NCI loans contributing to regional objectives totalled 3585 million Ecu in 1986, equivalent to more than half of the total. As much as 70% went to the countries experiencing the most serious structural problems (Italy, Greece, Ireland, Portugal, Spain).

Table 9 :

Geographical breakdown of lending in the Community in 1985 and 1986

(Million Ecu)

| COUNTRIES   | B    | DK    | D     | GR    | E     | F      | IRL   | I      | L    | NL    | P     | UK     | TOTAL                 |
|-------------|------|-------|-------|-------|-------|--------|-------|--------|------|-------|-------|--------|-----------------------|
| <u>1985</u> |      |       |       |       |       |        |       |        |      |       |       |        |                       |
| Amount      | 78.9 | 336.2 | 463.5 | 423.7 |       | 1539.0 | 174.6 | 3255.0 | 9.0  | 69.1  |       | 1282.8 | 7746.0 <sup>(1)</sup> |
| %           | 1.0  | 4.4   | 6.1   | 5.5   |       | 20.2   | 2.3   | 42.7   | 0.1  | 0.9   |       | 16.8   | 100                   |
| <u>1986</u> |      |       |       |       |       |        |       |        |      |       |       |        |                       |
| Amount      | 47.0 | 258.2 | 946.5 | 253.2 | 409.2 | 950.9  | 263.0 | 3464.1 | 20.2 | 184.8 | 190.3 | 1521.0 | 8583.5 <sup>(2)</sup> |
| %           | 0.6  | 3.0   | 11.1  | 3.0   | 4.8   | 11.2   | 3.1   | 40.7   | 0.2  | 2.2   | 2.2   | 17.9   | 100                   |
| of which :  |      |       |       |       |       |        |       |        |      |       |       |        |                       |
| ECSC        | 0.9  | -     | 480.3 | 0.2   | -     | 104.5  | 0.9   | 342.5  | 2.0  | 86.6  | -     | 51.3   | 1069.2                |
| EIB         | 46.1 | 198.3 | 441.8 | 253.0 | 340.0 | 565.0  | 214.3 | 2912.5 | 18.2 | 98.2  | 160.4 | 1355.3 | 6678.1 <sup>(2)</sup> |
| EURATOM     | -    | -     | 24.4  | -     | -     | 223.0  | -     | 97.7   | -    | -     | -     | 98.1   | 443.2                 |
| NCI         | -    | 59.9  | -     | -     | 69.2  | 58.4   | 47.8  | 111.4  | -    | -     | 29.9  | 16.3   | 393.0                 |

<sup>(1)</sup> Including 114.5 million Ecu for ECSC loans outside the Community.

<sup>(2)</sup> Including 75 million Ecu under Article 18 of the EIB Statute.

#### 5.4 Employment effects

According to forward estimates, the total amount of investment which the EIB and NCI helped to finance is 22 800 million Ecu; and the average contribution is put at a third of total costs.

Information provided by promoters when investment projects were appraised suggest that the investment projects financed by the EIB and the NCI in 1986 should together help to create some 30 000 permanent jobs, of which 23 000 in industry. Most of the jobs created (18500) will stem from ventures financed through global loans. A total of 67% are in the assisted areas.

While, by their nature, projects financed by Euratom create few new jobs directly, ECSC conversion loans made in 1986 could help to generate about 31 000 extra jobs.

Although these estimates are necessarily very rough, they show that the impact on employment in the Community is considerable.

6. Lending in the Community, by instrument

6.1 New Community Instrument (NCI)

6.1.1 General analysis of utilization

The table below shows the situation regarding loans signed by 31 December 1986, specifying the borrowing authorizations and their respective ceilings:

- NCI I was fully allocated by 31 December 1984;
- NCI II was virtually fully allocated by 31 December 1986;
- 96% of the first tranche of NCI III, and 91% of the second tranche, have been committed; the balance is covered by loans already approved but not yet signed.

At 31 December 1986, loans signed under the three borrowing authorizations totalled 4707 million Ecu.

In addition to these ordinary operations, which make up its principal activity, the NCI also helps to finance the exceptional assistance operations in the regions of Italy and Greece stricken by the earthquakes of 1980-81.

The Council decisions on such reconstruction aid do not lay down any precise amounts for NCI lending, but limit the overall amount of assistance, financed both from the EIBs' own resources and from NCI resources, to:

- 1000 million ECU in borrowing and lending for Italy <sup>(24)</sup>;
- 80 million ECU in borrowing and lending for Greece <sup>(25)</sup>.

All of the 80 million Ecu authorized for Greece was committed in 1982 in a single loan. The exceptional aid operations in the Italian areas hit by the 1980 earthquakes still have a balance of some 73 million Ecu in loans to be signed, some of which have already been approved. These loans are granted from EIB and NCI resources, with the NCI having covered 66% of the loans signed so far.

Table 10 :

| NCI Utilization             |                      |        |                        |                        |                       |        |
|-----------------------------|----------------------|--------|------------------------|------------------------|-----------------------|--------|
|                             | NCI I                | NCI II | NCI III<br>1st tranche | NCI III<br>2nd tranche | <u>Reconstruction</u> |        |
|                             |                      |        |                        |                        | ITALY                 | GREECE |
| Ceilings                    | 1.000                | 1.000  | 1.500                  | 1.400                  | 1.000                 | 80     |
| Loans signed <sup>(1)</sup> | 994.9 <sup>(2)</sup> | 997.4  | 1.442.5                | 1.272                  | 927 <sup>(3)</sup>    | 80     |

(<sup>1</sup>) Adjusted for cancellations (17.2 million ECU in the case of NCI II, 39.6 million Ecu in the case of the first tranche of NCI III, 20.7 million Ecu in the case of the second tranche of NCI III).

(<sup>2</sup>) The level of utilization is determined, for ordinary NCI operations, by converting loans actually paid out into "borrowing equivalent". The date of conversion into ECU is that of the corresponding borrowing; the total cost of each borrowing is allocated between the various NCI tranches in proportion to the amounts paid out. NCI I has been fully allocated, the adjustment to the "borrowing equivalent" basis absorbing the remainder; the balance on NCI II is about 3 million Ecu.

(<sup>3</sup>) Of which 315.6 million Ecu from the EIB's own resources and 611.4 million Ecu from NCI resources.

NCI lending, which fell by 25% in 1985, contracted sharply once more in 1986 (by 55.5%) to 393 million Ecu, as amounts available under NCI III were used up.

Loans to the productive sector accounted for 66.5% of total lending (261.5 million Ecu), all in the form of global loans to small and medium-sized industrial firms outside regional aid areas. Twelve new global loan agreements were concluded with intermediary institutions in five countries, including Spain and Portugal. Of the 1368 sub-loans (totalling 304.1 million Ecu) made to SMEs from global loans in 1986, 50% by number and 22% by amount went to firms employing fewer than 20 workers, 75% by number and 46% by amount to firms employing fewer than 50 workers and 94% by number and 81% by amount to firms employing fewer than 200 workers.

Loans in the energy sector (91.1 million Ecu, including 8.7 million Ecu in global loans) accounted for 23.2% of total lending. They helped to finance the Moneypoint coal-fired power station in Ireland, the district heating grid serving the greater Copenhagen area and projects involving the efficient use of energy (a global loan to Italy).

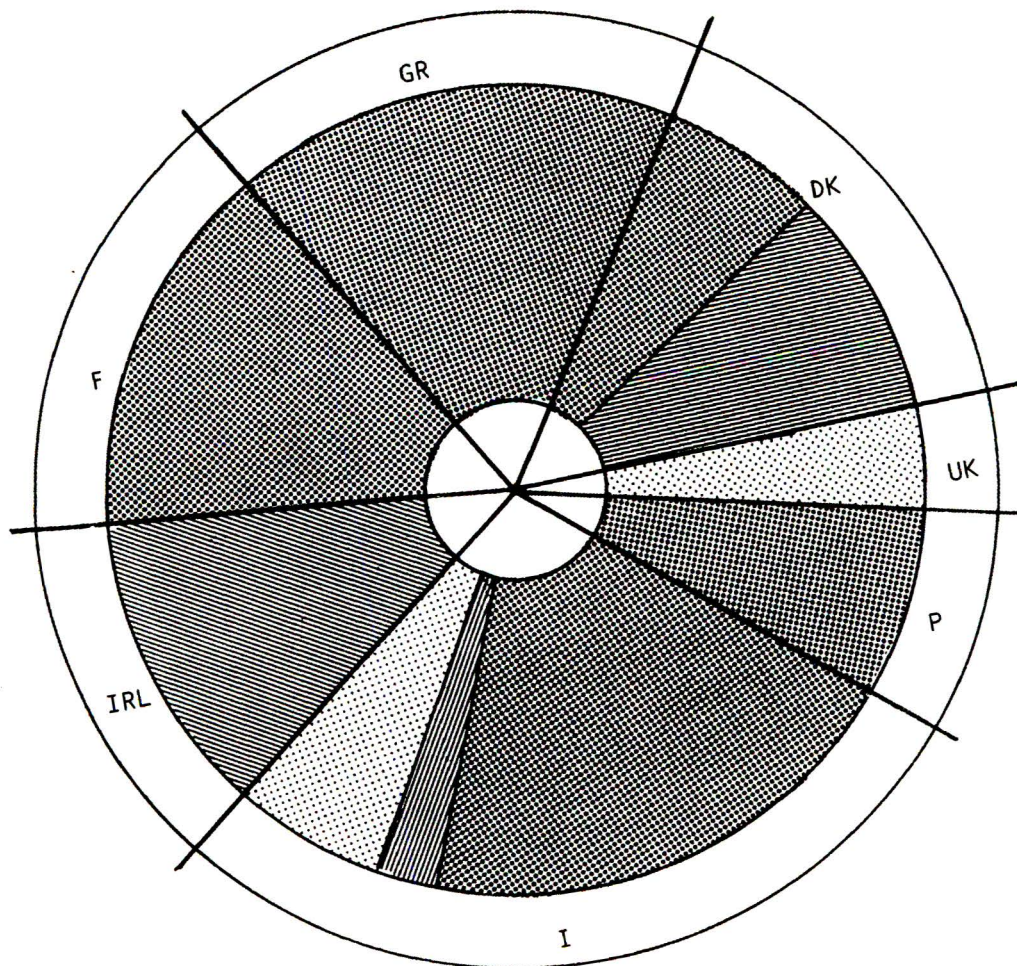
The remaining 10.3% of loans (40.5 million Ecu) went to infrastructure projects. They helped to finance electrification of the railway network in Scotland and the improvement of basic infrastructure for a new business district in Naples.

No NCI loans were granted to Italy in 1986 towards reconstruction in the earthquake areas, but 24.6 million Ecu was lent for that purpose from the EIBs' own resources. Taking into account earlier loans, this brings the total amount of subsidized loans committed for Italian reconstruction work to 927 million Ecu, including 315.6 million Ecu from the EIB's own resources.

Table 6 in the annex provides a breakdown of NCI loans by country and by sector.



GRAPH 6 : Breakdown of NCI loans in 1986, by country and sector.



INDUSTRY

INFRASTRUCTURE

ENERGY

### 6.1.2 Country by country review

The overall decrease in NCI lending compared with 1985 is reflected in the level for each of the recipient countries, with the amounts lent down by 13% in Denmark, 70% in Italy and 85% in France. There were no NCI loans to Greece in 1986. Only Ireland received more in such loans, and financing was granted for the first time to Spain and Portugal. Italy's share fell from about 40% in 1985 to 28.4% in 1986, while France's share fell from 40% to 14.9%. Spain's share in NCI loans was 17.6%, Portugal's 7.6%.

In Denmark, lending fell by 12.6% to 59.9 million Ecu, of which 34.6 million Ecu was for a district heating network at Copenhagen. The rest was used, in the form of global loans, to finance productive investment in industrial SMEs.

During the year, 131 sub-loans totalling 45.3 million Ecu were granted from global loans currently under drawdown.

In France, NCI lending totalled 58.4 million Ecu in the form of one global loan to the CEPME to finance productive investment in SMEs.

From global loans already under allocation, 81.6 million Ecu in sub-loans was granted to 631 SMEs.

Spain received 69.2 million Ecu in the form of two global loans, used to finance investment by agro-industrial SMEs and by SMEs in the industrial and service sectors.

Ireland received loans totalling 47.8 million Ecu to finance the Moneypoint coal-fired power station.

In Italy, lending totalled 111.6 million Ecu. Global loans accounted for more than 70% (78.7 million Ecu). They were concluded with six institutions specializing in the financing of SMEs.

The rest was granted in the infrastructure sector for the provision of basic infrastructure for a new business district in connection with the Naples integrated operation (24.2 million Ecu), and in the form of a global loan to finance small and medium-sized investment projects to improve energy efficiency in the infrastructure, industrial and building sectors (8.6 million Ecu).

From global loans already under allocation, 564 small and medium-sized firms mainly located in various areas in the centre and north of the country were granted sub-loans amounting to 169.1 million Ecu.

Portugal received a global loan of 29.9 million Ecu to finance productive investment by SMEs in industry, tourism and services and investment in energy conservation or environmental protection.

In the United Kingdom, a loan of 16.3 million Ecu contributed to the electrification of the railway network south-west of Glasgow.

---

LIST OF NCI LOANS 1986

Loans from NCI resources signed in 1986, by country.

|   | million<br>ECU (1) |
|---|--------------------|
| <u>Denmark</u>  |                    |
| DKR 475 million   | <u>59.9</u>        |
| Construction of district heating grid to<br>serve the greater Copenhagen area.<br>Centralkommunernes Transmissionselskab I/S<br>DKR 275 million   | 34.6               |
| Global loan to Finansieringsinstituttet for Industri<br>og Handvaerk A/S to finance productive investment by<br>industrial SMEs<br>DKR 200 million  | 25.3               |
| <u>Spain</u>  |                    |
| PTA 9500 million  | <u>69.2</u>        |
| Global loan to Banco de Crédito Agrícola through the<br>intermediary of Instituto de Crédito Oficial to<br>finance small and medium sized agro-industrial firms<br>throughout Spain.<br><br>PTA 2700 million  | 19.8               |
| Global loan to Banco de Crédito Industrial through<br>the intermediary of Instituto de Crédito Oficial to<br>finance productive investment by small and medium<br>sized firms in industry and services in less<br>developed areas<br>PTA 6800 million | 49.4               |
| <u>France</u>   |                    |
| FF 400 million  | 58.4               |
| Global loan to CEPME to finance productive investment<br>by SMEs<br><br>FF 400 million  | 58.4               |

---

(1) The national currency/ECU conversion rates used were those obtaining on the last day of the quarter preceding that in which the loan contract was signed.

---

Ireland

IRL 36.5 million 47.8

Coal-fired power station (second and third units, 300 MW each) at Moneypoint (Mid-West). Electricity Supply Board

IRL 20 million 26.2

IRL 16.5 million 21.6

Italy

LIT 162 500 million 111.6

Provision of basic infrastructure for a new business district in Naples (Campania). Mededil-Società Edilizia Mediterranea p.A. through the intermediary of ISVEIMER

LIT 35 000 million 24.2

Global loan to EFIBANCA to finance productive investment by SMEs in central and northern Italy outside less developed areas.

LIT 20 000 million 13.6

Global loan to Istituto Federale di Credito Agrario of Piémont, Liguria and Valle d'Aosta to finance productive investment by agro-industrial SMEs

LIT 10 000 million 6.8

Global loans to BNL - Sezione Speciale per il Credito Industriale, to financeng productive investment by SMEs in central and northern Italy outside less developed areas.

LIT 17 500 million 11.9

LIT 7 500 million 5.0

Global loan to the Banco di Sicilia to finance productive investment by SMEs in central and northern Italy outside less developed areas.

LIT 10 000 million 6.9

Global loans to IMI to finance productive investment by SMEs in central and northern Italy outside less developed areas.

LIT 24 500 million 17.0

LIT 10 500 million 7.3

Global loan to the Istituto Bancario San Paolo di Torino - Sezione di Credito Agrario to finance productive investment by agro-industrial SMEs in central and northern Italy outside less developed areas.

LIT 15 000 million 10.2

---

Global loan to Venefondario to finance small and medium-sized investment projects for efficient use of energy in the infrastructure, industry and building sectors in central and northern Italy.  
LIT 12500 million 8.6

Portugal

ESC 4530 million 29.9

Global loan to Banco de Fomento Nacional to finance productive investment by SMEs in industry, tourism and services, and investment in energy conservation or environmental protection.  
ESC 4530 million

United Kingdom

UKL 10 million 16.3

Electrification of the Ayr railway line south-west of Glasgow and rolling stock (Scotland).  
Strathclyde Regional Council  
UKL 10 million 16.3

## 6.2 European Investment Bank (EIB)

In 1986 the EIB made loans from its own resources totalling 7059.9 million Ecu; loans within the Community accounted for 6678.1 million Ecu and loans outside the Community for 381.8 million Ecu.

Loans were granted in all the countries of the Community of Twelve, and therefore for the first time in Spain and Portugal. They were highly concentrated in countries with the greatest structural problems: 58.6% of the total went on investment projects in Portugal, Greece, Ireland, Spain and Italy, and 28.8% on projects in the United Kingdom and France. The other loans - a higher total than in previous years - went to Germany, the Netherlands, Belgium and Luxembourg. In addition, a loan for EUTELSAT telecommunications satellites benefiting the whole of the Community was granted on the special authorization of the Bank's Board of Governors (Article 18 of the Bank's Statute). Table 9 in the annex gives a breakdown by country and sector of loans in the Community.

The main feature of the year was the sharp increase in loans for investment projects contributing to environmental protection and for high tech industrial projects.

However, the bulk of the assistance (3596.8 million Ecu and 54% of the total) continued to go to regional development projects.

Those projects were located mainly in regions accorded priority under Community regional policy: in Italy (1802.2 million Ecu), mainly in the Mezzogiorno (1598.4 million Ecu), in Spain (294.6 million Ecu), in Greece (253 million Ecu), in Ireland (214.3 million Ecu) and in Portugal (160.4 million Ecu); loans were also granted for projects in France (389.6 million Ecu), in the United Kingdom (387.7 million Ecu) and a small proportion in other countries.

These loans were for transport and telecommunications infrastructure (1412 million Ecu) and for productive investment in industry, agriculture and services (1211.1 million Ecu). The remainder was divided between other infrastructure projects, in particular water engineering (418.5 million Ecu) and energy (555.1 million Ecu).

Financing for projects helping to attain the Community's energy objectives was used for developing indigenous resources (1400.9 million Ecu, of which 743.4 million Ecu was for nuclear energy), for the efficient use of energy, particularly within the framework of global loans (724 million Ecu) and for diversifying imports (354.2 million Ecu).

Loans for environmental protection more than doubled (701.7 million Ecu) and went mainly to major projects designed to purify waste water or to improve the quality of drinking water in Ireland, the United Kingdom, Germany and France but also to equipment for reducing the pollution caused by power stations and refineries in Germany, Greece and Italy.

Loans totalling some 561.5 million Ecu were granted for infrastructure projects facilitating intra-Community communications.

With the aim of helping to strengthen the competitiveness of European industry, the Bank granted a total of 573.9 million Ecu for investment projects which, particularly in the electronics and chemical industries, are designed to develop or introduce advanced technologies; in addition, 170 million Ecu were granted for industrial projects carried out jointly by firms from different member countries or intended to make it easier for Spanish firms to adapt to the new market conditions created by accession.

A summary breakdown by sector of the Bank's loans for infrastructure projects shows the high proportion taken by transport and telecommunications projects (1887 million Ecu out of 2581.4 million Ecu) and the continuing high level of loans for equipment projects in the energy sector.



Lending for projects in the productive sectors totalled 1654.3 million Ecu : 960.6 million Ecu went into individual loans, mainly for investment projects in industry, and a total of 693.7 million Ecu went into global loans for the financing of small and medium-sized firms.

From global loans on tap in 1986, 2546 allocations totalling 942.7 million Ecu were made, broken down as follows:

- 2104 allocations totalling 572.7 million Ecu for small and medium-sized ventures in regional aid areas;
- 249 allocations totalling 91.2 million Ecu for small-scale infrastructure and equipment projects carried out in the same areas by local authorities;
- 14 allocations totalling 43.6 million Ecu for technologically innovative investment projects;
- 164 allocations totalling 198.5 million Ecu for industrial and small-scale infrastructure projects meeting the Community's energy objectives;
- 15 allocations totalling 36.7 million Ecu from the first global loans granted for environmental protection purposes.

### 6.3 Euratom

In 1986 the Commission continued its lending activities through Euratom to finance investment in the industrial production of nuclear-generated electricity and industrial fuel-cycle installations.

It paid out six loans totalling 443.2 million Ecu for investment projects undertaken by the following five enterprises:

1. NERSA SA  
(for the Creys-Malville project - two loans)
2. Ente Nazionale per l'Energia Elettrica (ENEL)  
(for the Montalto di Castro project)
3. Kernkraftwerke Lippe-Emsland (KKW)  
(for the Lingen project)
4. South Scottish Electricity Board  
(for the North Berwick project)
5. Electricité de France  
(for the Flamanville project)

All these major projects are being co-financed by Euratom and the EIB; the EIB, in its capacity as Euratom agent, signed these loan contracts jointly with the Commission.

Between the inception of Euratom lending activities and 31 December 1986, the Commission paid out loans totalling 2577.5 million Ecu.

### 6.4 European Coal and Steel Community (ECSC)

The total amount of loans paid out by the ECSC in 1986 was 5.8% higher than in 1985, amounting to 1069.2 million Ecu (1010.6 million Ecu in 1985). This figure reflects, on the one hand, an increase in industrial loans under Article 54 and, on the other, a decrease in conversion loans under Article 56.

Industrial loans rose from 629.9 million Ecu to 799.5 million Ecu in 1986, an increase of 26.9%. Loans to the steel industry in particular increased considerably, from 424.6 million Ecu to 661.2 million Ecu. This amount was divided between 18 loans in four Member States (six loans in the Federal Republic of Germany, five in France, six in Italy and one in the Netherlands). In addition, a loan was granted in the iron ore sector in Germany.

By contrast with 1985, when no loans were granted in the coal sector, the ECSC paid out in 1986 a loan of 103.6 million Ecu for financing coal production in Germany.

Loans for financing investment projects designed to promote consumption of Community coal, generally granted in the form of global loans, were down (7.7 million Ecu in 1986 compared with 30 million Ecu in 1985).

By contrast, the new lending instrument for investment designed to facilitate the disposal of Community steel was well received. Three loans totalling 16.4 million Ecu were paid out in 1986.

The financing of thermal power-stations was down sharply compared with the previous year. A single loan of 8.7 million Ecu was paid out in Germany.

Conversion loans contracted sharply (by 33%), from 363.4 million Ecu to 243.5 million Ecu in 1986. A total of 71 loans were paid out: three direct loans totalling 8.5 million Ecu and 68 global loans totalling 235 million Ecu. Global loans thus accounted for 96.5% of the total amount of conversion loans.

In 1986 the ECSC paid out a total of 26.2 million Ecu to finance low-cost housing for employees in the coal and steel industries: 17.8 million Ecu was granted from its own funds at an interest rate of 1% a year and 8.4 million Ecu from borrowings at the market interest rate. Some 3600 low-cost dwellings were financed this way in 1986, bringing the number of such dwellings financed by the ECSC since 1954 to more than 192 000.

### 6.5 Interest subsidies

Only two interest-subsidy mechanisms for lending within the Community were used in 1986:

- ECSC subsidies (on ECSC loans);
- subsidies related to the special aid for the Italian and Greek areas stricken by earthquakes in November 1980 and February/March 1981.

The ECSC interest subsidies granted by the Commission on ECSC loans in 1986 were reserved for conversion projects financed under Article 56 of the Treaty and for investment projects designed to increase consumption of Community coal financed under paragraph 2 of Article 54 of the Treaty.

The following table summarizes the subsidy amounts paid out in 1986:

Table 11 :

#### ECSC interest subsidies paid out in 1986

( million Ecu)

|         | B    | DK   | D     | F    | IRL  | I    | L    | NL   | UK    | TOTAL |
|---------|------|------|-------|------|------|------|------|------|-------|-------|
| Art. 54 | -    | -    | 4.42  | 0.27 | -    | 0.21 | -    | -    | 1.00  | 5.90  |
| Art. 56 | 0.51 | 0.23 | 14.29 | 0.80 | 0.12 | 1.69 | 0.27 | 0.13 | 15.04 | 33.08 |
| TOTAL   | 0.51 | 0.23 | 18.71 | 1.07 | 0.12 | 1.90 | 0.27 | 0.13 | 16.04 | 38.98 |

The interest subsidies for reconstruction in earthquake-stricken areas are governed by Council Decisions 81/19/EEC of 20 January 1981 in the case of Italy and 81/1013/EEC of 14 December 1981 for Greece. They are paid annually on the loan interest dates, in non-discounted form, a rate of 3% per annum being applied to the capital still outstanding; the loans and subsidies have a maximum life of 12 years.

Tables 17 and 18 in the annex list all the loans signed by the end of the 1986 financial year, with the amount of each interest subsidy paid in 1986.

In 1986 the subsidized loans for reconstruction in the areas of Campania and Basilicata in Italy totalled 24.2 million ECU and were made from the EIB's own resources.

They were for the development of industrial estates, road infrastructures and the Naples-Bari motorway.

By the end of 1986, the loans signed for Italy totalled 927 million Ecu out of the 1000 million Ecu authorized. The entire 80 million Ecu authorized for Greece had been taken up by a single operation signed in 1982.

Of the total of 1007 million Ecu in loans signed (68.7% of which was from NCI resources):

- 57.2% was for economic infrastructure (roads, railways, telephones, electricity, water supply, industrial estates);
- 39.4% was for social infrastructure (housing, schools and public buildings);
- 3.4% was for the rehabilitation of the means of production.

On the loans signed since 1981, interest subsidies worth 28.8 million Ecu were paid out in 1986.

## 7. Lending outside the Community

### 7.1 General

The EIB has been granting loans outside the Community since 1963 for projects contributing to the economic and social development of the countries concerned. The loans are granted from the EIB's own resources, from those of the EDF and from the general budget of the Communities.

The 1986 financial year was marked by the entry into force on 1 May of the third Lomé Convention concluded with the 66 ACP countries and of the specific aid arrangements for the Overseas Countries and Territories. The Convention provides for Community aid of 8500 million Ecu (7400 million ECU under the EDF and 1100 million Ecu in the form of loans from the EIB's own resources).

While negotiations on the renewal of the financial protocols concluded between the EEC and the Mediterranean countries continued, the EIB committed most of the remaining amounts available under the second generation of protocols, which were in force until the end of 1986.

In 1986 the EIB granted loans in 18 ACP States and one Overseas Country or Territory; it provided financings in nine Mediterranean countries.

In 1986 EIB loans from own resources amounted to 381.8 million Ecu and to 91.9 million Ecu from Community resources, making a total of 473.7 million Ecu. Of the total amount of loans granted from the EIB's own resources, 231.1 million Ecu went to Mediterranean countries and 150.7 million Ecu went to the African, Caribbean and Pacific States pursuant to the second and third Lomé Conventions and the decisions relating to the Overseas Countries and Territories.

Operations in the ACP States and the Overseas Countries and Territories from EDF resources amounted to 59 million Ecu in risk-capital financing. In the Mediterranean region, loans from budgetary resources amounted to 32.9 million Ecu.

## 7.2 Loans to Mediterranean countries

In 1986 the EIB continued and largely completed the allocation of the amounts provided for under the second financial protocols concluded between the Community and the Maghreb and Mashreq countries and Israel. It continued to apply the protocols in force with Malta and Cyprus and granted a loan in Turkey under the reactivated 1973 additional protocol. The loans which the EIB grants from its own resources to Mediterranean countries are covered by a guarantee from the Community general budget set at 75% of loans outstanding by a guarantee contract concluded between the Commission and the EIB.

Financing from the EIB's own resources in the Mediterranean region totalled 231.1 million Ecu, with loans amounting to 110.5 million Ecu in the Maghreb countries, 87.6 million Ecu in the Mashreq countries, 20 million Ecu in Israel and 13 million Ecu in Malta. Loans totalling 33 million Ecu were granted from the Community's budgetary resources in Tunisia, Cyprus and Turkey.

Of the loans granted, 46.4% (122.5 million Ecu) went to the productive sector (almost a third in the form of global loans), 35.2% went to infrastructure projects (92.8 million Ecu) and 18.4% went to energy equipment projects (48.7 million Ecu).

In Algeria, 60 million Ecu were granted under the second financial protocol for upgrading to motorway standard the highway from the south of Algiers to Blida.

In Tunisia, a total of 63.5 million Ecu (13 million Ecu from budgetary resources) was lent for the development of agriculture: 20 million Ecu were allocated to infrastructure projects, irrigation and the purchase of equipment on five State-run farms; 20 million Ecu were granted in the form of global loans for agricultural and agro-industrial projects; 21 million Ecu were used for agricultural complexes in the north and centre of the country; finally, 2.5 million Ecu went to the construction of a dairy.

In Egypt, EIB loans totalled 62.5 million Ecu; of that total, 32.5 million Ecu went to the construction of a white cement plant and 30 million Ecu to the extension of the Soubrah el Kheima power station, which operates principally on natural gas.

In Jordan, a total of 9.1 million Ecu helped to finance work on the second part of the industrial estate to the south east of Amman and improvements to the sewage system in the town of Zarqa.

In Syria, a 16 million Ecu loan was granted towards the modernization and extension of the sewage system in Aleppo.

In Israel, a loan of 20 million Ecu, which exhausted the amount under the second financial protocol, was granted for small and medium-scale industrial ventures.

In Cyprus, a 1.2 million Ecu loan from budgetary resources contributed to the extension of the sewage system in the capital, Nicosia.

In Malta, a loan of 13 million Ecu, which exhausted the amount under the first financial protocol, enabled internal and international telecommunications (telephone, telex) to be modernized and extended.

Finally, a total of 18.7 million Ecu was granted to Turkey, pursuant to the additional protocol concluded at the time of the 1973 Community enlargement, to finance a hydro-electric project on the River Peri; the project comprises a dam and a power station which should reduce the country's dependence on oil imports.

### 7.3 Loans to African, Caribbean and Pacific States and Overseas Countries and Territories

Projects were financed in 18 ACP countries (13 in Africa, 3 in the Caribbean and 2 in the Pacific) and in one Overseas Country or Territory (Montserrat). The funds provided totalled 209.7 million Ecu (150.7 million Ecu from the EIB's own resources and 59 million Ecu in the form of risk capital assistance).



The bulk of the loans were granted under the third Lomé Convention, which came into force on 1 May 1986 (205 million Ecu); a further 4.7 million Ecu of loans were committed under the second Convention.

Two thirds of the projects financed in industry are designed to exploit national resources and to promote local production with the aim of reducing imports or expanding exports.

The total cost of the investment projects financed amounted to 1430 million Ecu. A total of 85 allocations were made from ongoing global loans to small and medium-scale investment projects at a total cost of 41.1 million Ecu.

In 1986 the EIB continued to provide funds for the rehabilitation of industries or infrastructures; more than 40% of those funds went to the modernization and restructuring of businesses, to the strengthening of business financial structures in the form of risk capital and to improvements in infrastructure facilities (water, electricity).

In Africa, operations totalled 164.4 million Ecu: 108.7 million Ecu in the form of loans from the EIB's own resources and 55.7 million Ecu in the form of risk-capital operations. Some 70% of the funds went to the productive sector. They were used to finance the rehabilitation and consolidation of capacity for exploiting copper and cobalt deposits in Zaire, the construction of a cotton ginning plant and the modernization and extension of a corrugated paper factory in the Ivory Coast, the restructuring of a chemical complex in Senegal, the rehabilitation of a textile mill in Madagascar, the construction of a sawmill and a plywood factory in Malawi, the setting up of a weaving factory in Mauritius and investment projects carried out by SMEs (17.5 million Ecu of global loans) in Senegal, Burundi and Mauritius.

Energy accounted for some 18% of financings : reinforcement and extension of the high-tension power network in Ghana, construction of the Roseires hydro-electric complex in the Sudan; risk capital for the construction of a hydro-electric power station in Equatorial Guinea.

A total of 12% of the funds provided went to infrastructure projects, and in particular to telecommunications in the Ivory Coast and to water distribution in the Congo.

In the Caribbean, financings totalled 23.5 million Ecu:21.5 million Ecu from the EIB's own resources and 2 million Ecu in the form of risk-capital operations.

Industry received 10 million ECU, all of which went to small and medium-sized firms in Jamaica.

A loan of 8.5 million Ecu was granted for the repair of the water supply network in the Bahamas. A loan of 5 million Ecu was granted in the energy sector for the construction of a thermal power station and the provision of a power line in St Lucia.

In the Pacific, financings amounted to 21.5 million Ecu : 20.5 million Ecu in the form of loans from the EIB's own resources and 1 million Ecu in the form of risk capital.

The bulk of the funds (17 million Ecu) went to the energy sector for the construction of a dam and the extension of the Ramu power station in Papua New Guinea. A total of 4.5 million Ecu was allocated to the modernization and construction of sawmills in Fiji.

One Overseas Country or Territory, Monserrat, received 260000 ECU in the form of risk capital for a feasibility study relating to the possible use of wind energy.

- (1) Doc. PE 67134 of 5.3.81; OJ C 287, 9.11.81
- (2) An independent Community institution governed by public law and enjoying operational autonomy in its role as a Bank.
- (3) Decision 77/270 Euratom : OJ L 88, 6.4.77
- (4) Decision 78/870/EEC : OJ L 298, 25.10.78
- (5) Decision 82/169/EEC OJ L 78, 24.3.82
- (6) Decision 83/200/EEC : OJ L 112, 28.4.83
- (7) Decision 81/19/EEC : OJ L 37, 10.2.81
- (8) Decision 81/1013/EEC : OJ L 367, 23.12.81
- (9) Doc. COM(83)207 final.
- (10) Doc. COM(86)292 final.
- (11) Council Directive 86/566/EEC of 17.11.86; OJ L 332, 26.11.86.
- (12) OJ L 375, 31.12.1985. This Directive, which lays down minimum common rules for the organization and operation of such undertakings, will not come into force until October 1989. The liberalization of the admission of units issued by such undertakings to the capital market of another Member State will therefore not take effect until that date.
- (13) Doc. COM(85)310 final, 14.6.1985.
- (14) Doc. COM(86)723 final.
- (15) Doc. COM(87) 100.
- (16) Doc. COM(86) 722.
- (17) Doc. COM(86) 340, 25.6.1986.
- (18) The EFEC's registered office is in Luxembourg (10, bld Royal - L-2449).
- (19) See COM(86) 603 final.
- (20) Doc. COM(85)570 final of 17 October 1985.
- (21) Doc. COM(85)250 final.
- (22) Council Decision 87/182/EEC of 9 March 1987; OJ L 71, 14.3.87
- (23) OJ L 334, 12.12.1985
- (24) Decision 81/19/EEC, OJ L 37, 10.2.1981.
- (25) Decision 81/1013/EEC, OJ L 367, 23.12.1981.

A N N E X E S

---

81

LIST OF TABLES

- Table 1 Community borrowings in 1986
- Table 2 EIB borrowings in 1986
- Table 3 Borrowings by the European Communities
- Table 4 Breakdown of loans in the community in 1986, by instrument, sector and country
- Table 5 Trend in lending operations in the community, by sector
- Table 6 NCI loans, 1979-1986
- Table 7 ECSC loans paid out, 1977-1986
- Table 8 EURATOM loans, 1977-1986
- Table 9 Loans from EIB own resources in the community, 1977-1986
- Table 10 List of NCI loans in 1986
- Table 11 List of Euratom loans in 1986
- Table 12 ECSC loans by sector, 1980-1986
- Table 13 EIB loans outside the community from borrowings, 1977-86
- Table 14 EIB financing in Spain and Portugal prior to accession
- Table 15 EIB financing in the mediteranean countries, in ACP States and OCT in 1986.
- Table 16 Interest subsidies paid out in the community by the various Community mechanisms, 1977-86
- Table 17 "Earthquake reconstruction" loans carrying interest subsidies, 1981-1986 : Italy
- Table 18 "Earthquake reconstruction" loan carrying interest subsidy, 1986 : Greece
- Table 19 Subsidized loans for reconstruction in earthquake-stricken areas in 1986, by country, instrument and sector.

82

TABLE 1

COMMUNITY BORROWINGS IN 1986

| N°                       | T Y P E         | Life<br>(years) | Coupon<br>% | Currency<br>and amount<br>(million) | million<br>ECU<br>(1) |
|--------------------------|-----------------|-----------------|-------------|-------------------------------------|-----------------------|
| <b>a) <u>NCI</u></b>     |                 |                 |             |                                     |                       |
| 1                        | Public issue    | 12              | 7,25        | HFL 150                             | 63,96                 |
| 2                        | Public issue    | 10              | 9,125       | USD 100                             | 93,42                 |
| 3                        | Private placing | 7               | 9,95        | UKL 5                               | 6,9                   |
| 4                        | Public issue    | 10              | 8,25        | USD 100                             | 93,42                 |
| 5                        | Public issue    | 8               | 7,375       | ECU 75                              | 75                    |
| 6                        | Private placing | 5               | 6,4         | YEN 7.200                           | 42,1                  |
| 7                        | Public issue    | 5               | 7           | USD 100                             | 93,42                 |
| 8                        | Public issue    | 5               | 7,375       | ECU 50                              | 50                    |
| 9                        | Public issue    | 10              | 7           | LFR 1.000                           | 23,13                 |
| <b>T O T A L</b>         |                 |                 |             |                                     | 541,35                |
| <b>b) <u>EURATOM</u></b> |                 |                 |             |                                     |                       |
| 1                        | Private placing | 6               | 8,75        | LFR 300                             | 6,93                  |
| 2                        | Private placing | 3               | 9,25        | LFR 110                             | 2,54                  |
| 3                        | Private placing | 2               | 7,5         | LFR 390                             | 9,02                  |
| 4                        | Private placing | 2               | 7,625       | LFR 750                             | 17,34                 |
| 5                        | Private placing | 3               | 7,75        | LFR 450                             | 10,4                  |
| 6                        | Private placing | 3               | 7           | LFR 300                             | 6,93                  |
| 7                        | Private placing | 2               | 7,1875      | LFR 500                             | 11,56                 |
| 8                        | Public issue    | 12              | 7,625       | FF 500                              | 72,72                 |
| 9                        | Public issue    | 10              | 7,375       | ECU 100                             | 100                   |
| 10                       | Private placing | 1               | 4,5         | DM 200                              | 96,33                 |
| 11                       | Private placing | 10              | 6,5         | YEN 4.750                           | 27,77                 |
| 12                       | Private placing | 6               | 7,9         | USD 79,15                           | 73,94                 |
| 13                       | Private placing | 7               | 6,4         | YEN 4.000                           | 23,38                 |
| 14                       | Private placing | 9               | 6,2         | YEN 5.000                           | 29,23                 |
| 15                       | Private placing | 10              | variable    | USD 247                             | 230,75                |
| 16                       | Private placing | 10              | 7,75        | BFR 6.500                           | 150,35                |
| <b>T O T A L</b>         |                 |                 |             |                                     | 869,19                |

(1) The conversion rates used were those obtaining on 31 December 1986.

TABLE 1 (continued)

| N°      | T Y P E         | Life<br>(years) | Coupon<br>% | Currency<br>and amount<br>(million) | million<br>ECU<br>(1) |
|---------|-----------------|-----------------|-------------|-------------------------------------|-----------------------|
| c) ECSC |                 |                 |             |                                     |                       |
| 1       | Private placing | 2               | 9,5         | USD 20                              | 18,68                 |
| 2       | Private placing | 15              | 7,375       | HFL 15                              | 6,39                  |
| 3       | Private placing | 15              | 7,375       | HFL 3                               | 1,27                  |
| 4       | Public issue    | 10              | 9,375       | USD 100                             | 93,42                 |
| 5       | Private placing | 1               | 4,68        | DM 7,75                             | 3,73                  |
| 6       | Public issue    | 10              | 7,625       | ECU 30                              | 30                    |
| 7       | Private placing | 10              | 6,125       | DM 20                               | 9,63                  |
| 8       | Private placing | 8               | 6,1         | DM 50                               | 24,08                 |
| 9       | Private placing | 1               | 7,6875      | USD 25                              | 23,35                 |
| 10      | Private placing | 2               | 7,875       | USD 25                              | 23,35                 |
| 11      | Private placing | 5               | 5,5         | DM 104                              | 50,09                 |
| 12      | Private placing | 3               | 7,8125      | USD 6                               | 5,6                   |
| 13      | Private placing | 2               | 7,5         | USD 7                               | 6,53                  |
| 14      | Private placing | 1               | 7,1875      | USD 7                               | 6,53                  |
| 15      | Private placing | 5               | 7,5         | LFR 300                             | 6,93                  |
| 16      | Private placing | 5               | 6           | HFL 1,072                           | 0,457                 |
| 17      | Private placing | 4               | 6           | HFL 9,337                           | 3,98                  |
| 18      | Private placing | 4               | 5,25        | DM 18                               | 8,67                  |
| 19      | Public issue    | 5               | 7,75        | USD 100                             | 93,42                 |
| 20      | Private placing | 6               | 5,625       | DM 75                               | 36,125                |
| 21      | Private placing | 2               | 7,75        | USD 20                              | 18,68                 |
| 22      | Private placing | 1               | 7,1875      | USD 10                              | 9,34                  |
| 23      | Private placing | 1               | 7,1875      | USD 24                              | 22,42                 |
| 24      | Private placing | 2               | 7,8125      | USD 25                              | 23,35                 |
| 25      | Private placing | 5               | 5,99        | DM 25                               | 12,04                 |
| 26      | Public issue    | 8               | 9,25        | LIT 100.000                         | 69,14                 |
| 27      | Private placing | 10              | 6           | DM 145                              | 69,84                 |
| 28      | Private placing | 2               | 5,1         | DM 100                              | 48,16                 |
| 29      | Private placing | 2               | 5,1         | DM 50                               | 24,08                 |
| 30      | Private placing | 5               | 6,25        | HFL 6,877                           | 2,93                  |
| 31      | Private placing | 5               | 6,4         | YEN 10.250                          | 59,92                 |
| 32      | Private placing | 8               | 6           | DM 44                               | 21,19                 |
| 33      | Private placing | 6               | 5,78        | DM 49,556                           | 23,87                 |
| 34      | Private placing | 3               | 6,4         | YEN 4.000                           | 23,38                 |
| 35      | Private placing | 1               | 4,65        | DM 11,8                             | 5,68                  |
| 36      | Private placing | 2               | 4,79        | DM 15,1                             | 7,27                  |
| 37      | Private placing | 4               | 7,625       | LFR 110                             | 2,54                  |
| 38      | Private placing | 1               | 4,6         | DM 37,5                             | 18,06                 |
| 39      | Private placing | 2               | 4,76        | DM 37,5                             | 18,06                 |

(1) The conversion rates used were those obtaining on 31 December 1986.

TABLE 1 (continued)

84

| N°                         | T Y P E         | Life<br>(years) | Coupon<br>% | Currency<br>and amount<br>(million) | million<br>ECU<br>(1) |
|----------------------------|-----------------|-----------------|-------------|-------------------------------------|-----------------------|
| 40                         | Private placing | 5               | 4,75        | SFR 41,2                            | 23,73                 |
| 41                         | Private placing | 4               | 4,75        | SFR 43,8                            | 25,23                 |
| 42                         | Private placing | 2               | 4,75        | SFR 7,6                             | 4,37                  |
| 43                         | Private placing | 3               | 4,75        | SFR 30                              | 17,28                 |
| 44                         | Private placing | 4               | 6,4         | YEN 5000                            | 29,23                 |
| 45                         | Private placing | 2               | 9,93        | UKL 20                              | 27,58                 |
| 46                         | Private placing | 10              | 6,6         | DM 40,6                             | 19,55                 |
| 47                         | Private placing | 10              | 10          | LIT 12000                           | 8,29                  |
| 48                         | Public issue    | 3               | 7           | USD 75                              | 70,06                 |
| 49                         | Private placing | 10              | 8           | ECU 15                              | 15                    |
| 50                         | Private placing | 4               | variable    | USD 40,6                            | 37,93                 |
| 51                         | Public issue    | 10              | 8,25        | USD 108                             | 100,89                |
| 52                         | Private placing | 5               | 11,7        | UKL 1                               | 1,37                  |
| 53                         | Private placing | 2               | 8,4         | FF 60                               | 8,72                  |
| 54                         | Private placing | 3               | 8,5         | FF 60                               | 8,72                  |
| 55                         | Private placing | 15              | 7           | DM 17,5                             | 8,42                  |
| 56                         | Private placing | 5               | 5,95        | DM 44,3                             | 21,33                 |
| 57                         | Private placing | 14              | 6,71        | HFL 13,4                            | 5,71                  |
| 58                         | Private placing | 10              | 8,25        | USD 85                              | 79,41                 |
| 59                         | Private placing | 10              | 10          | LIT 6000                            | 4,14                  |
| 60                         | Private placing | 10              | 6,5         | DM 20                               | 9,63                  |
| 61                         | Public issue    | 10              | 8           | ECU 100                             | 100                   |
| 62                         | Private placing | 6               | 5,87        | DM 11,45                            | 5,51                  |
| 63                         | Public issue    | 4               | 5,375       | YEN 20000                           | 116,92                |
| 64                         | Private placing | 5               | 5,75        | DM 50                               | 24,08                 |
| 65                         | Private placing | 5               | 5,8         | DM 67,479                           | 32,5                  |
| 66                         | Private placing | 1               | 4,95        | DM 3,951                            | 1,9                   |
| T O T A L                  |                 |                 |             |                                     | 1739,68               |
| TOTAL NCI + EURATOM + ECSC |                 |                 |             |                                     | 3150,22               |

(1) The conversion rates used were those obtaining on 31 December 1986.



TABLE 2

85

EIB BORROWINGS IN 19861. LONG-TERM AND MEDIUM-TERM OPERATIONSPUBLIC ISSUES

| Life<br>(years) | Coupon<br>% | Sub-<br>cription<br>currency | Amount<br>(million) | million<br>ECU<br>(1) |
|-----------------|-------------|------------------------------|---------------------|-----------------------|
| 7               | 8,625       | LFR                          | 1 000,000           | 22,399                |
| 12              | 6,60        | Yen                          | 30 000,000          | 168,344               |
| 10              | 6,375       | DM                           | 300,000             | 137,371               |
| 10              | 9,5625      | USD                          | 200,000             | 225,244               |
| 7               | 8,625       | Ecu                          | 180,000             | 180,000               |
| 10              | 10,50       | UKL                          | 25,000              | 40,628                |
| 8               | 12,75       | Lit                          | 150 000,000         | 100,675               |
| 10              | 6, 125      | Yen                          | 25 000,000          | 140,286               |
| 12              | 8,25        | USD                          | 200,000             | 225,244               |
| 10              | 5,625       | DM                           | 300,000             | 137,372               |
| 10              | 6,50        | Hf1                          | 300,000             | 121,885               |
| 12              | 5,50        | DM                           | 150,000             | 69,081                |
| 10              | 4,875       | SFR                          | 200,000             | 110,072               |
| 12              | 6,50        | Ecu                          | 300,000             | 300,000               |
| 30              | 5,75        | DM                           | 150,000             | 69,081                |
| 10              | 9,00        | CAD                          | 100,000             | 76,389                |
| 8               | 10,50       | Lit                          | 150 000,000         | 101,525               |
| 15              | 9,00        | UKL                          | 100,000             | 158,209               |
| 10              | 6,125       | DM                           | 300,000             | 138,162               |
| 10              | 7,75        | USD                          | 250,000             | 266,884               |
| 8               | 7,25        | BFR                          | 4 000,000           | 91,075                |
| 30              | 6,00        | DM                           | 200,000             | 93,115                |
| 15              | 6,00        | Hf1                          | 300,000             | 123,986               |
| 12              | 4,875       | SFR                          | 150,000             | 85,474                |
| 10              | 7,20        | FF                           | 1 500,000           | 218,822               |
| 10              | 9,00        | Lit                          | 200 000,000         | 135,512               |
| 7               | 7,75        | USD                          | 150,000             | 145,689               |
| 10              | 6,125       | DM                           | 300,000             | 143,500               |
| 9               | 9,00        | Lit                          | 150 000,000         | 103,785               |
| 10              | 6,10        | Yen                          | 40 000,000          | 251,459               |
| 7               | 7,75        | Ecu                          | 125,000             | 125,000               |
| 10              | variable    | USD                          | 300,000             | 291,378               |
| 15              | 5,125       | SFR                          | 175,000             | 103,124               |
| 5               | 9,50        | CAD                          | 100,000             | 69,985                |
| 10              | 7,00        | OS                           | 800,000             | 54,363                |
| 5               | 7,375       | Ecu                          | 100,000             | 100,000               |
| 7               | 7,625       | USD                          | 100,000             | 97,126                |
| 9               | 9,00        | Lit                          | 200 000,000         | 138,381               |
| 10              | 6,125       | DM                           | 150,000             | 71,750                |
| 8               | 11,50       | UKL                          | 75,000              | 105,260               |
| 7               | 7,625       | USD                          | 100,000             | 97,126                |
|                 |             |                              |                     | 5 434,761             |

TABLE 2 (continued)

86

PRIVATE PLACING

| Number<br>of operations | Life<br>(years) | Coupon<br>%  | Sub-<br>scription<br>currency | Amount<br>(million) | million<br>ECU<br>(1) |
|-------------------------|-----------------|--------------|-------------------------------|---------------------|-----------------------|
| 10                      | 8-15            | 6,45 - 7,125 | HFL                           | 646,000             | 269,120               |
| 5                       | 6-12            | 7,75 - 9,83  | BFR                           | 7 500,000           | 171,514               |
| 5                       | 2-6             | 6,75 - 8,625 | LFR                           | 1 500,000           | 34,139                |
| 2                       | 0-10            | 5,925- 7,50  | USD                           | 53,350              | 60,084                |
| 3                       | 5-7             | 4,625- 4,875 | SFR                           | 375,000             | 211,806               |
| 2                       | 8-10            | 6,30 - 7,20  | Yen                           | 20 800,000          | 126,843               |
| 3                       | 9-15            | 7,54 - 8,875 | Ecu                           | 122,000             | 122,000               |
| 1                       | 8               | 10,85        | Lit                           | 21 000,000          | 14,213                |
| 31                      |                 |              |                               |                     | 1.009,719             |

**2. INTERBANK OPERATIONS**

|            |     |         |         |
|------------|-----|---------|---------|
|            |     |         | 321,033 |
| of which : | USD | 286,234 |         |
|            | LFR | 24,799  |         |

**3. THIRD PARTY PARTICIPATIONS  
IN THE FINANCING OF EIB LOANS**

|       |    |           |
|-------|----|-----------|
|       | DM | 19,990    |
| Total |    | 6 785,499 |

(1) The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

TABLE 3

**BORROWINGS BY THE EUROPEAN COMMUNITIES**

(amounts outstanding at end of each year)(1) (2)

(million ECU)

| YEAR | E C S C | E I B<br>(3) | EURATOM | N C I<br>(3) | Total borrowings for structural purposes | E E C<br>(4) | Total  |
|------|---------|--------------|---------|--------------|--|--------------|--------|
| 1976 | 3.478   | 4.732        | -       | -            | 8.210                                    | 1.161        | 9.371  |
| 1977 | 3.955   | 5.421        | 99      | -            | 9.475                                    | 1.500        | 10.975 |
| 1978 | 4.416   | 6.715        | 172     | -            | 11.303                                   | 1.361        | 12.664 |
| 1979 | 4.675   | 8.541        | 323     | 178          | 13.717                                   | 965          | 14.682 |
| 1980 | 5.406   | 10.604       | 502     | 491          | 17.003                                   | 1.016        | 18.019 |
| 1981 | 5.884   | 13.482       | 902     | 894          | 21.162                                   | 1.062        | 22.224 |
| 1982 | 6.178   | 16.570       | 1.272   | 1.747        | 25.767                                   | 591          | 26.358 |
| 1983 | 6.539   | 20.749       | 1.680   | 3.269        | 32.237                                   | 4.610        | 36.847 |
| 1984 | 7.119   | 25.007       | 1.892   | 4.432        | 38.450                                   | 4.932        | 43.382 |
| 1985 | 7.034   | 26.736       | 2.013   | 4.960        | 40.743                                   | 3.236        | 43.979 |
| 1986 | 6.761   | 30.271       | 2.168   | 5.202        | 44.402                                   | 1.890        | 46.292 |

- (1) The conversion rates used were those obtaining on 31 December of each year; as the majority of borrowings are denominated in national currencies, the difference between two year-ends reflects, on the one hand, changes in the valuation of the existing stock and, on the other, the net volume of borrowings during the year.
- (2) Original amount of borrowings, plus or minus repayments of the principal, cancellations, annulments, and exchange rate adjustments
- (3) For the years 1982-1985, including borrowings for reconstruction loans for the earthquake-stricken areas in Italy and Greece.
- (4) "Balance of payments" borrowings.

Table 4

**BREAKDOWN OF LOANS IN THE COMMUNITY IN 1986, BY INSTRUMENT, SECTOR AND COUNTRY**

(million ECU)

| COUNTRY        | NCI               |               |        |       | EURATOM |       | EIB               |               |        |               | ECSC              |               |        | TOTAL  |                   |               |        |               |  |  |
|----------------|-------------------|---------------|--------|-------|---------|-------|-------------------|---------------|--------|---------------|-------------------|---------------|--------|--------|-------------------|---------------|--------|---------------|--|--|
|                | Productive sector | Infra-struct. | Energy | Total | Energy  | Total | Productive sector | Infra-struct. | Energy | Total         | Productive sector | Infra-struct. | Energy | Total  | Productive sector | Infra-struct. | Energy | Total         |  |  |
| BELGIUM        | -                 | -             | -      | -     | -       | -     | 46,1              | -             | -      | 46,1          | 0,3               | 0,6           | -      | 0,9    | 46,4              | 0,6           | -      | 47,0          |  |  |
| DENMARK        | 25,3              | -             | 34,6   | 59,9  | -       | -     | 5,0               | -             | 193,3  | 198,3         | -                 | -             | -      | -      | 30,3              | -             | 227,9  | 258,2         |  |  |
| FR of GERMANY  | -                 | -             | -      | -     | 24,4    | 24,4  | -                 | 139,7         | 302,1  | 441,8         | 354,1             | 7,0           | 119,2  | 480,3  | 354,1             | 146,7         | 445,7  | 946,5         |  |  |
| GREECE         | -                 | -             | -      | -     | -       | -     | 178,3             | 50,2          | 24,4   | 253,0         | -                 | 0,2           | -      | 0,2    | 178,3             | 50,4          | 24,4   | 253,0         |  |  |
| SPAIN          | 69,2              | -             | -      | 69,2  | -       | -     | 92,0              | 220,8         | 27,3   | 340,0         | -                 | -             | -      | -      | 161,2             | 220,8         | 27,3   | 409,2         |  |  |
| FRANCE         | 58,4              | -             | -      | 58,4  | 223     | 223   | 121,6             | 421,1         | 22,3   | 565,0         | 101,0             | 3,5           | -      | 104,5  | 281,0             | 424,6         | 245,3  | 950,9         |  |  |
| IRELAND        | -                 | -             | 47,8   | 47,8  | -       | -     | 19,2              | 125,9         | 69,2   | 214,3         | -                 | 0,1           | 0,8    | 0,9    | 19,2              | 126,0         | 117,8  | 263,0         |  |  |
| ITALY          | 78,6              | 24,2          | 8,6    | 111,4 | 97,7    | 97,7  | 951,5             | 1052,8        | 908,3  | 2912,5        | 332,3             | 10,2          | -      | 342,5  | 1362,5            | 1087,2        | 1014,7 | 3464,3        |  |  |
| LUXEMBOURG     | -                 | -             | -      | -     | -       | -     | -                 | 18,2          | -      | 18,2          | 1,8               | 0,2           | -      | 2,0    | 1,8               | 18,4          | -      | 20,2          |  |  |
| NETHERLANDS    | -                 | -             | -      | -     | -       | -     | 94,9              | 3,3           | -      | 98,2          | 86,0              | 0,6           | -      | 86,6   | 180,9             | 3,9           | -      | 184,8         |  |  |
| PORTUGAL       | 29,9              | -             | -      | 29,9  | -       | -     | 34,9              | 96,4          | 29,1   | 160,4         | -                 | -             | -      | -      | 64,8              | 96,4          | 29,1   | 190,3         |  |  |
| UNITED KINGDOM | -                 | 16,3          | -      | 16,3  | 98,1    | 98,1  | 110,7             | 378,1         | 866,4  | 1355,3        | 47,5              | 3,8           | -      | 51,3   | 158,2             | 398,2         | 964,5  | 1521,0        |  |  |
| TOTAL          | 261,5             | 40,5          | 91,0   | 393   | 443,2   | 443,2 | 1654,3            | 2581,4<br>(1) | 2442,4 | 6678,1<br>(1) | 923               | 26,2          | 120,0  | 1069,2 | 2838,8            | 2648,1<br>(1) | 3096,7 | 8583,5<br>(1) |  |  |
| % SECTOR       | 66,5              | 10,3          | 23,2   | 100   | 100     | 100   | 24,8              | 38,6          | 36,6   | 100           | 86,3              | 2,5           | 11,2   | 100    | 33,1              | 30,8          | 36,1   | 100           |  |  |
| % INSTITUTION  | 4,6               |               |        |       | 5,2     |       |                   |               | 77,8   |               |                   |               | 12,4   |        |                   |               | 100    |               |  |  |

(1) Including a 75 million ECU loan granted under article 18 of the Bank's Statute

TABLE 5

89

**TREND IN LENDING OPERATIONS IN THE COMMUNITY, BY SECTOR**

( million Ecu)(1)

| Year | Productive<br>sector | Infra-<br>structure | Energy  | Total   |
|------|----------------------|---------------------|---------|---------|
| 1976 | 1.152,6              | 429,9               | 546,6   | 2.129,2 |
| 1977 | 928,4                | 607,7               | 693,2   | 2.229,3 |
| 1978 | 745,4                | 1.000,0             | 1.089,1 | 2.834,5 |
| 1979 | 753,1                | 1.055,8             | 1.577,6 | 3.386,5 |
| 1980 | 1.249,1              | 1.187,5             | 1.711,3 | 4.148,0 |
| 1981 | 766,3                | 1.377,2             | 1.947,5 | 4.090,0 |
| 1982 | 1.632,2              | 1.802,3             | 1.905,0 | 5.339,4 |
| 1983 | 1.878,6              | 2.049,5             | 2.659,5 | 6.587,6 |
| 1984 | 2.709,0              | 2.132,4             | 2.358,9 | 7.200,3 |
| 1985 | 2.830,2              | 2.413,1             | 2.502,7 | 7.746,0 |
| 1986 | 2.838,8              | 2.648,1             | 3.096,7 | 8.583,5 |

(1) The conversion rates used were those obtaining on 31 December of the year in question in the case of ECSC loans and those obtaining on the last working day of the quarter before the contract was signed in the case of EIB, NCI and Euratom loans.

TABLE 6  
NCI LOANS, 1979-1986

(million ECU)(1)

| COUNTRY        | 1979          |        |        | 1980          |        |        | 1981          |        |        | 1982          |        |                 |        |
|----------------|---------------|--------|--------|---------------|--------|--------|---------------|--------|--------|---------------|--------|-----------------|--------|
|                | Infra-struct. | Energy | Total  | Infra-struct. | Energy | Total  | Infra-struct. | Energy | Total  | Infra-struct. | Energy | Product. sector | Total  |
| BELGIUM        | -             | -      | -      | -             | -      | -      | -             | -      | -      | -             | -      | -               | -      |
| DENMARK        | -             | -      | -      | -             | 18,1   | 18,1   | -             | -      | -      | 48,6          | 47,4   | -               | 96,0   |
| RF of GERMANY  | -             | -      | -      | -             | -      | -      | -             | -      | -      | -             | -      | -               | -      |
| GREECE (2)     | -             | -      | -      | -             | -      | -      | -             | -      | -      | 124,9         | -      | -               | 124,9  |
| FRANCE         | -             | -      | -      | -             | -      | -      | 40,3          | -      | 40,3   | -             | -      | 37,6            | 37,6   |
| IRELAND        | 62,0          | 24,7   | 86,7   | 27,3          | 14,4   | 41,7   | 8,1           | 9,2    | 17,3   | 45,3          | 37,8   | -               | 83,1   |
| ITALY (3)      | 39,6          | 45,4   | 85,0   | 62,3          | 75,5   | 137,8  | 363,9         | 84,4   | 448,3  | 210,7         | 34,0   | 204,8           | 449,5  |
| LUXEMBOURG     | -             | -      | -      | -             | -      | -      | -             | -      | -      | -             | -      | -               | -      |
| NETHERLANDS    | -             | -      | -      | -             | -      | -      | -             | -      | -      | -             | -      | -               | -      |
| UNITED KINGDOM | 25,9          | 79,4   | 105,3  | -             | -      | -      | 33,9          | -      | 33,9   | -             | -      | -               | -      |
| T O T A L      | 127,50        | 149,50 | 277,00 | 89,60         | 108,00 | 197,60 | 446,20        | 93,60  | 539,80 | 429,50        | 119,2  | 242,4           | 791,10 |
| % SECTOR       | 46,0          | 54,0   | 100    | 45,3          | 54,7   | 100    | 82,7          | 17,3   | 100    | 54,3          | 15,1   | 30,6            | 100    |

| COUNTRY        | 1983          |        |                 |        | 1984          |        |                 |        | 1985          |        |                 |       | 1986          |        |                 |       |
|----------------|---------------|--------|-----------------|--------|---------------|--------|-----------------|--------|---------------|--------|-----------------|-------|---------------|--------|-----------------|-------|
|                | Infra-struct. | Energy | Product. sector | Total  | Infra-struct. | Energy | Product. sector | Total  | Infra-struct. | Energy | Product. sector | Total | Infra-struct. | Energy | Product. sector | Total |
| BELGIUM        | -             | -      | -               | -      | -             | -      | -               | -      | -             | -      | -               | -     | -             | -      | -               | -     |
| DENMARK        | -             | 83,2   | 9,9             | 93,1   | -             | 97,9   | 36,9            | 134,6  | 31,0          | -      | 37,5            | 68,5  | -             | 34,6   | 25,3            | 59,9  |
| RF of GERMANY  | -             | -      | -               | -      | -             | -      | -               | -      | -             | -      | -               | -     | -             | -      | -               | -     |
| GREECE         | 50,3          | 35,0   | -               | 85,3   | 18,0          | 35,0   | 16,3            | 69,3   | 17,6          | -      | 4,4             | 22,0  | -             | -      | 69,2            | 69,2  |
| SPAIN          | -             | -      | -               | -      | -             | -      | -               | -      | -             | -      | -               | -     | -             | -      | -               | -     |
| FRANCE         | -             | 80,7   | 105,5           | 186,2  | 43,8          | -      | 342,5           | 386,3  | 87,9          | -      | 269,9           | 357,8 | -             | -      | 58,4            | 58,4  |
| IRELAND        | 18,8          | 46,8   | 3,8             | 69,4   | 30,6          | -      | 19,4            | 50,0   | -             | -      | 27,9            | 27,9  | -             | 47,8   | -               | 47,8  |
| ITALY (3)      | 338,2         | 37,7   | 289,5           | 665,4  | 43,4          | 88,5   | 365,4           | 497,3  | 73,3          | -      | 300,9           | 374,1 | 24,2          | 8,7    | 78,7            | 111,6 |
| LUXEMBOURG     | -             | -      | -               | -      | -             | -      | -               | -      | -             | -      | -               | -     | -             | -      | -               | -     |
| NETHERLANDS    | -             | -      | -               | -      | -             | -      | -               | -      | -             | -      | -               | -     | -             | -      | -               | -     |
| PORTUGAL       | -             | -      | -               | -      | -             | -      | -               | -      | -             | -      | -               | -     | -             | -      | 29,9            | 29,9  |
| UNITED KINGDOM | -             | 32,0   | 68,1            | 100,1  | 33,8          | -      | 10,5            | 44,3   | 17,0          | -      | 16,4            | 33,4  | 16,3          | -      | -               | 16,3  |
| TOTAL          | 407,4         | 315,4  | 476,8           | 1199,6 | 169,5         | 221,2  | 791,0           | 1181,8 | 226,7         | -      | 657,0           | 883,7 | 40,5          | 91,1   | 261,5           | 393,0 |
| %              | 34,0          | 26,3   | 39,7            | 100    | 14,3          | 18,7   | 67,0            | 100    | 25,7          | -      | 74,3            | 100   | 10,3          | 23,2   | 66,5            | 100   |

(1) The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

(2) Including "earthquake" operations in 1982.

(3) Including "earthquake" operations in 1981, 1982, 1983, 1984 and 1985.

1001

TABLE 7

## ECSC LOANS PAID OUT, 1977-1986

(million ECU)(1)

| COUNTRY        | 1977               |                   |        |       | 1978               |                   |        |       | 1979               |                   |        |       |
|----------------|--------------------|-------------------|--------|-------|--------------------|-------------------|--------|-------|--------------------|-------------------|--------|-------|
|                | Product.<br>sector | Infra-<br>struct. | Energy | Total | Product.<br>sector | Infra-<br>struct. | Energy | Total | Product.<br>sector | Infra-<br>struct. | Energy | Total |
| BELGIUM        | 15,0               | 0,9               | -      | 15,9  | -                  | 1,9               | -      | 1,9   | -                  | 0,4               | -      | 0,4   |
| DENMARK        | -                  | 0,5               | -      | 0,5   | 13,1               | 0,1               | -      | 13,2  | -                  | 0,3               | -      | 0,3   |
| RF of GERMANY  | 28,0               | 5,8               | 81,7   | 115,5 | 111,6              | 5,6               | 21,8   | 139,0 | 122,0              | 6,1               | 21,    | 149,1 |
| GREECE         | -                  | -                 | -      | -     | -                  | -                 | -      | -     | -                  | -                 | -      | -     |
| FRANCE         | 125,2              | 0,9               | 48,4   | 174,5 | 89,9               | 2,8               | 34,4   | 127,1 | 99,5               | 3,2               | 28,7   | 131,4 |
| IRELAND        | -                  | 0,2               | -      | 0,2   | -                  | -                 | -      | -     | 13,9               | -                 | -      | 13,9  |
| ITALY          | 170,9              | 2,7               | -      | 173,6 | 123,8              | 2,6               | -      | 126,4 | 94,2               | 7,4               | -      | 101,6 |
| LUXEMBOURG     | -                  | 0,5               | -      | 0,5   | 73,5               | 0,5               | -      | 74,0  | 19,5               | 0,1               | -      | 19,6  |
| NETHERLANDS    | -                  | 0,5               | -      | 0,5   | 42,0               | 0,8               | -      | 42,8  | -                  | 0,5               | -      | 0,5   |
| UNITED KINGDOM | 173,6              | -                 | 86,7   | 260,3 | 29,0               | 3,0               | 241,3  | 273,3 | 26,4               | 3,6               | 229,0  | 259,0 |
| NON-EEC        | -                  | -                 | -      | -     | -                  | -                 | -      | -     | -                  | -                 | -      | -     |
| TOTAL          | 512,7              | 12,0              | 216,8  | 741,5 | 482,9              | 17,3              | 297,5  | 797,7 | 375,5              | 21,6              | 278,7  | 675,8 |

| COUNTRY        | 1980               |                   |        |         | 1981               |                   |        |       | 1982               |                   |        |       |
|----------------|--------------------|-------------------|--------|---------|--------------------|-------------------|--------|-------|--------------------|-------------------|--------|-------|
|                | Product.<br>sector | Infra-<br>struct. | Energy | Total   | Product.<br>sector | Infra-<br>struct. | Energy | Total | Product.<br>sector | Infra-<br>struct. | Energy | Total |
| BELGIUM        | -                  | -                 | 29,2   | 29,2    | -                  | 0,5               | -      | 0,5   | 17,0               | 1,0               | -      | 18,0  |
| DENMARK        | 4,3                | -                 | -      | 4,3     | -                  | -                 | -      | -     | 1,7                | 0,1               | -      | 1,8   |
| RF of GERMANY  | 98,5               | 0,8               | 29,8   | 129,1   | 53,2               | 5,9               | 33,2   | 92,3  | 89,3               | 5,0               | 90,4   | 184,7 |
| GREECE         | -                  | -                 | -      | -       | -                  | -                 | -      | -     | 10,9               | 0,4               | -      | 11,3  |
| FRANCE         | 237,5              | 0,5               | 37,4   | 275,4   | 85,1               | 2,3               | 24,0   | 111,4 | 10,6               | 3,7               | 54,8   | 69,1  |
| IRELAND        | 1,0                | 0,1               | -      | 1,1     | 11,0               | -                 | -      | 11,0  | -                  | 0,1               | -      | 0,1   |
| ITALY          | 138,6              | 4,4               | -      | 143,0   | 96,2               | 5,3               | -      | 101,5 | 62,7               | 2,4               | -      | 65,1  |
| LUXEMBOURG     | 68,6               | -                 | -      | 68,6    | -                  | 0,1               | -      | 0,1   | 5,2                | 0,3               | -      | 5,5   |
| NETHERLANDS    | 4,6                | 0,3               | -      | 4,9     | -                  | 0,5               | -      | 0,5   | 43,7               | 0,4               | -      | 44,1  |
| UNITED KINGDOM | 140,0              | 1,7               | 226,8  | 368,5   | 70,2               | 0,1               | -      | 70,3  | 112,4              | 4,7               | 152,0  | 269,1 |
| NON-EEC        | 6,6                | -                 | -      | 6,6     | -                  | -                 | -      | -     | 71,8               | -                 | -      | 71,8  |
| TOTAL          | 699,7              | 7,8               | 323,2  | 1.030,7 | 315,7              | 14,7              | 57,2   | 387,6 | 425,3              | 18,1              | 297,2  | 740,6 |

TABLE 7 (continued)

**ECSC LOANS PAID OUT, 1977 - 1986**

(million ECU)(1)

| COUNTRY        | 1983               |                   |        |       | 1984               |                   |        |       | 1985               |                   |        |        |
|----------------|--------------------|-------------------|--------|-------|--------------------|-------------------|--------|-------|--------------------|-------------------|--------|--------|
|                | Product.<br>sector | Infra-<br>struct. | Energy | Total | Product.<br>sector | Infra-<br>struct. | Energy | Total | Product.<br>sector | Infra-<br>struct. | Energy | Total  |
| BELGIUM        | 3,0                | 0,9               | -      | 3,9   | 4,4                | 1,0               | -      | 5,4   | -                  | 1,1               | -      | 1,1    |
| DENMARK        | -                  | 0,0               | -      | 0,0   | 3,1                | 0,1               | -      | 3,2   | 3,7                | -                 | -      | 3,7    |
| RF of GERMANY  | 74,5               | 2,2               | 72,7   | 149,4 | 254,0              | 10,2              | 12,7   | 276,9 | 285,6              | 1,8               | 16,0   | 303,4  |
| GREECE         | -                  | 0,4               | -      | 0,4   | -                  | 0,1               | -      | 0,1   | -                  | -                 | -      | -      |
| FRANCE         | 127,0              | 2,1               | 148,7  | 277,8 | 111,7              | 3,9               | 65,9   | 181,5 | 200,3              | 1,7               | 44,8   | 246,8  |
| IRELAND        | 4,2                | 0,2               | -      | 4,4   | -                  | 0,1               | -      | 0,1   | -                  | 0,1               | -      | 0,1    |
| ITALY          | 19,4               | 12,8              | -      | 32,2  | 47,3               | 18,7              | -      | 66,0  | 168,3              | 11,0              | -      | 179,3  |
| LUXEMBOURG     | -                  | 0,0               | -      | 0,0   | 69,4               | 0,2               | -      | 69,6  | 8,9                | 0,1               | -      | 9,0    |
| NETHERLANDS    | 39,4               | 0,1               | -      | 39,4  | -                  | 0,7               | -      | 0,7   | -                  | -                 | -      | -      |
| UNITED KINGDOM | 104,8              | 1,5               | 164,2  | 270,5 | 81,4               | 1,7               | -      | 83,1  | 151,2              | 1,5               | -      | 152,7  |
| NON-EEC        | -                  | -                 | -      | -     | 138,9              | -                 | -      | 138,9 | 114,5              | -                 | -      | 114,5  |
| TOTAL          | 372,3              | 20,2              | 385,6  | 778,1 | 710,2              | 36,7              | 78,6   | 825,5 | 932,5              | 17,3              | 60,8   | 1010,6 |

| COUNTRY        | 1986               |                   |        |         |
|----------------|--------------------|-------------------|--------|---------|
|                | Product.<br>sector | Infra-<br>struct. | Energy | Total   |
| BELGIUM        | 0,3                | 0,6               | -      | 0,9     |
| DENMARK        | -                  | -                 | -      | -       |
| RF of GERMANY  | 354,1              | 7,0               | 119,2  | 480,3   |
| GREECE         | -                  | 0,2               | -      | 0,2     |
| SPAIN          | -                  | -                 | -      | -       |
| FRANCE         | 101,0              | 3,5               | -      | 104,5   |
| IRELAND        | -                  | 0,1               | 0,8    | 0,9     |
| ITALY          | 332,3              | 10,2              | -      | 342,5   |
| LUXEMBOURG     | 1,8                | 0,2               | -      | 2,0     |
| NETHERLANDS    | 86,0               | 0,6               | -      | 86,6    |
| PORTUGAL       | -                  | -                 | -      | -       |
| UNITED KINGDOM | 47,5               | 3,8               | -      | 51,3    |
| NON-EEC        | -                  | -                 | -      | -       |
| TOTAL          | 923,0              | 26,2              | 120,0  | 1.069,2 |

(1) The conversion rates used were those obtaining on 31 December of each year.



TABLE 8

93

EURATOM LOANS, 1977-1986

- ENERGY SECTOR -

(million Ecu)(1)

| C O U N T R Y  | 1 9 7 7     | 1 9 7 8     | 1 9 7 9      | 1 9 8 0      | 1 9 8 1      |
|----------------|-------------|-------------|--------------|--------------|--------------|
| BELGIUM        | -           | -           | 50,5         | 82,2         | 225,2        |
| DENMARK        | -           | -           | -            | -            | -            |
| RF of GERMANY  | 77          | 34,4        | -            | -            | -            |
| GREECE         | -           | -           | -            | -            | -            |
| FRANCE         | 19,9        | -           | 67,9         | 99,1         | 98,8         |
| IRELAND        | -           | -           | -            | -            | -            |
| ITALY          | -           | 35,8        | 34           | -            | 33,6         |
| LUXEMBOURG     | -           | -           | -            | -            | -            |
| NETHERLANDS    | -           | -           | -            | -            | -            |
| UNITED KINGDOM | -           | -           | -            | -            | -            |
| <b>TOTAL</b>   | <b>96,9</b> | <b>70,2</b> | <b>152,4</b> | <b>181,3</b> | <b>357,6</b> |

| C O U N T R Y  | 1 9 8 2      | 1 9 8 3      | 1 9 8 4      | 1 9 8 5      | 1 9 8 6      |
|----------------|--------------|--------------|--------------|--------------|--------------|
| BELGIUM        | 72,9         | 32,5         | 95,1         | -            | -            |
| DENMARK        | -            | -            | -            | -            | -            |
| RF of GERMANY  | -            | -            | -            | 68,7         | 24,4         |
| GREECE         | -            | -            | -            | -            | -            |
| SPAIN          | -            | -            | -            | -            | -            |
| FRANCE         | 258,9        | 198,6        | 90,9         | 44,8         | 223,1        |
| IRELAND        | -            | -            | -            | -            | -            |
| ITALY          | 30,0         | 89,0         | -            | 97,5         | 97,6         |
| LUXEMBOURG     | -            | -            | -            | -            | -            |
| NETHERLANDS    | -            | -            | -            | -            | -            |
| PORTUGAL       | -            | -            | -            | -            | -            |
| UNITED KINGDOM | -            | 46,3         | -            | -            | 98,1         |
| <b>TOTAL</b>   | <b>361,8</b> | <b>366,4</b> | <b>186,0</b> | <b>211,0</b> | <b>443,2</b> |

(1) the conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

TABLE 9

- 94 -

## LOANS FROM EIB OWN RESOURCES IN THE COMMUNITY, 1977-1986

(million ECU)(1)

| COUNTRY        | 1977               |                   |         |        | 1978                              |                   |        |        | 1979               |                   |         |        |
|----------------|--------------------|-------------------|---------|--------|-----------------------------------|-------------------|--------|--------|--------------------|-------------------|---------|--------|
|                | Product.<br>sector | Infra-<br>struct. | Energy  | Total  | Product.<br>sector <sup>(2)</sup> | Infra-<br>struct. | Energy | Total  | Product.<br>sector | Infra-<br>struct. | Energy  | Total  |
| BELGIUM        | -                  | -                 | -       | -      | -                                 | -                 | 62,2   | 62,2   | 8,7                | -                 | 49,7    | 58,4   |
| DENMARK        | 12,8               | 7,1               | 12,8    | 32,7   | 12,4                              | 51,4              | 42,5   | 106,3  | 5,4                | 3,9               | 6,3     | 15,6   |
| RF of GERMANY  | -                  | -                 | 28,4    | 28,4   | 2,3                               | -                 | 43,2   | 45,5   | 4,0                | -                 | 43,8    | 47,8   |
| GREECE         | -                  | -                 | -       | -      | -                                 | -                 | -      | -      | -                  | -                 | -       | -      |
| FRANCE         | 19,6               | 119,5             | 157,4   | 296,5  | 23,6                              | 237,6             | 98,1   | 359,3  | 1,7                | 122,1             | 98,9    | 222,7  |
| IRELAND        | 18,3               | 61,4              | -       | 79,7   | 14,8                              | 72,6              | 30,0   | 117,4  | 49,2               | 124,4             | 79,3    | 252,9  |
| ITALY          | 197,1              | 189,3             | 39,3    | 425,7  | 142,2                             | 374,0             | 328,9  | 845,1  | 244,6              | 356,3             | 304,5   | 905,4  |
| LUXEMBOURG     | -                  | -                 | -       | -      | -                                 | -                 | -      | -      | -                  | -                 | -       | -      |
| NETHERLANDS    | -                  | -                 | -       | -      | -                                 | -                 | -      | -      | -                  | -                 | -       | -      |
| UNITED KINGDOM | 167,9              | 218,4             | 92,8    | 479,1  | 67,3                              | 247,0             | 116,4  | 430,7  | 64,0               | 299,9             | 375,1   | 739,0  |
| NON-EEC        | -                  | -                 | 48,8(3) | 48,8   | -                                 | -                 | -      | -      | -                  | -                 | 39,4(4) | 39,4   |
| TOTAL          | 415,7              | 595,7             | 379,5   | 1390,9 | 262,6                             | 982,6             | 721,3  | 1966,5 | 377,6              | 906,6             | 997,0   | 2281,2 |

| COUNTRY        | 1980               |                   |        |         | 1981               |                   |        |         | 1982               |                   |        |        |
|----------------|--------------------|-------------------|--------|---------|--------------------|-------------------|--------|---------|--------------------|-------------------|--------|--------|
|                | Product.<br>sector | Infra-<br>struct. | Energy | Total   | Product.<br>sector | Infra-<br>struct. | Energy | Total   | Product.<br>sector | Infra-<br>struct. | Energy | Total  |
| BELGIUM        | 6,2                | -                 | 147,0  | 153,2   | 12,3               | -                 | 170,2  | 182,5   | 5,5                | -                 | 55,0   | 60,5   |
| DENMARK        | 9,6                | 4,7               | 66,8   | 81,1    | 13,3               | 10,6              | 119,0  | 142,9   | 9,8                | 99,2              | 100,3  | 209,3  |
| RF of GERMANY  | -                  | -                 | 14,2   | 14,2    | -                  | -                 | 292,0  | 292,0   | -                  | -                 | 20,8   | 20,8   |
| GREECE         | -                  | -                 | -      | -       | 51,4               | 82,5              | 9,8    | 143,7   | 138,7              | 144,1             | 50,8   | 333,6  |
| FRANCE         | 1,7                | 63,4              | 213,9  | 279,0   | -                  | 67,7              | 159,0  | 226,7   | 39,8               | 72,7              | 311,7  | 424,3  |
| IRELAND        | 158,0              | 114,0             | 47,6   | 334,3   | 81,9               | 113,7             | 129,7  | 325,3   | 113,8              | 145,0             | 66,6   | 325,4  |
| ITALY          | 207,2              | 578,5             | 366,9  | 1152,5  | 265,9              | 448,8             | 536,6  | 1251,3  | 584,3              | 671,3             | 333,2  | 1588,7 |
| LUXEMBOURG     | -                  | -                 | -      | -       | -                  | -                 | -      | -       | -                  | -                 | -      | -      |
| NETHERLANDS    | -                  | -                 | -      | -       | -                  | -                 | -      | -       | -                  | -                 | -      | -      |
| UNITED KINGDOM | 166,8              | 329,6             | 191,6  | 688,0   | 25,8               | 193,0             | -      | 218,8   | 72,8               | 222,3             | 188,3  | 483,4  |
| NON-EEC        | -                  | -                 | 50,9   | 50,9(4) | -                  | -                 | 22,8   | 22,8(5) | -                  | -                 | -      | -      |
| TOTAL          | 549,4              | 1090,1            | 1098,8 | 2738,4  | 450,6              | 916,3             | 1439,1 | 2805,9  | 964,5              | 1354,7            | 1126,8 | 3446,0 |

TABLE 9 (continued)

**LOANS FROM EIB OWN RESOURCES IN THE COMMUNITY, 1977-1986**

(million ECU)(1)

| COUNTRY        | 1983            |               |        |        | 1984            |               |        |        | 1985            |               |        |        |
|----------------|-----------------|---------------|--------|--------|-----------------|---------------|--------|--------|-----------------|---------------|--------|--------|
|                | Product. sector | Infra-struct. | Energy | Total  | Product. sector | Infra-struct. | Energy | Total  | Product. sector | Infra-struct. | Energy | Total  |
| BELGIUM        | -               | -             | -      | -      | -               | -             | 32,5   | 32,5   | -               | -             | 77,8   | 77,8   |
| DENMARK        | 14,4            | 4,3           | 228,7  | 247,4  | 4,9             | 59,2          | 119,8  | 183,9  | 9,5             | 4,0           | 250,5  | 264,0  |
| RF of GERMANY  | 22,9            | -             | 129,3  | 152,2  | -               | -             | 134,3  | 134,3  | -               | -             | 91,4   | 91,4   |
| GREECE         | 63,2            | 193,3         | 107,8  | 364,3  | 61,0            | 125,9         | 88,6   | 275,5  | 44,2            | 285,8         | 71,7   | 401,7  |
| FRANCE         | 130,9           | 316,4         | 260,6  | 707,9  | 128,3           | 479,6         | 206,1  | 814,0  | 290,2           | 407,8         | 191,6  | 889,6  |
| IRELAND        | 13,9            | 201,4         | 19,3   | 234,6  | 64,0            | 60,0          | -      | 124,0  | 25,1            | 114,5         | 7,0    | 146,6  |
| ITALY          | 730,8           | 636,5         | 578,4  | 1945,7 | 894,0           | 930,0         | 714,2  | 2538,2 | 723,7           | 996,3         | 884,0  | 2603,9 |
| LUXEMBOURG     | -               | -             | -      | -      | -               | 16,4          | -      | 16,4   | -               | -             | -      | -      |
| NETHERLANDS    | -               | -             | -      | -      | -               | -             | -      | -      | -               | 69,1          | -      | 69,1   |
| UNITED KINGDOM | 53,4            | 269,9         | 268,0  | 591,3  | 55,6            | 255,1         | 577,5  | 888,2  | 148,1           | 291,6         | 657,0  | 1096,7 |
| NON-EEC        | -               | -             | -      | -      | -               | -             | -      | -      | -               | -             | -      | -      |
| TOTAL          | 1029,5          | 1621,9        | 1592,1 | 4243,5 | 1207,8          | 1926,2        | 1873,1 | 5007,0 | 1240,7          | 2169,1        | 2230,9 | 5640,7 |

| COUNTRY        | 1986            |                     |        |        |
|----------------|-----------------|---------------------|--------|--------|
|                | Product. sector | Infra-struct.       | Energy | Total  |
| BELGIUM        | 46,1            | -                   | -      | 46,1   |
| DENMARK        | 5,0             | -                   | 193,3  | 198,3  |
| RF of GERMANY  | -               | 139,7               | 302,1  | 441,8  |
| GREECE         | 178,3           | 50,2                | 24,4   | 253,0  |
| SPAIN          | 92,0            | 220,8               | 27,3   | 340,0  |
| FRANCE         | 121,6           | 421,1               | 22,3   | 565,0  |
| IRELAND        | 19,2            | 125,9               | 69,2   | 214,3  |
| ITALY          | 951,5           | 1052,8              | 908,3  | 2912,5 |
| LUXEMBOURG     | -               | 18,2                | -      | 18,2   |
| NETHERLANDS    | 94,9            | 3,3                 | -      | 98,2   |
| PORTUGAL       | 34,9            | 96,4                | 29,1   | 160,4  |
| UNITED KINGDOM | 110,7           | 378,1               | 866,4  | 1355,3 |
| NON-EEC        | -               | 75,0 <sup>(6)</sup> | -      | 75,0   |
| TOTAL          | 1654,3          | 2581,4              | 2442,4 | 6678,1 |

(1) The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

(2) Industry, agriculture and services.

(3) Norway.

(4) Austria and Tunisia.

(5) Tunisia.

(6) Loan for a satellite concerning the Community as a whole.



TABLE 11

**LIST OF EURATOM LOANS IN 1986**

---

| Date       | Recipient     | Country        | million ECU |
|------------|---------------|----------------|-------------|
| 26.06.1986 | NERSA S.A.    | France         | 72,7        |
| 24.07.1986 | ENEL          | Italy          | 97,6        |
| 26.11.1986 | KKW LIPPE-EMS | Fr of Germany  | 24,4        |
| 15.12.1986 | SSEB          | United Kingdom | 98,1        |
| 30.12.1986 | NERSA S.A.    | France         | 43,9        |
| 30.12.1986 | EDF           | France         | 106,5       |
|            | Total         |                | 443,2       |

---

Table 12

ECSC LOANS BY SECTOR, 1980 - 1986

(million ECU)

| Year              | Total<br>ECSC<br>loans | Coal<br>industry<br>(art54§1) | Steel<br>industry<br>(art54§1) | Thermal<br>power st.<br>(art54§2) | Conver-<br>sion<br>(art. 56) | Workers'<br>housing<br>(art. 54) | Iron-ore<br>mines<br>(art54§2) | Other<br>(art54§2) |
|-------------------|------------------------|-------------------------------|--------------------------------|-----------------------------------|------------------------------|----------------------------------|--------------------------------|--------------------|
| 1980              | 1.030,7                | 233,2                         | 424,0                          | 90,0                              | 266,1                        | 7,9                              | -                              | 9,6                |
| 1981              | 387,6                  | 30,6                          | 223,6                          | 26,6                              | 86,0                         | 14,7                             | -                              | 6,1                |
| 1982              | 740,6                  | 256,3                         | 139,8                          | 40,9                              | 162,8                        | 18,0                             | 71,8                           | 51,0               |
| 1983              | 778,1                  | 257,2                         | 222,2                          | 128,4                             | 139,5                        | 20,2                             | -                              | 10,6               |
| 1984              | 825,5                  | 12,7                          | 268,5                          | 65,8                              | 247,5                        | 36,7                             | 148,4                          | 45,9               |
| 1985              | 1010,6                 | -                             | 424,6                          | 60,8                              | 363,4                        | 17,3                             | 114,5                          | 30,0               |
| 1986              | 1069,2                 | 103,6                         | 661,2                          | 8,7                               | 243,5                        | 26,2                             | 1,9                            | 24,1               |
| 1986<br>-<br>1985 | + 5,8                  | -                             | +55,7                          | -85,7                             | -33,0                        | +51,4                            | -98,3                          | -19,7              |

TABLE 13

- 99 -

EIB LOANS OUTSIDE THE COMMUNITY FROM BORROWINGS, 1977-86(million ECU)<sup>(1)</sup>

| COUNTRY                       | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984  | 1985  | 1986  |
|-------------------------------|------|------|------|------|------|------|------|-------|-------|-------|
| <u>ACP States and OCTS</u>    | 67   | 91   | 73   | 124  | 158  | 122  | 90   | 79,1  | 167,8 | 150,7 |
| <u>Northern Mediterranean</u> | 85   | 80   | 186  | 215  | 129  | 252  | 257  | 346,3 | 260,0 | -     |
| Spain                         | -    | -    | -    | -    | 40   | 105  | 105  | 140   | 160   | -     |
| Portugal                      | 60   | 35   | 46   | 70   | 79   | 80   | 85   | 80    | 100   | -     |
| Yugoslavia                    | 25   | 25   | -    | -    | -    | 67   | 67   | 126,3 | -     | -     |
| Greece                        | -    | 20   | 104  | 101  | -    | -    | -    | -     | -     | -     |
| Turkey                        | -    | -    | 36   | 44   | 10   | -    | -    | -     | -     | -     |
| <u>Maghreb</u>                | -    | -    | 50   | 25   | 52   | -    | 36   | 63    | 102   | 110,5 |
| Algeria                       | -    | -    | -    | 20   | -    | -    | -    | -     | 75    | 60    |
| Morocco                       | -    | -    | 26   | -    | 30   | -    | 36   | 54    | 8,5   | -     |
| Tunisia                       | -    | -    | 24   | 5    | 12   | -    | -    | 9     | 18,5  | 50,5  |
| <u>Mashreq</u>                | -    | 3    | 109  | 7    | 15   | 28   | 44   | 112,3 | 28,0  | 87,6  |
| Egypt                         | -    | -    | 65   | -    | -    | 28   | 25   | 62,5  | -     | 62,5  |
| Jordan                        | -    | -    | 11   | 4    | 3    | -    | 14   | 11,5  | -     | 9,1   |
| Lebanon                       | -    | 3    | 17   | 3    | 12   | -    | 5    | -     | -     | -     |
| Syria                         | -    | -    | 16   | -    | -    | -    | -    | 38,3  | 28,0  | 16,0  |
| <u>Other</u>                  | -    | -    | 3    | -    | 42   | 8    | -    | 20    | 26,5  | 33    |
| Cyprus                        | -    | -    | -    | -    | 12   | 8    | -    | -     | 26,5  | -     |
| Malta                         | -    | -    | 3    | -    | -    | -    | -    | -     | -     | 13    |
| Israel                        | -    | -    | -    | -    | 30   | -    | -    | 20    | -     | 20    |
| <u>Total Mediterranean</u>    | 85   | 83   | 348  | 247  | 228  | 288  | 337  | 541,6 | 416,5 | 231,1 |
| T O T A L                     | 52   | 174  | 421  | 371  | 386  | 410  | 427  | 620,7 | 584,3 | 381,8 |

(1) The conversion rates were those obtaining on the last working day of the quarter before the contract was signed.

TABLE 14

- 100 -

## EIB FINANCING IN SPAIN AND PORTUGAL PRIOR TO ACCESSION

(Million ECU)

|   | Initial        | Individual loans |              |                      | Global loans |                     |
|---|----------------|------------------|--------------|----------------------|--------------|---------------------|
|   | amount         | Energy           | Infras.      | Industry<br>Forestry | Infras.      | Industry<br>Tourism |
|   | (protocol)     |                  |              |                      |              |                     |
|   | MIO ECU        | MIO ECU          | MIO ECU      | MIO ECU              | MIO ECU      | MIO ECU             |
| <u>SPAIN</u>  | <u>550,0</u>   | <u>97,1</u>      | <u>167,0</u> | <u>1,9</u>           | <u>79,0</u>  | <u>205,0</u>        |
| Financial co-operation /<br>pre-accession               | 200,0          | 17,1             | 57,0         | 1,9                  | 39,0         | 85,0                |
| Financial co-operation /<br>pre-accession: extension I  | 100,0          | 20,0             | 20,0         | -                    | 15,0         | 45,0                |
| Financial co-operation /<br>pre-accession: extension II | 250,0          | 60,0             | 90,0         | -                    | 25,0         | 75,0                |
| <u>PORTUGAL</u>   | <u>725,0</u>   | <u>190,0</u>     | <u>273,0</u> | <u>88,0</u>          | <u>-</u>     | <u>174,0</u>        |
| Exceptional emergency aid                               | 150,0          | 55,0             | 51,0         | 20,0                 | -            | 24,0                |
| Protocol I  | 200,0          | 30,0             | 72,0         | 68,0                 | -            | 30,0                |
| Pre-accession   | 150,0          | 35,0             | 60,0         | -                    | -            | 55,0                |
| Pre-accession: extension I                              | 75,0           | 40,0             | -            | -                    | -            | 35,0                |
| Pre-accession: extension II                             | 150,0          | 30,0             | 90,0         | -                    | -            | 30,0                |
| <u>TOTAL</u>  | <u>1.275,0</u> | <u>287,1</u>     | <u>440,0</u> | <u>89,9</u>          | <u>79,0</u>  | <u>379,0</u>        |



Table 15

**EIB FINANCING IN THE MEDITERRANEAN, IN ACP STATES AND OCTS, 1986**

(million Ecu)

|                                      | Total        | Loans from own resources | operations from budgetary resources | Energy       | Sectors             |                       |                          |
|--------------------------------------|--------------|--------------------------|-------------------------------------|--------------|---------------------|-----------------------|--------------------------|
|                                      |              |                          |                                     |              | Infras-<br>tructure | Ind., Agric.<br>loans | Serv.<br>Global<br>loans |
| Algeria                              | 60,0         | 60,0                     |                                     |              | 60,0                |                       |                          |
| Tunisia                              | 63,5         | 50,5                     | 13,0                                |              |                     | 43,5                  | 20,5                     |
| Egypt                                | 62,5         | 62,5                     |                                     | 30,0         |                     | 32,5                  |                          |
| Jordan                               | 9,1          | 9,1                      |                                     |              | 2,6                 | 6,5                   |                          |
| Syria                                | 16,0         | 16,0                     |                                     |              | 16,0                |                       |                          |
| Cyprus                               | 1,2          |                          | 1,2                                 |              | 1,2                 |                       |                          |
| Israel                               | 20,0         | 20,0                     |                                     |              |                     |                       | 20,0                     |
| Malta                                | 13,0         | 13,0                     |                                     |              | 13,0                |                       |                          |
| Turkey                               | 18,7         |                          | 18,7                                | 18,7         |                     |                       |                          |
| <b>Total mediterranean countries</b> | <b>264,0</b> | <b>231,1</b>             | <b>32,9</b>                         | <b>48,7</b>  | <b>92,8</b>         | <b>82,5</b>           | <b>40,0</b>              |
| Africa                               | 164,4        | 108,7                    | 55,7                                | 30,0         | 20,0                | 96,9                  | 17,5                     |
| Caribbean                            | 23,5         | 21,5                     | 2,0                                 | 5,0          | 8,5                 |                       | 10,0                     |
| Pacific                              | 21,5         | 20,5                     | 1,0                                 | 17,0         |                     | 4,5                   |                          |
| OCT                                  | 0,3          |                          | 0,3                                 |              |                     | 0,3                   |                          |
| <b>Total ACP-OCT</b>                 | <b>209,7</b> | <b>150,7</b>             | <b>59,0</b>                         | <b>52,0</b>  | <b>28,5</b>         | <b>101,7</b>          | <b>27,5</b>              |
| <b>TOTAL</b>                         | <b>473,7</b> | <b>381,8</b>             | <b>91,9</b>                         | <b>100,7</b> | <b>121,3</b>        | <b>184,2</b>          | <b>67,5</b>              |

**INTEREST SUBSIDIES PAID OUT IN THE COMMUNITY BY THE VARIOUS  
COMMUNITY MECHANISMS, 1977-86**

(million ECU)

| Y E A R | Non-discounted systems (1)         |                                 |                                     | Discounted systems (2) |         |
|---------|------------------------------------|---------------------------------|-------------------------------------|------------------------|---------|
|         | E C S C                            |                                 | "Earthquake<br>recon-<br>struction" | E M S                  | E R D F |
|         | Article 54<br>(restruc-<br>turing) | Article 56<br>(conver-<br>sion) |                                     |                        |         |
| 1977    | 1,3                                | 2,7                             | -                                   | -                      | -       |
| 1978    | 9,8                                | 16,5                            | -                                   | -                      | -       |
| 1979    | 10,4                               | 8,0                             | -                                   | 200,0                  | 12,1    |
| 1980    | 25,7                               | 33,4                            | -                                   | 197,0                  | -       |
| 1981    | 7,6                                | 6,3                             | -                                   | 193,2                  | -       |
| 1982    | 10,5                               | 19,3                            | 3,0                                 | 209,8                  | -       |
| 1983    | 4,0                                | 7,1                             | 14,4                                | 200,0                  | -       |
| 1984    | 6,2                                | 34,0                            | 24,4                                | -                      | -       |
| 1985    | 3,6                                | 74,9                            | 28,4                                | -                      | -       |
| 1986    | 5,9                                | 33,1                            | 28,6                                | -                      | -       |

- (1) Interest subsidies spread over time and charged to the funds set aside for this purpose in the annual budgets.
- (2) Interest subsidies paid by the Commission after discounting to a present value, and charged to the budget as a single sum in the initial year.

Table 17

- 103 -

**"EARTHQUAKE RECONSTRUCTION" LOANS CARRYING INTEREST SUBSIDIES, 1981-1986 : ITALY**

(Million ECU)

| BORROWER   | PROJECT   | Total loans<br>contracted<br>end 1986 | Interest<br>subs. paid from<br>1986 approp. |
|--|---|---------------------------------------|---|
| <b>NCI LOANS</b>   |   |                                       |   |
| ANAS (Azienda Nazionale<br>Autonoma delle Strade, Roma)                                      | Road and motorway infrastructure : I  | 30,8                                  | 1,086                                       |
| FS (Azienda Autonoma delle<br>Ferrovie dello Stato)  | Railway network : I A   | 28,4                                  | 1,000                                       |
|  | I B   | 21,9                                  | 0,687                                       |
|  | I C   | 14,6                                  | 0,448                                       |
|  | II A  | 15,0                                  | 0,485                                       |
|  | II B  | 14,1                                  | 0,318                                       |
| CASSA (Cassa per le opere<br>straordinarie di pubblico<br>interesse nell'Italia meridionale) | Water supply network : I  | 26,1                                  | 0,721                                       |
| CASSA  | Repair of Pugliese aqueduct : I   | 56,5                                  | 1,898                                       |
| ITALIAN GOVERNMENT   | Industrial estates  | 65,7                                  | 1,597                                       |
| ITALIAN GOVERNMENT   | Repair and reconstruction of schools  | 55,7                                  | 2,423                                       |
| ITALIAN GOVERNMENT   | Basic infrastructure for areas to be used<br>for housing                    | 155,2                                 | 5,176                                       |
| ITALIAN GOVERNMENT   | Reconstruction of public property   | 74,9                                  | 0,483                                       |
| ITALIAN GOVERNMENT   | Aid centre, Persano   | 32,8                                  | 0,195                                       |
| ITALIAN GOVERNMENT   | Repair of university buildings  | 19,7                                  | 1,204                                       |
| NCI total  |   | 611,4                                 | 17,721                                      |
| <b>EIB LOANS</b>   |   |                                       |   |
| SIP (Società Italiana per<br>l'Esercizio Telef. p.A)   | Telephone network : A   | 11,9                                  | 0,406                                       |
|  | B   | 8,0                                   | 0,229                                       |
|  | C   | 7,6                                   | 0,254                                       |
|  | II  | 2,4                                   | 0,070                                       |
| ITALIAN GOVERNMENT   | Industrial estates : II A   | 21,6                                  | 0,634                                       |
|  | II B  | 2,-                                   | -   |
|  | III A   | 26,8                                  | 0,388                                       |
| ENEL (Ente Nazionale per<br>l'Energia elettrica, Roma)                                       | Electricity grid : A  | 11,9                                  | 0,406                                       |
|  | B   | 7,6                                   | 0,239                                       |
|  | C   | 10,8                                  | 0,311                                       |
| CASSA  | Water supply network : II   | 11,5                                  | 0,314                                       |
|  | III   | 30,4                                  | 0,897                                       |
|  | IV  | 9,8                                   | 0,315                                       |
|  | Repair of Pugliese aqueduc : II   | 56,7                                  | 1,618                                       |
| ANAS   | Road and motorway infrastructure : II A                                     | 7,5                                   | 0,225                                       |
|  | II B  | 29,2                                  | 0,892                                       |
|  | II C  | 13,4                                  | 0,255                                       |
| AUTOSTRADE (Concessioni e<br>Costruzioni Autostrade spa)                                     | Naples-Bari motorway : I A  | 3,5                                   | 0,066                                       |
|  | I B   | 5,4                                   | -   |
|  | II A  | 3,4                                   | -   |
| ISVEIMER (Istituto per lo sviluppo<br>Economico dell'Italia<br>Meridionale, Napoli)          | Reconstitution of the means of production<br>(industry and hotel trade) : A | 2,6                                   | 0,081                                       |
|  | B   | 4,8                                   | 0,143                                       |
| ISVEIMER   | Motor vehicle component factory : A   | 14,6                                  | 0,430                                       |
|  | B   | 5,0                                   | 0,150                                       |
| IRI (Istituto per la<br>Ricostruzione Industriale)   | Aircraft engine component factory   | 7,2                                   | 0,210                                       |
| EIB total  |   | 315,6                                 | 8,533                                       |
| <b>TOTAL ITALY</b>   |   | <b>927</b>                            | <b>26,254</b>                               |

TABLE 18

- 104 -

"EARTHQUAKE RECONSTRUCTION" LOAN CARRYING INTEREST SUBSIDY, 1986 : GREECE

|                     |                           | (million ECU)  |  |
|---------------------|---------------------------|----------------|--|
| BORROWER            | PROJECT                   | loan<br>signed | Interest<br>subs. paid<br>from 1986<br>appropri. |
| <u>NCI Loan</u>     |                           |                |  |
| Greek Government    | 1981 Reconstruction :     |                |  |
|                     | - economic infrastructure | 21,1           | 0,625  |
|                     | - social infrastructure   | 58,9           | 1,743  |
| <u>TOTAL GREECE</u> |                           | <u>80,0</u>    | <u>2,368</u>                                     |

**SUBSIDIZED LOANS FOR RECONSTRUCTION IN EARTHQUAKE-STRICKEN AREAS IN 1986**

(by country, instrument and sector)

|   | Loans signed |                      |             |                |              | Interest      |              |
|---|--------------|----------------------|-------------|----------------|--------------|---------------|--------------|
|   | Init. 1986   | 1986                 | Situation   | at end of 1986 |              | subsidies     |              |
|   | Sitn 1986    | Ope-<br>ra-<br>tions |             |                |              |               |              |
| million ECU                             | million ECU  | Num-<br>ber          | million ECU | %              | million ECU  | %             |              |
| <b>By recipient country :</b>           |              |                      |             |                |              |               |              |
| - Italy                                 | 902,8        | 24,2                 | 39          | 927            | 92,1         | 26,254        | 91,7         |
| - Greece                                | 80,0         | -                    | 1           | 80,0           | 7,9          | 2,368         | 8,3          |
|   | <u>982,8</u> | <u>24,2</u>          | <u>40</u>   | <u>1007</u>    | <u>100,0</u> | <u>28,622</u> | <u>100,0</u> |
| <b>By origin of resources lent :</b>    |              |                      |             |                |              |               |              |
| - NCI                                   | 691,4        | -                    | 15          | 691,4          | 68,7         | 20,089        | 70,2         |
| - EIB                                   | 291,4        | 24,2                 | 25          | 315,6          | 31,3         | 8,533         | 29,8         |
|   | <u>982,8</u> | <u>24,2</u>          | <u>40</u>   | <u>1007</u>    | <u>100,0</u> | <u>28,622</u> | <u>100,0</u> |
| <b>By sector of use :</b>               |              |                      |             |                |              |               |              |
| - Economic infrastructure               | 551,4        | 24,2                 |             | 575,6          | 57,2         | 16,384        | 57,2         |
| - Social infrastructure                 | 397,2        | -                    |             | 397,2          | 39,4         | 11,224        | 39,2         |
| - Reconstitution of means of production | 34,2         | -                    |             | 34,2           | 3,4          | 1,014         | 3,6          |
|   | <u>982,8</u> | <u>24,2</u>          |             | <u>1007</u>    | <u>100,0</u> | <u>28,622</u> | <u>100,0</u> |