



European
Investment Bank
1971

The European Investment Bank was created by the Treaty of Rome establishing the European Economic Community, which came into force on 1st January, 1958.

It is an independent public institution within the Community and operates on a non-profit-making basis.

The Bank's essential function is to contribute to the balanced development of the Common Market. For this purpose, it grants long-term loans or guarantees to enterprises, local or regional authorities or financing institutes, to finance investments which help the development of less advanced or conversion regions, or serve a common European interest.

The founder members of the Bank are the Member States of the Community: Belgium, Germany, France, Italy, Luxembourg and the Netherlands. Each of these countries has subscribed a specific share of the Bank's capital which was increased in 1971 from 1,000 million units of account to 1,500 million.

The Bank borrows on the capital markets of the member and non-member countries the funds necessary to carry out its task.

Initially confined to the territory of the six Member States of the European Economic Community, the Bank's activities have gradually been extended under the Association Agreements with Greece, the seventeen Associated African States and Madagascar, the Associated Overseas Countries and Territories and Turkey. Apart from its ordinary loans, it grants to these countries loans on special conditions under its Special Section, on mandate and for the account of the Member States or of the European Economic Community.

For its accounts and balance sheet the European Investment Bank uses the unit of account as defined in Article 4, paragraph 1, of its Statute. The value of the unit of account is 0.88867088 gramme of fine gold.

The various national currencies are converted on the basis of the official parities as at 31st December 1971 (1).

On 31st December 1971, the parities between the unit of account and the currencies which are most important for the Bank's activities were as follows:

	3.66	Deutsche Mark
	5.55419	French francs
	625	Italian lire
	3.62	Netherlands guilders
1 unit of account =	50	Belgian francs
(u.a.)	50	Luxembourg francs
	1	United States dollar
	4.0841	Swiss francs (2)
	30	Greek drachmas
	15	Turkish pounds

This publication is a digest of the Bank's Annual Report for 1971 which may be obtained on request from the European Investment Bank, 2, place de Metz, Boîte postale 2005, Luxembourg.

(1) The new exchange rate relationships (central rates) adopted in December 1971 in Washington had not yet been declared official parities by the end of the year.

(2) Until 10th May, 1971, inclusive: 1 unit of account 4.37282 Swiss francs.

The enlargement of the European Community

**Under the terms
of the Treaty of Accession
of 22nd January 1972,
the United Kingdom, Denmark,
Norway and Ireland
will become members
of the European Bank
on 1st January 1973, ...**

**... whose capital will be
increased to 2,070 million units
of account.**

The Community scene in 1971 was marked by the negotiations on the accession of the United Kingdom, Denmark, Norway and Ireland to the European Communities and, consequently, to the Bank (Art. 129 of the Treaty of Rome).

The agreement reached concerning the Bank was annexed as Protocol No. 1 to the "Treaty of Accession", signed in Brussels on 22nd January, 1972. This treaty is now in the process of ratification by each contracting country and is scheduled to come into force on 1st January, 1973.

Concerning the Bank it contains in particular the following conditions:

The United Kingdom, Denmark, Norway and Ireland subscribe to the capital of the Bank for 450, 60, 45 and 15 million units of account respectively. As a result, the Bank will have a capital of 2,070 million units of account, distributed as follows among the member countries:

Germany	450	million
France	450	million
United Kingdom	450	million
Italy	360	million
Belgium	118.5	million
Netherlands	118.5	million
Denmark	60	million
Norway	45	million
Ireland	15	million
Luxembourg	3	million

The part of the subscribed capital to be paid up by the new member countries is determined on the basis of the percentage valid for the original member countries, viz. 20% (25% of the initial capital of 1,000 million and 10% of the capital increase of 500 million decided in April 1971).

The entry of the new member countries provided also the opportunity to equalize the shares of Belgium and the Netherlands in the capital, to which Belgium had initially contributed a higher amount than the Netherlands.

The new member countries will also contribute to the statutory reserve and to the provisions equivalent to reserves, as shown in the balance sheet of the Bank established on 31st December of the year preceding the entry into force of the Treaty of Accession. Their contributions correspond to the following percentages of these reserves: United Kingdom: 30%; Denmark: 4%; Norway: 3%; Ireland: 1%.

Each member country will be represented on the Board of Governors, which will thus comprise 10 members.

The Board of Directors will comprise 19 directors and 10 alternates, with the following distribution :

Germany	3 directors	2 alternates
France	3 directors	2 alternates
Italy	3 directors	2 alternates
United Kingdom	3 directors	2 alternates
Belgium	1 director	1 alternate appointed jointly by the Benelux countries
Luxembourg	1 director	
Netherlands	1 director	
Denmark	1 director	
Ireland	1 director	
Norway	1 director	
Commission of the European Communities	1 director	1 alternate

The Management Committee will be made up of five members: the president and four vice-presidents.

The Bank has started the necessary preparatory work for its future activity in the new member countries. It expects to be in a position to commence operations in these countries as soon as their accession has become effective.

Aircraft manufacturers in France, Germany, the Netherlands, Great Britain and Spain are working in close co-operation on the construction of the first European jumbo aircraft, the Airbus A 300 B. The Bank has granted a loan worth 14.4 million units of account to the Société Nationale Industrielle Aérospatiale for the investments required to build and test the Airbus A 300 B at Toulouse and Nantes St-Nazaire. The picture shows a model of the Airbus undergoing tests in a hydro-dynamic tunnel.

The economic and monetary situation in the Community

In 1971, the Bank continued to expand its activities, despite the international monetary crisis and the slower pace of economic activity.

Despite the international monetary situation, the Bank was able to maintain and even to accelerate the pace of its expansion in 1971. External borrowing by enterprises for the financing of their investment expenditure, which increased despite the slowdown in the economy, was on an increasingly larger scale. The requirements of the public investment budgets continued to grow. Lastly, the situation improved on most of the capital markets of the member countries as well as on the Eurobond market, which allowed the Bank to increase its borrowings to a considerable extent.

The particular trends resulting from the development of the general economic situation were also affected by the monetary events. Whereas in the United States, the United Kingdom and Japan, despite an economic policy increasingly directed towards expansion, recovery was extremely hesitant, the business situation in the Community remained stationary at a high level.

Developments in member countries were not uniform. The conjunctural situation was rather bad in Italy, where social disputes continued to hamper production. It was most favourable in France where budgetary policy was redirected sufficiently soon towards stimulation of expansion. In addition, French exports responded to the impetus, at times very strong, of the maintenance of the gold parity of the franc for commercial transactions, while there was a de facto revaluation of the currencies of major countries which are France's customers and competitors.

The rise in costs and prices continued in the Community, and accelerated even until the autumn. The cost pressure remained stronger than the price-push, resulting in a marked narrowing of profit margins, a development characteristic of a cyclical phase of cost inflation. As, furthermore, the industrial sales prospects became gloomier in most of the member countries owing to the evolution of the monetary situation, the investment propensity of enterprises showed a distinct slackening. Business outlay on investments already under construction or definitively planned, certainly continued to increase, though at a slower pace, but as self-financing possibilities of enterprises were limited, requirements for external resources increased sharply. Owing to the uncertainties of the further economic development greater efforts were also made to consolidate the short-term indebtedness, which until then had been rising steeply. Lastly, the public sector's long-term borrowing requirements also grew considerably.

One consequence of the slower economic growth was the emergence of fairly clear tendencies towards an easier situation on the employment markets. At the same time, the very rapid pace of wage expansion reached its peak and began to slacken off somewhat. This evolution led not only to a brisk rise in private consumer expenditure, but also, and despite the extent of the erosion of purchasing power, to an even more marked increase in private savings. To this were added the effects on internal liquidity of the large-scale inflow of capital which the Community had to absorb as a result of the monetary crisis. No notable reflux has yet occurred, despite the Washington agreements reached in December.

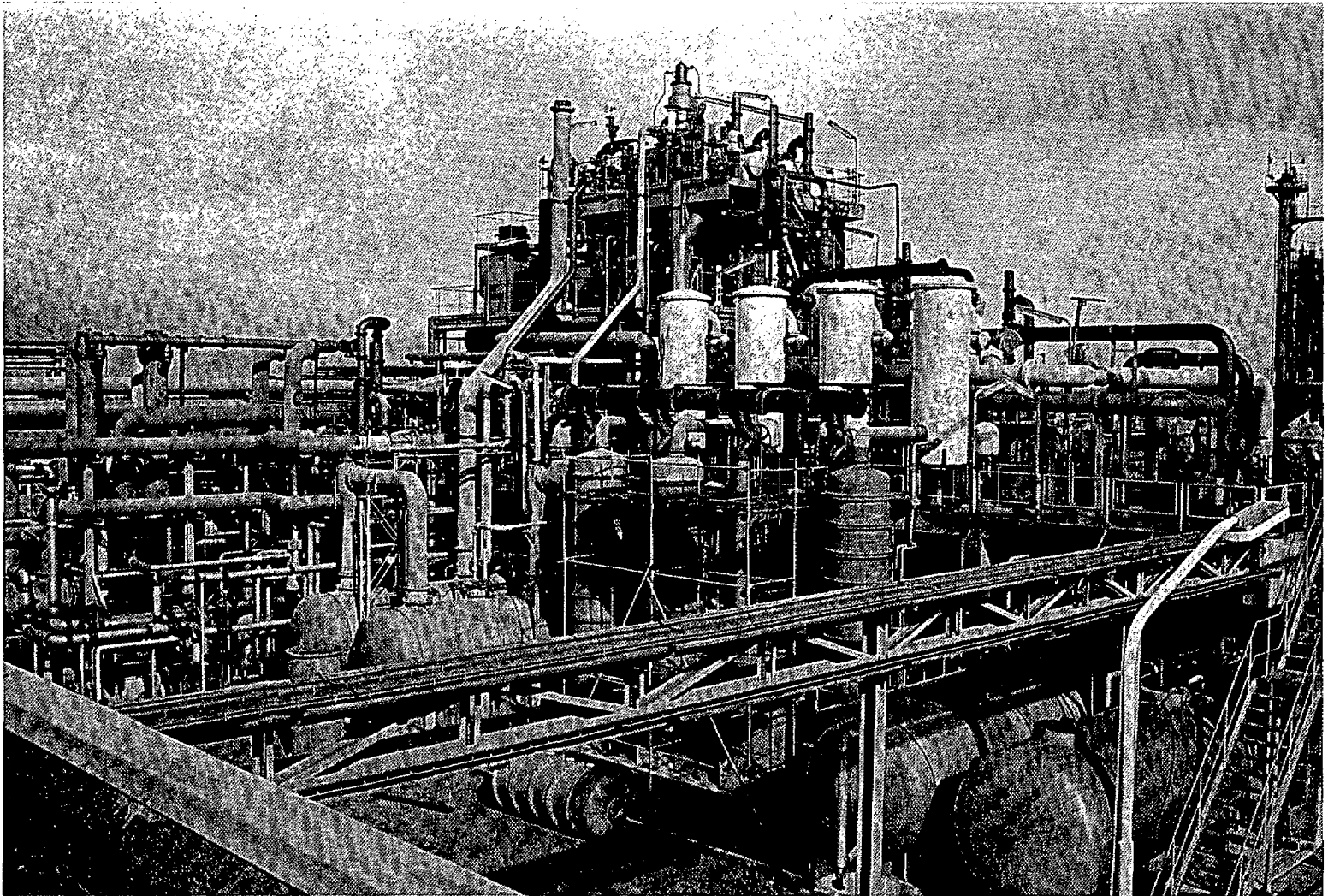
Under the influence of these various conjunctural and monetary factors, the improvement of the situation on the capital market made itself more clearly felt in 1971, with some interludes, it is true. However, this development was initially still

thwarted by public authorities: indeed, from the point of view of the liquidity of the domestic market, treasury operations had a less expansionary influence than in the previous year, while the monetary authorities of certain Community countries, because of the persistent price and cost rise, hesitated to relax significantly their still so far highly restrictive credit policy.

However, the capital inflow was further stimulated by the monetary policy of the United States, which was strongly directed towards expansion and lower interest rates. It had also become clear that the national economies needed some measure of support. The monetary authorities of the Community, therefore, finally adopted an increasingly flexible policy and agreed to reduce interest rates.

The expansion of the Bank's activity was very much in line, particularly during the second half of the year, with the objectives of the Community's short-term economic policy. This appears in particular from the fact that the growth in the volume of the Bank's loans and guarantees was very much concentrated on Italy, where the investment situation, extremely weak on the whole, called for firm support measures.

A large chemical plant has been set up in Delfzijl, which is the centre of a growth area in the province of Groningen (Netherlands). Following an initial contribution in 1969, the Bank has granted another loan for the extension of the facilities.



As in previous years, the Bank made several contributions to the development of the European motorway system: the sums granted in 1971 for this purpose aggregated 100 million units of account. Over the last few years, a total of 128 million units of account has been allocated to the financing of the E 1 motorway (London-Paris-Nice-Genoa-Rome-Palermo) alone.



Loans and guarantees granted by the Bank

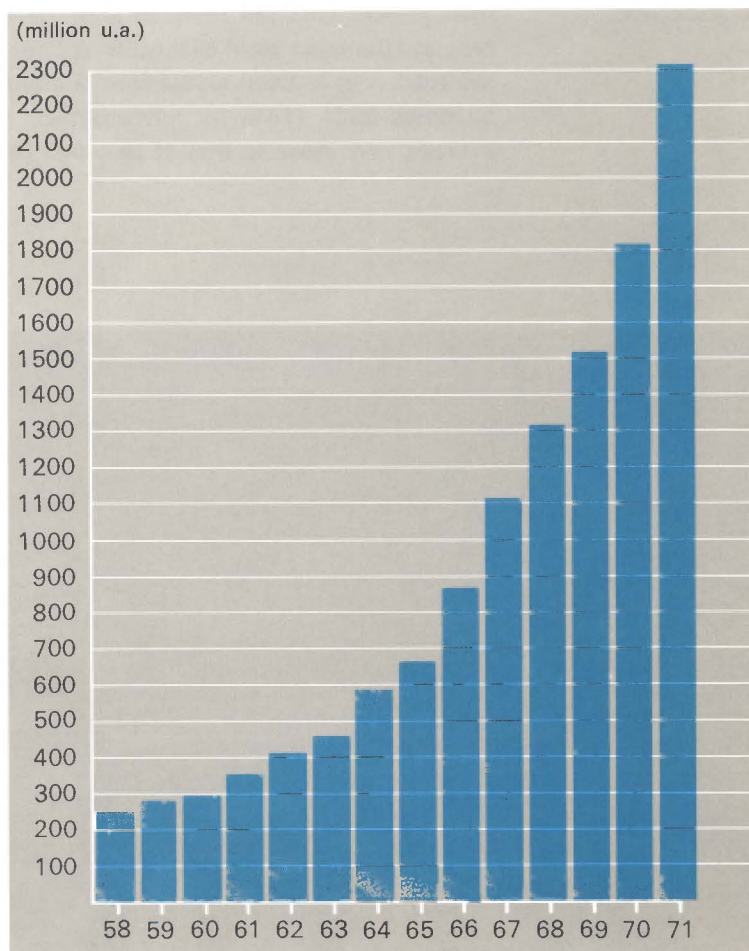
In 1971, the Bank's new operations were worth more than 500 million units of account.

In 1971, the growth of the Bank's activities was particularly vigorous: for the first time, new operations aggregated over 500 million units of account ⁽¹⁾, an increase of 42% over the previous year.

This expansion is due exclusively to the steep rise in ordinary loans, i.e. those loans which the Bank grants from its own resources and at its own risk. The volume of ordinary loans was increased significantly in both the member and the associated countries.

The amount of loans granted on special conditions within the Bank's Special Section from budgetary funds of the member countries or of the Community decreased slightly compared with the previous year. The lower figure for Turkey is explained by the fact that the amount of aid provided for under the first financial protocol is

Growth of the Bank's balance sheet



(1) Unless otherwise indicated, all the amounts shown are in units of account (cf. definition, inside of front cover). Differences between the totals indicated and those obtained by adding individual amounts are due to rounding.

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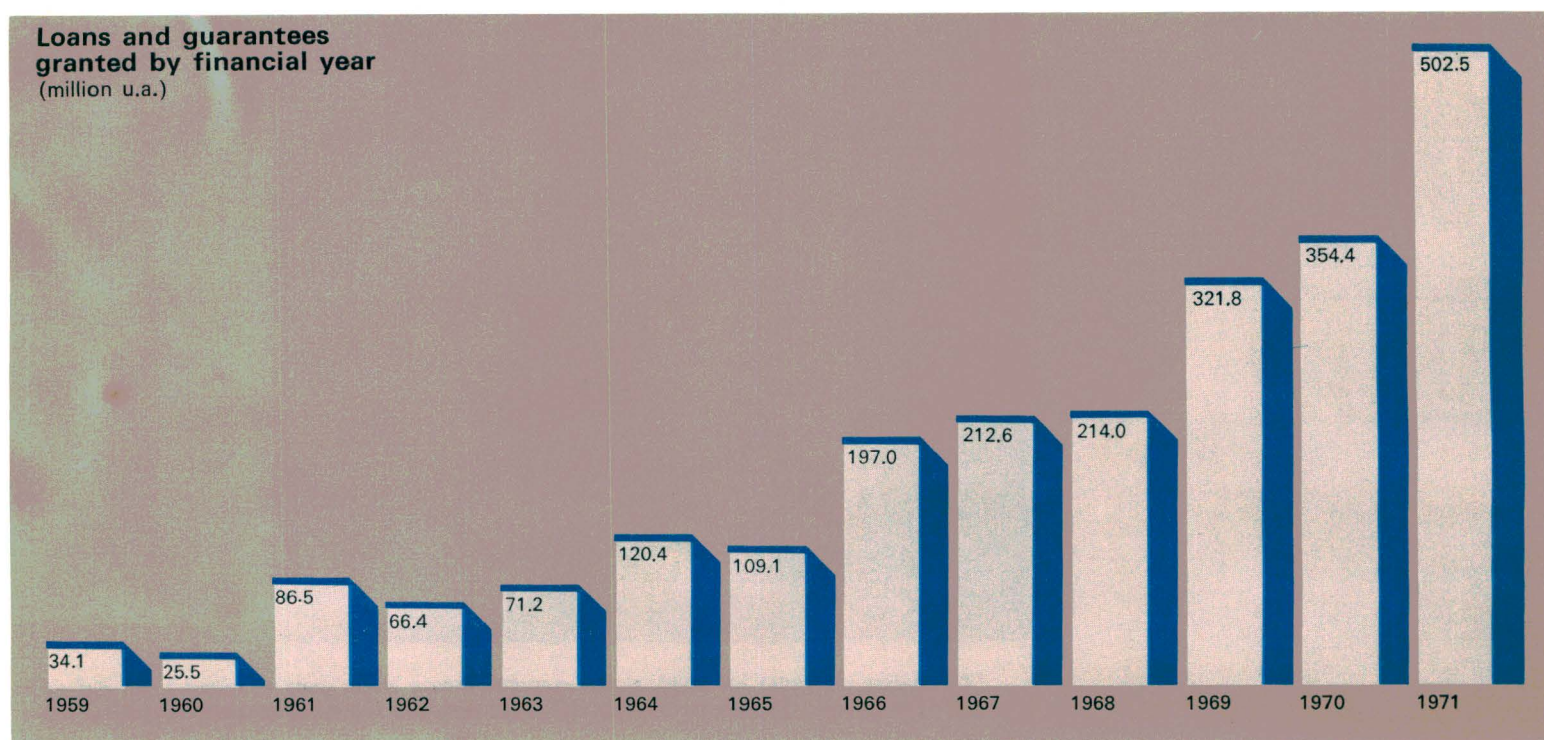
Table 1 : Loans and guarantees granted in 1970 and 1971

	1970		1971		Variation 1971 by comparison with 1970	
	No.	Million u.a.	No.	Million u.a.	Million u.a.	in %
Ordinary operations	50	340.8	50	491.8	+ 151.0	+ 44
of which:						
• loans	45	284.8	47	454.9	+ 170.1	+ 60
• guarantees	5	56.0	3	36.9	— 19.1	— 34
Special operations	4	13.6	2	10.7	— 2.9	— 21
Total	54	354.4	52	502.5	+ 148.1	+ 42

exhausted, and that the second protocol has not yet been ratified by certain of the countries concerned. The second Yaoundé Convention, signed between the Community and the Associated African States and Madagascar, has been in force since 1st January, 1971, but several projects which were examined during the initial period could not yet be signed before the end of the financial year.

The Bank thus contributed to the realisation of total fixed investments of some 3,000 million units of account.

The total cost in fixed investments of the projects financed by the Bank in 1971 is approximately 3,000 million units of account, a figure considerably higher than that for the previous year (1,600 million). The Bank's average share in the financing of total project cost fell from 23% in 1970 to 16% in 1971; leaving aside one major project (the steel plant SOLMER at Fos) which involves particularly high investments, the total cost in fixed investment is about 2,000 million and the Bank's average share becomes 22% (18% for infrastructure projects and 27% for industrial projects) an average very close to that of previous years (23%).



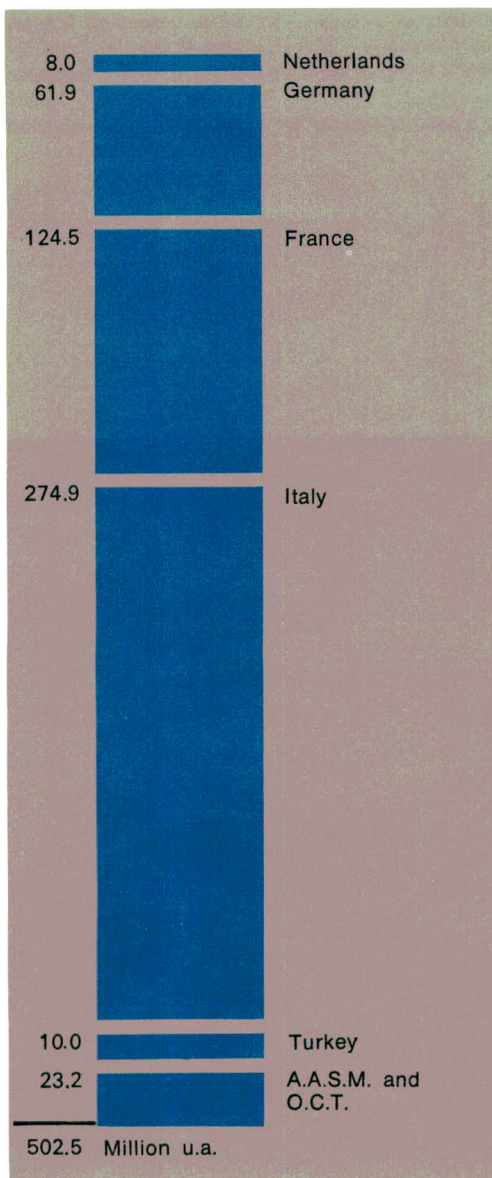


Table 2 : Loans and guarantees granted in 1971
Breakdown by type of financing and by country

Country	Number of projects	Amount (million u.a.)	% of total
Ordinary operations			
<i>Member countries</i> ⁽¹⁾ :			
Germany	6	61.9	12.3
France	12	124.5	24.8
Italy	27	274.9	54.7
Netherlands	1	8.0	1.6
Total	46	469.3	93.4
<i>of which : guarantees</i> ⁽²⁾	3	36.9	7.3
<i>Associated countries :</i>			
A.A.S.M. and O.C.T.			
Cameroon	1	3.5	0.7
Senegal	1	1.4	0.3
Zaire	2	17.6	3.5
Total	4	22.5	4.5
Total of ordinary operations	50	491.8	97.9
Special operations			
Turkey	1	10.0	2.0
Reunion (Overseas Department) ⁽³⁾	1	0.7	0.1
Total	2	10.7	2.1
Grand total	52	502.5	100.0

(1) Including the total amount of the following overall loans :
— France : SODERO (Société de Développement Régional de l'Ouest), 1.98 million units of account;
— Italy : CASSA PER IL MEZZOGIORNO-CIS, 5 million units of account;
CASSA PER IL MEZZOGIORNO-ISVEIMER, 15 million units of account.

(2) Concerns Italy only.

(3) Loans granted on special conditions from the resources of the European Development Fund.

Loans and guarantees approved in the Community amount to 469 million units of account.

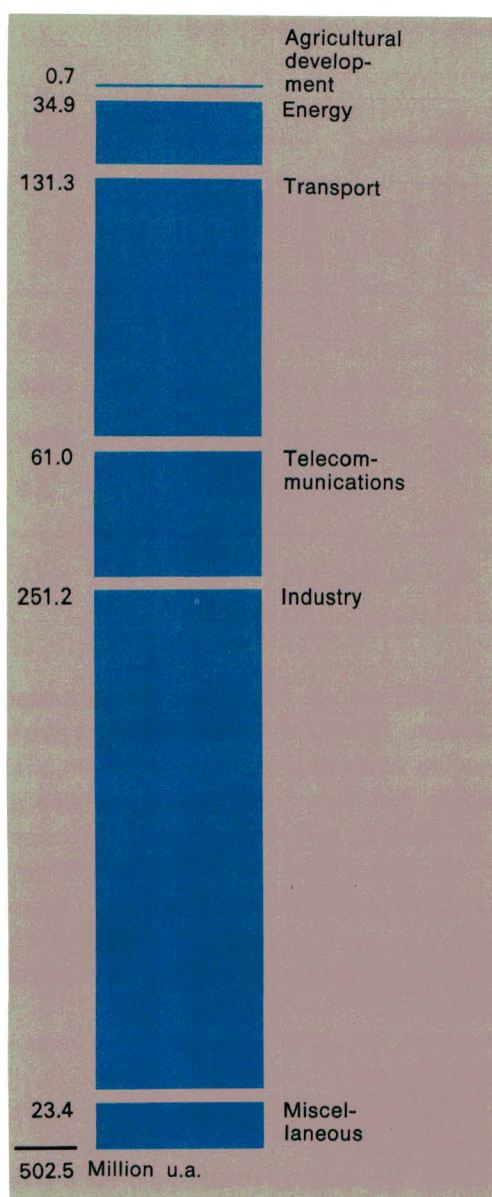
In 1971, total credits granted for projects in Italy reached the figure of 275 million units of account.

For projects located in the **member countries** of the Community, the Bank signed in 1971, 46 loan and guarantee contracts, totalling 469.3 million. In comparison with the previous year (48 contracts, totalling 338.5 million), this represents an increase of 130.8 million, or 39%, in the amount of assistance granted.

With regard to the geographical distribution of loans and guarantees, **Italy** remained the main beneficiary of the Bank's activity in 1971, with 59% of the credits granted for projects in the Community. The reason was not only the economic backwardness of certain regions — in particular, mainland Southern Italy, Sicily and Sardinia — but also the particularly weak investment activity in Italy in 1971. The Bank therefore intensified its action in Italy during 1971, granting a total of 274.9 million for 27 operations, as against 205.2 million for 26 operations in 1970, an increase of 69.7 million (34%).

The amounts granted for financing infrastructure projects in Italy increased only slightly, from 104.5 to 111.9 million, and their share in the Bank's total operations in Italy decreased from 51% in 1970 to 41% in 1971.

Of the seven infrastructure projects financed in 1971, six are for regional development and one for the improvement of European infrastructure :



60% of the amount which went to Italy was for the development of industry in the Mezzogiorno.

Table 3 : Loans and guarantees granted in 1971 ⁽¹⁾
Breakdown by sector

Sector	Number of projects	Amount (million u.a.)	% of total
Infrastructure	18	227.9	45.3
Agricultural development	1	0.7	0.1
Energy (electricity production and transmission)	4	34.9	7.0
Transport	9	131.3	26.1
Railways	1	21.9	4.3
Roads and bridges	6	99.5	19.8
Gas pipelines	2	9.9	2.0
Telecommunications	4	61.0	12.1
Industry, trade and services	31	252.6	50.3
<i>Industry</i>	<i>30</i>	<i>251.2</i>	<i>50.0</i>
Extractive industries	1	16.0	3.2
Iron and steel, basic metal processing	7	77.2	15.4
Construction materials	1	4.8	1.0
Chemical industry	7	56.6	11.3
Metal working and engineering	3	19.0	3.8
Motors vehicles, transport equipment	2	39.4	7.8
Electrical engineering, electronics	3	12.2	2.4
Food products	2	5.3	1.0
Textiles and leather	1	1.6	0.3
Manufacture of rubber and plastics	3	19.1	3.8
<i>Trade and services</i>	<i>1</i>	<i>1.4</i>	<i>0.3</i>
Tourism	1	1.4	0.3
Overall loans	3	22.0	4.4
Grand total	52	502.5	100.0

(1) Including the loan on special conditions from the resources of the European Development Fund.

- improvement of the telephone system in Calabria and Sicily; this is the second time the Bank has contributed to this project;
- the construction of two sections of the Adriatic motorway, which will contribute, on the one hand, to the development of the economically backward regions through which it passes and, on the other, will link the new industrial centres established along the coast to the Italian and European transport network;
- construction of the east-west Naples motorway and of the Caserta-Salerno motorway, both of which will ease traffic congestion in the Naples area and encourage suburban industrial settlement;
- the laying of methane pipelines in Southern Italy;
- a contribution to the financing of the Liguria-Tuscany motorway, whereby the Bank has intervened again in Italy in favour of the development of the E-1, the motorway London-Paris-Nice-Genoa-Rome-Palermo.

As in 1970, the Bank participated in the financing of 20 projects in Italian industry; the total amount (163 million) involved, however, was much higher than in the previous year (100.7 million). This meant an appreciable increase in the average amount per loan, owing to the fact that the Bank has provided assistance for a number of major

Table 4 : Loans and guarantees granted in 1971 (member countries)

Breakdown by type of financing

	Direct loans		Indirect loans		Overall loans		Guarantees		Total	
	Number	Million u.a.	Number	Million u.a.	Number	Million u.a.	Number	Million u.a.	Number	Million u.a.
Germany . . .	6	61.9	—	—	—	—	—	—	6	61.9
France . . .	7	68.9	4	53.6	1	2.0	—	—	12	124.5
Italy	3	70.0	19	148.0	2	20.0	3	36.9	27	274.9
Netherlands.	1	8.0	—	—	—	—	—	—	1	8.0
Total . . .	17	208.8	23	201.6	3	22.0	3	36.9	46	469.3

projects on the mainland of Southern Italy and in the islands, to support the concerted action followed by the State and the private sector. Special mention should be made of two projects of the FIAT group, an earth-moving equipment plant at Lecce (Puglia) and a motor vehicle assembly plant at Piedimonte San Germano (Latium), as well as of a tyre factory project of the Pirelli group at Villafranca-Tirrena (Sicily). Mention, too, should be made of a caprolactam plant of "Chimica Dauna" at Monte Sant'Angelo (Puglia), which forms part of the programme to provide the Mezzogiorno with a large-scale basic chemicals industry, and the extension of an electrolytic zinc plant of the "Società Mineraria e Metallurgica di Pertusola", at Crotona, which forms an essential part of the industrialization programme for Calabria.

Lastly, the Bank granted, in the course of the financial year, two new overall loans in Italy, totalling 20 million, for the financing of small and medium-sized industry in Southern Italy and Sardinia. Of a total of 43 appropriations on overall loans by the Bank in 1971, 12, totalling 5.1 million, went to Italy.

In other member countries of the Community, the Bank granted loans for a total of 194.4 million units of account, corresponding to 41 % of the sums committed by the Bank in 1971. Of this amount, 101.9 million were for infrastructure projects and 92.5 million for industrial projects.

In **Germany**, although the number of contracts signed fell from 8 in 1970 to 6 in 1971, the total credit amount rose from 46.1 million to 61.9 million. About half this sum — 32.3 million — was for the financing of three major infrastructure projects:

- the electrification of the Koblenz-Völklingen railway line and its branch lines to Luxembourg and France will contribute to the development of the intra-Community communications network by improving passenger and goods traffic on these major railway lines;
- the construction of ethylene pipelines for the supply of various petrochemical plants in Germany, the Netherlands and Belgium is a project promoting the industrial cooperation among enterprises of several member countries and will permit the establishment of an interconnected distribution system by which capacity compensation will be possible between the various plants served, thus ensuring them a regular ethylene supply;
- lastly, the intervention in favour of the construction of a new base load power unit in Berlin was prompted by the special situation of this town which is not linked to the European interconnected electricity system.

Furthermore, the Bank has participated in Germany in the financing of three industrial projects. Two projects, located in the Saar, are designed to aid reconversion in a region particularly affected by the gradual closure of the collieries: the construction

Loans for projects in Germany increased by more than a third ...

... particularly for projects of European interest: international telecommunications and industrial co-operation.

by the " Dillinger Hüttenwerke AG " of a heavy sheet rolling mill at Dillingen, and the construction by " Kleber-Colombes Reifen und Technische Gummiwaren AG " of a tyre factory at St. Ingbert. The third project, located in the Ruhr, meets the same reconversion aim; it concerns the construction of an aluminium plant at Essen-Borbeck by the " Leichtmetall-Gesellschaft ", which has also received a loan from the European Coal and Steel Community for this project.

Under the overall loan granted in 1970 to the " Industriekreditbank AG " for the financing of small and medium-scale industrial projects, the Bank effected 12 appropriations in 1971 totalling 6.9 million.

Total loans granted for projects located in **France** doubled against the previous year (124.5 million for 12 contracts, as against 61.4 million for 10 contracts in 1970).

Of this total, 69.6 million, or 56%, were for the financing of five infrastructure projects:

- three loans, totalling 41 million, have supported the realization of projects concerning the reinforcement and modernization of the telecommunication networks in Brittany, the Loire region and the Limoges area;
- the other two loans have been in favour of projects of common interest to several member countries: the power transfer pumping station at Revin will meet the peak load requirements of several countries and supplement the Tihange Franco-Belgian nuclear power station project, financed by the Bank in 1970; the loan for the construction of the Combles-Hordain section of the Paris-Brussels motorway is the third intervention of the Bank in favour of this major intra-Community arterial road which will link France with the Ruhr and the Netherlands.

Among the seven loans granted by the Bank in the industrial sector, two deserve special mention:

- first, the loan for the construction at Fos, in the Marseille region, of a steel plant by the " Société Méridionale de Laminage Continu - SOLMER ",
- second, the loan for the construction of plants at Toulouse and Nantes-Saint-Nazaire by the " Société Nationale Industrielle Aérospatiale " for the manufacture of the Airbus A 300 B, the heavy transport aircraft built by a number of European companies working in close cooperation.

The Bank also granted to the " Société de Développement Régional de l'Ouest - SODERO " an overall loan of 2 million for small and medium-scale industrial projects in the Loire region. From this new overall loan and that concluded in the previous year with the " Société Alsacienne de Développement et d'Expansion - SADE ", 19 appropriations totalling 4.3 million were effected during the financial year.

In the **Netherlands**, the Bank granted a loan of 8 million for the extension of a chemical plant of the " Koninklijke Nederlandse Zoutindustrie " at Delfzijl, which had already benefited from a loan in 1969. The Bank has thus contributed to the consolidation of the principal regional development centre in the province of Groningen.

Tables 7 and 8, page 38, show the distribution of projects financed by the Bank in the Community in 1971, according to the economic policy objectives corresponding to the tasks specified in Article 130 of the Treaty of Rome.

Loans for projects in France were twice as high in 1971.



They went mainly on ...

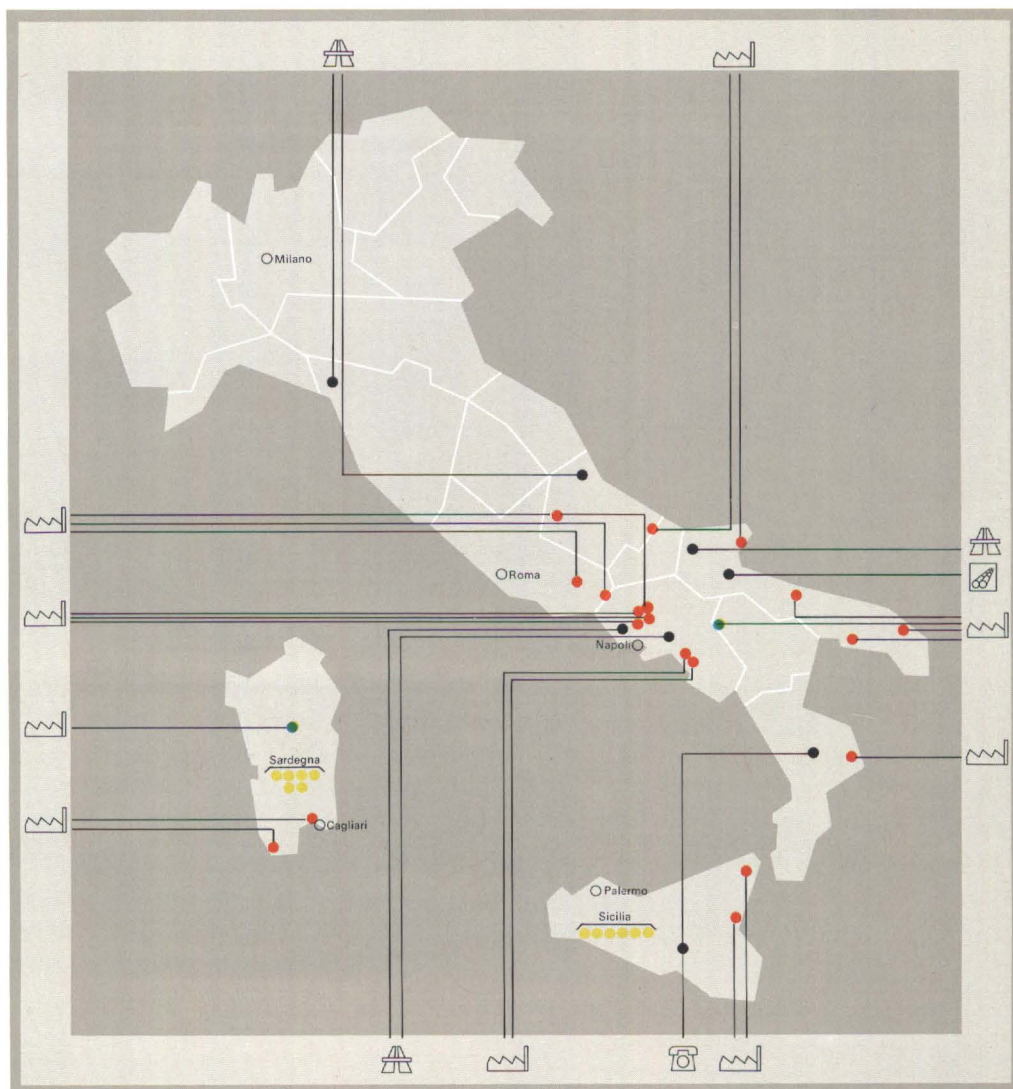
... telecommunications in the West ...

... steelworks in Fos and the construction of the European Airbus A 300 B

In the Netherlands, the Bank contributed to a chemical plant in Groningen.

Investments financed in 1971

- Infrastructure investments
-  Motorways
-  Gas pipelines
-  Telecommunications
-  Industrial investments
- Individual loans
- Appropriations from overall loans
- Overall loans



Four-fifths of the assistance provided in the Community was for regional development.

These tables show that loans in favour of economically backward or reconversion areas continue to play a predominant part in the Bank's activity. In 1971, operations in favour of regional development projects accounted for about four-fifths of the total volume of loans and guarantees granted by the Bank in the Community. On the whole, these operations involve projects predominantly in the less developed regions in the narrow sense of the term, mainly in Southern Italy, rather than in regions faced with industrial reconversion problems. In addition to the large number of industrial projects, mention should also be made of the infrastructure projects for the improvement of the motorway system in Italy and the reinforcement or modernization of the telecommunications networks in France and Italy.

The Bank likewise made significant contributions to projects of common interest to several member countries, including not only industrial cooperation projects, but also — and for substantial amounts — infrastructure projects of common interest.

The operations concluded in 1971 in favour of projects located in member countries are distributed as follows:

- 40 individual loans, totalling 410.4 million, against 40 for an amount of 261.3 million, in 1970;

- 3 overall loans, totalling to 22 million, against 3 for an amount of 21.3 million in 1970;
- 3 guarantees, totalling 36.9 million, against 5 for an amount of 56 million in 1970.

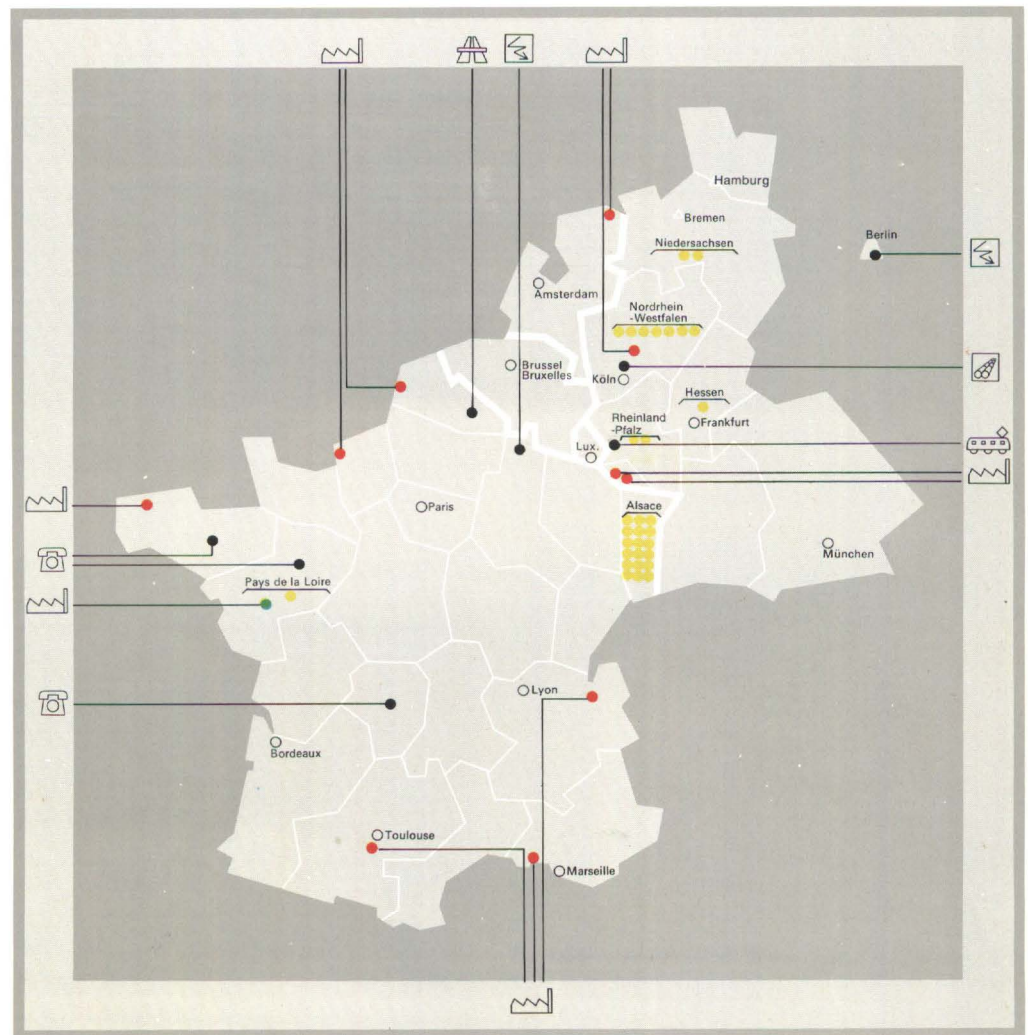
The average figure per operation is 10.2 million units of account.

Guarantees have been provided in respect of investments in Italy.

The average amount per operation was substantially higher than the previous year: 1970 - 7.1 million; 1971 - 10.2 million. The increase was more marked in the case of industrial projects, where the average amount rose from 4.9 million in 1970 to 8.2 million in 1971. The average contribution to infrastructure projects rose from 13.6 to 14.2 million.

The Bank again granted its guarantee in 1971 for loans on mandate and for the account of German financial institutions, in favour of projects in Italy. By granting its guarantee, the Bank enabled during the last two years several municipal credit institutions to make loans available to promoters in France and Italy. Under the terms of German legislation on refinancing by the issue of municipal bonds, these operations would not have been possible without the Bank's guarantee. In 1971, the easier situation on the capital markets reduced the interest for this form of financing. The Bank therefore concluded only three guarantee contracts (36.9 million) during the financial year under review, compared with five contracts in 1970 (56 million).

In 1971, the Bank granted three overall loans, totalling 22 million, for the financing of projects of small and medium-sized industries in Sardinia, on the mainland of Southern Italy and in the Loire region. These operations were concluded with the "Credito Industriale Sardo" (CIS), the "Istituto per lo Sviluppo Economico dell'Italia Meridionale" (ISVEIMER) and the "Société de Développement Régional



New overall loans have been granted for financing small and medium-sized industrial projects.

Operations are divided equally between direct and indirect loans ...

... the latter mainly concern Italy.

In Africa, the Bank contributed 22.5 million units of account of its own funds for ...

de l'Ouest" (SODERO), which, in agreement with the Bank, arrange for the allocation of the funds to the final beneficiaries.

Appropriations from overall loans increased substantially : whereas in 1970, 14 enterprises had benefited for a total amount of 7 million, in 1971 43 enterprises were involved and the total amount appropriated was 16.4 million. All projects financed in this way are located in less developed regions or in reconversion areas ; among the branches having particularly benefited from overall loan appropriations, special mention should be made of engineering and metal manufacturing, the rubber industry and plastics manufacturing, as well as food industries. In line with the objectives which the Bank had set for this form of financing, the average amount of the appropriations lies at a very low level : 0.38 million (1970 : 0.50 million).

The Bank attaches great importance to this form of financing which makes it possible to contribute, through intermediate regional institutes, to the financing of projects too small for direct intervention by the Bank, but of very great interest for a balanced development or conversion of certain regions.

A breakdown of the Bank's operations in member countries in 1971 by type of financing shows that loans granted directly to the final beneficiary accounted for 44 % of the assistance granted in these countries, loans granted indirectly to the final beneficiary through a financial institute for 43 %, overall loans for 5 % and guarantees for 8 %.

As in past years, the relative importance of the various types of financing differed substantially from one country to another. As regards individual ordinary loans, it will be noted that in Germany and the Netherlands, such loans were always granted directly to the enterprises or authorities responsible for the projects ; in France, seven loans were granted directly and four indirectly, one through the " Caisse Nationale des Autoroutes " and three through the " Caisse Nationale des Télécommunications ". In Italy, on the contrary, direct loans were made for only three projects, for motorway construction and telecommunications, whereas 19 loans were granted indirectly through financial establishments : the " Cassa per il Mezzogiorno " received 13 loans (94.8 million), which were disbursed to the final beneficiary through the " Istituto per lo Sviluppo Economico dell'Italia Meridionale " (ISVEIMER) in nine cases, the " Istituto Regionale per il Finanziamento alle Industrie in Sicilia " (IRFIS) in two cases, and the " Credito Industriale Sardo " (CIS) in two cases. Six indirect loans, totalling 53.2 million, were granted through the " Istituto Mobiliare Italiano " (I.M.I.).

Under the second Yaoundé Convention which came into force on 1st January, 1971, four ordinary loans, totalling 22.5 million, were granted in 1971 for projects located in the **Associated African States**.

In the **Republic of Cameroon**, a loan was made for the development of the Edea hydro-electric power station, for which the Bank had already granted a first loan in 1967. This new project involves raising the Mbakaou flood-control dam, building the Bamendjin storage dam and setting up three additional units in the EDEA III

... electricity production
in Cameroon, ...

... the building of an hotel
of international standing
in Dakar, ...

... the development of the
mining industry in Shaba
(ex-Katanga) and the textile
industry in Kinshasa.

The island of Reunion
received a loan on special terms
for agricultural development
from the resources of the
European Development Fund.

plant, which will increase the capacity of the EDEA hydro-electric complex to 263 MW. The realization of the project will meet the additional electrical energy needs of the "Electricité du Cameroun" company, which is responsible for supplying the main centres, including Douala, Yaoundé and Edéa.

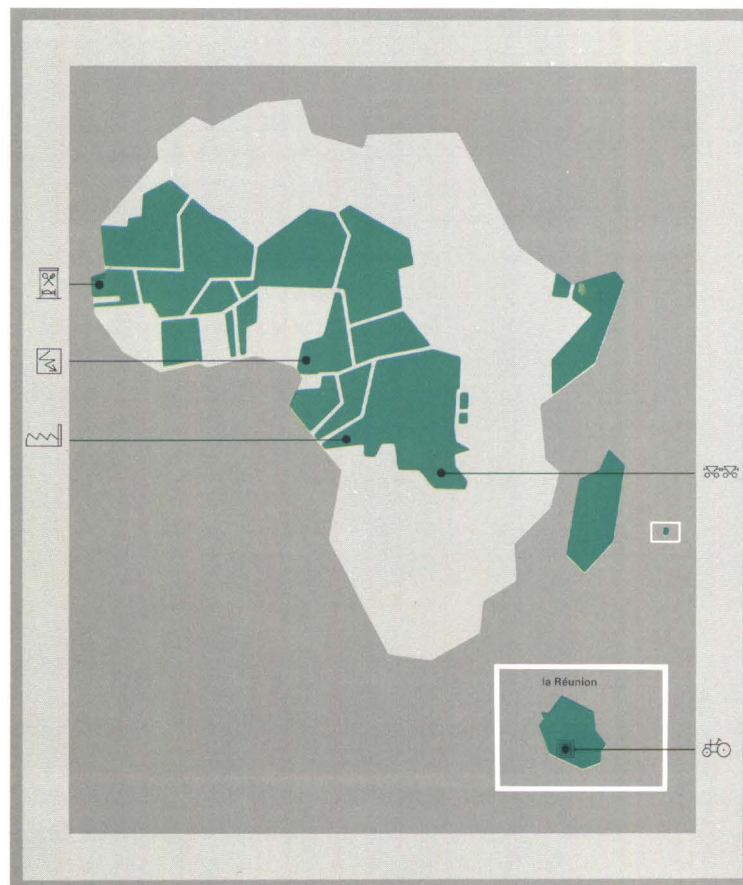
The financing of a hotel in the **Republic of Senegal** represents the Bank's first contribution to the promotion of tourism in Africa. The hotel, named "Teranga", will be located in the centre of Dakar and will have 264 rooms. It will alleviate the present shortage of hotel accommodation in the capital of Senegal and provide a pivot for the organization of tourist circuits covering the whole country. A 3% interest subsidy has been granted for this loan from the resources of the European Development Fund.

The two projects financed in the **Republic of Zaïre** are of very great importance for the country's development. The mining project, in addition to creating 4,700 new jobs, should make it possible to increase by about 25% the production capacity of the "Générale des Carrières et des Mines du Zaïre (GECAMINES)", which is the country's largest company, accounting for two thirds of Zaïre's export revenue and about half of its budgetary resources. The second loan is for the financing, through a development institute, the "Société Financière de Développement", of a synthetic textile plant extension at Kinshasa. This is the first indirect loan which the Bank has made in the A.A.S.M.; it benefits from a 2% interest subsidy from the resources of the European Development Fund.

The French overseas département of **Reunion** has received the only loan on special conditions granted from the resources of the European Development Fund in 1971. The project involves the construction of fixed installations for irrigation by spraying of an area of 895 hectares in the agricultural perimeter of the "Bras de la Plaine". These installations supplement those which were completed by means of two subsidies granted in 1961 and 1966 from the resources of the European Development

Investments financed in 1971

-  Hotel
-  Power Stations
-  Industry
-  Mining
-  Agricultural development



Fund. They will make it possible to increase the areas under cultivation and to diversify agricultural production. Furthermore, the hydraulic installations of the perimeter will supply water to the neighbouring urban and rural centres, and will also provide extra electric power. The loan was financed from an unexpended balance still available to the E.D.F. in respect of the first Yaoundé Convention.

At the end of 1971, the Bank had not yet signed contracts for loans on special conditions from the resources of the European Development Fund in respect of the second Yaoundé Convention. During the financial year however, it participated with the services of the Commission of the European Communities, in the joint study of several projects in Africa. Four loans, totalling 7.1 million, were approved before the end of the financial year by the Commission, following a favourable opinion by the Bank. The financing contracts are to be signed in the course of 1972.

The second EEC-Turkey protocol is in the process of ratification.

The 175 million units of account from the previous protocol have been entirely allocated and ...

... in 1971, the procedure for the re-employment of funds was applied.

The second financial protocol between the European Economic Community and **Turkey**, signed on 23rd November, 1970, which was described already in last year's annual report, did not come into force in 1971, as the ratification procedures were still pending.

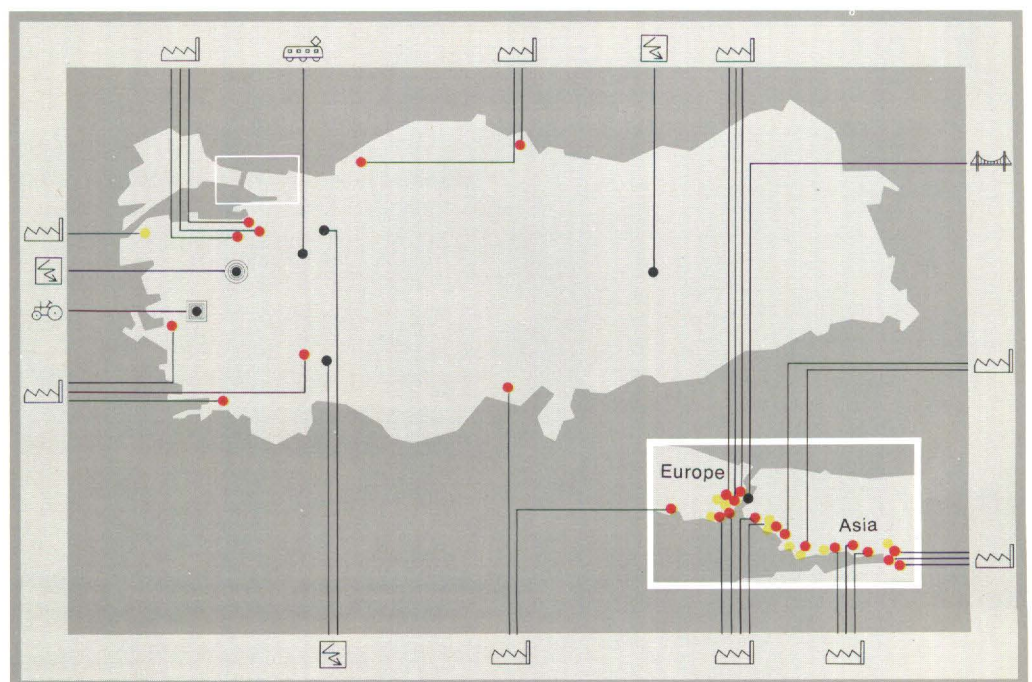
The Bank's activity in Turkey was therefore, as in 1970, limited essentially to the implementation of the credits granted on mandate of the member countries under the first financial protocol, the amount of which (175 million) has now been entirely utilized as a result of the signature in May 1971 of the contract for an additional loan of 10 million for the construction of the Keban dam.

The Bank has however continued to examine projects suitable for financing under the second financial protocol, in order to ensure that aid can be provided as soon as possible after the protocol comes into force.

It was also in 1971 that the re-employment-of-funds operations began. It should be remembered that the Turkish government grants on the very long-term loans, which it receives from the Bank, credits of much shorter duration for financing industrial projects. Thus, sums repaid in local currency by the final beneficiaries, which are not yet due to the Bank, are available to the Turkish government for granting, with the Bank's agreement, new loans for industrial projects. The first instance of re-employment of funds was an overall loan of 45 million Turkish pounds (equivalent to 3 million units

Investments financed in Turkey under the first financial protocol

- Infrastructure investments
- ☐ Power Stations and HT-lines
- 🚲 Agricultural development
- 🚂 Railways
- 🌉 Bridge and access roads
- 🏭 Industrial investments
- Individual loans
- Appropriations from overall loans



of account) to the Türkiye Sınai Kalkınma Bankası - T.S.K.B. (Turkish Industrial Development Bank), for the financing of small and medium-scale industrial projects in the private sector in 1971-1972.

Since the foundation of the Bank, the overall total of its contribution amounts to 2,300 million units of account.

Since its creation until the end of 1971, the Bank has signed a total of 369 contracts, for an overall amount of 2,315.5 million units of account. These contracts relate to:

- 299 ordinary loans, totalling 1,939.1 million;
- 10 overall loans, totalling 60.7 million;
- 8 guarantees for loans on mandate, totalling 92.9 million;
- 52 loans on special conditions ⁽¹⁾, totalling 222.8 million.

The total cost in fixed investments of the projects to which the Bank has thus lent its support amounts to approx. 11 milliards ⁽²⁾ which means that the Bank's average contribution is about 21 %.

Tables 9 to 15, pages 40 to 44, show the breakdown of loans and guarantees signed since the Bank's creation, by type of financing, by country, by sector as well as by objectives pursuant to Article 130 of the Treaty of Rome.

84% of the total contributions were made in Member Countries, of which 61 % in Italy.

Most of the Bank's activity during the period 1958-1971 was concentrated in member countries. **Projects located in the Community** obtained 1,949.8 million (loans 1,856.9 million; guarantees 92.9 million) or approx. 84% of the total of the sums provided by the Bank during the period considered. Italy received over 60% of this amount — 1,196.3 million — in accordance with the specific task assigned to the Bank in the field of regional development and taking account of the economic backwardness of Southern Italy. Then come France, with 22%, Germany, with 11% and the Benelux countries, with 5% (cf. Table 9).

Of the total of the Bank's operations in member countries, 56.9 million or 2.9% took the form of overall loans, to be allocated, through financial institutions, to small and medium-scale industrial projects. On 31st December, 1971, 77 appropriations had thus been effected, for a total of approx. 30 million units of account, in Italy, France and Germany. Details of these operations will be found in Tables 11 and 12.

Three-quarters of the sums committed in the Community went to regional development.

As regards the economic objectives, pursuant to Article 130 of the Treaty of Rome, Tables 14 and 15 show that, of the projects financed, about three quarters of the total committed by the Bank in the Community were granted for regional development or reconversion. Next in importance are projects of common interest to several member countries, mainly concerning the improvement of European infrastructures, but also including industrial cooperation or research and development projects. Projects aimed at modernization or conversion of enterprises account for only a small share of the Bank's activity.

⁽¹⁾ Including loans on special conditions from the resources of the European Development Fund.

⁽²⁾ This is the total of investments for civil engineering works and installations of all projects to which the Bank lent its aid, as obtained from the data which served as basis for the financing plans of the promoters on the date of approval of the Bank's intervention by the Board of Directors.

**16% of the loans since 1958
have been made to Associated
Countries.**

**Of the total sum
loaned by the Bank since 1958,
56% was for the financing
of infrastructures ...**

**... and 44% for industrial
investments.**

Associated countries received approx. 16% of the funds provided by or through the Bank during the period 1958-1971. This share would doubtless have been higher if the Bank's activity in these countries had not been considerably curbed during the past two years by the lengthy negotiations and ratification procedures for the second Yaoundé Convention and the second Financial Protocol for Turkey. During the period considered, the associated countries received 89 loans, for an overall amount of 365.7 million units of account (ordinary loans: 142.9 million; loans on special conditions ⁽¹⁾: 222.8 million). Turkey received 175 million (48%), the A.A.S.M.-O.C.T. 121.5 million (33%) and Greece 69.2 million (19%) (cf. Table 9). Among these operations are two overall loans to Turkey, for an amount of 3.77 million, allocated in full on 31st December, 1971 (cf. Table 13).

The distribution of projects financed by **economic sector** shows that about 56% of the total amount of funds committed by the Bank were for infrastructure projects. Among the latter, transport infrastructure leads with 28%, followed by energy (12%), telecommunications (8%) and agricultural development (6%) (cf. Table 10).

Industry and services together obtained some 44% of the total financing, with a notable predominance of projects in the chemical (12%) and iron and steel (9.6%) industries.

Appropriations made from overall loans granted in the Community were concentrated on metal working and engineering (25%), manufacture of rubber and plastics (15%) and the food industry (11%) (cf. Table 12).

(1) Including the loans on special conditions from the resources of European Development Fund.

Resources of the Bank

In 1971, the capital was increased from 1,000 to 1,500 million units of account.

Resources increased by 30% in comparison with 1970.

The Board of Governors of the European Investment Bank decided, at its meeting on 26th April, 1971, to increase the subscribed capital from 1,000 million to 1,500 million units of account. In 1973 and 1974, the member countries will pay up, in two equal instalments, 10% of the increase decided.

The aggregate of the Bank's funds originating from its paid-up capital, borrowings and accrued profits appropriated to reserves or provisions, reached 1,812.7 million units of account on 31st December, 1971, as against 1,393.3 million on 31st December 1970, an increase over the year of 419.4 million or 30%. Of this increase 398.9 million were due to a net increase in borrowings and 20.5 million, to accrued profits for the year appropriated to reserves and provisions.

Trend of current debt

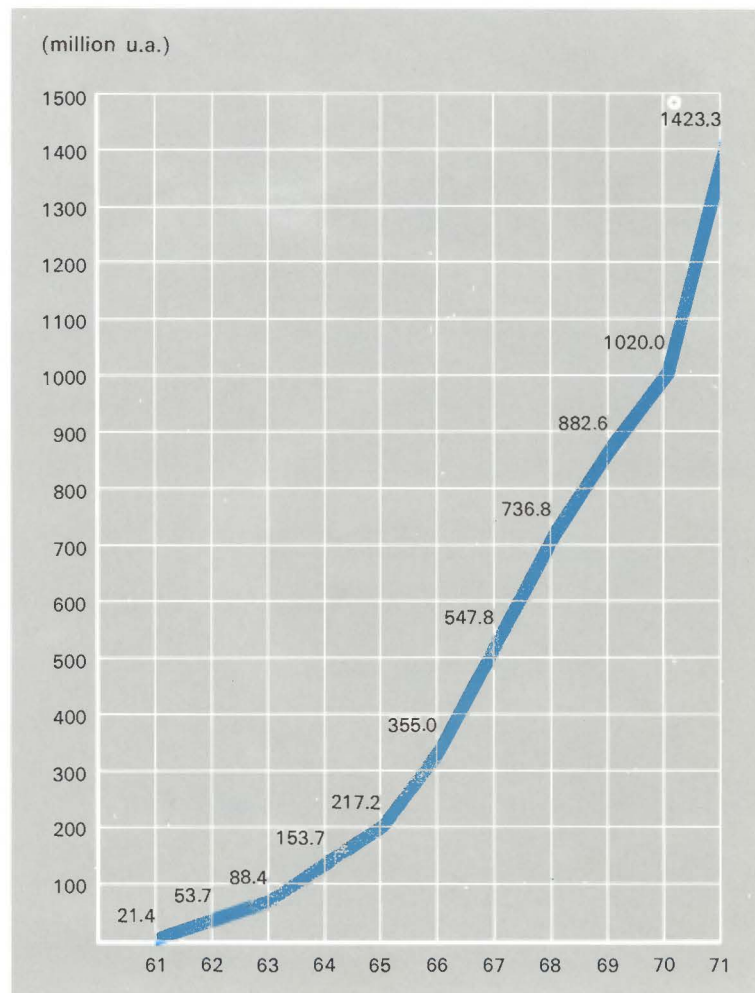


Table 5: Borrowings by the Bank from 1961 to 1971

Financial Year	Number	Amount ⁽¹⁾ (million u.a.)
1961	3	21.4
1962	2	32.3
1963	3	35.2
1964	5	66.8
1965	4	65.0
1966	6	138.5
1967	8	194.5
1968	13	212.5
1969	9	146.0
1970	7	168.9
1971	20	412.9
1961-1971	80	1 494.0 ⁽²⁾

⁽¹⁾ In units of account calculated at the parities in force on the date of signature of the operation.

⁽²⁾ The total amount of the Bank's borrowings during the period 1961-1971 is, after adjustment to the official parities in force on 31st December, 1971, 1,511.7 million instead of 1,494 million units of account.

Calls on capital markets reached 413 million units of account ...

... as a result of issues in Member Countries, ...

... in Switzerland ...

... and on the international market.

The Bank managed 135 million DM under guarantee operations.

In order to meet the expansion of its loan activities, the Bank had a much more extensive recourse to the financial markets in 1971: the amount of its bond issues was 412.9 million units of account, a considerably higher figure than in previous years.

Calls on the **financial markets of the Community countries** more than trebled in volume, rising from 62.3 million units of account in 1970 to 208.8 million in 1971.

The sums obtained during the year represented the equivalent of 81.9 million units of account in Germany, 64 million in Italy, 30 million in Belgium, 26 million in Luxembourg and 6.9 million in the Netherlands.

For the first time since 1961, the Bank had recourse to the **Swiss capital market**, where it obtained the equivalent of 52 million units of account.

The **international market** remained an important source of capital for the Bank. Borrowings on this market reached the equivalent of 151.8 million units of account, as against 106.6 million in 1970. Types of borrowing, however, were more diversified than in previous years.

Apart from dollar issues, the Bank also called on other sectors of the international market. Thus, a bond issue floated in the Netherlands was offered to non-residents for an amount of 50 million florins. Furthermore, an international issue was placed in Luxembourg, to the amount of 100 million French francs.

Table 6 shows the detail of the borrowings effected in the course of the financial year. As a result of these issues, the overall amount of borrowed funds rose from 1,097.2 million units of account on 31st December, 1970 to 1,511.7 million on 31st December, 1971. After deduction of repayments, the outstanding net funded debt amounted to 1,412.9 million units of account, as against 1,014 million on 31st December, 1970, an increase of 398.9 million.

Under its guarantee operations, the Bank agreed to manage for the account of three German financial institutions an amount of 135 million Deutsche Mark, corresponding to 36.9 million units of account, under the heading of loans on mandate granted to non-German borrowers.

The institutions which provided the funds for the financing of loans were:

	In million	
	DM	u.a.
Deutsche Girozentrale - Deutsche Kommunalbank, Frankfurt	50.—	13.7
Bayerische Vereinsbank, Munich	25.—	6.8
Deutsche Centralbodenkredit-AG, Cologne	60.—	16.4
	135.—	36.9

As a result of these operations, the overall amount of guaranteed loans on mandate increased from 56 million units of account on 31st December, 1970 to 92.9 million on 31st December, 1971 and the number of German institutions having supplied funds for these financing operations rose to six at the end of 1971: the Frankfurter Hypothekenbank, Frankfurt (18.4 million u.a.), the Rheinische Hypothekenbank, Mannheim (18.4 million u.a.), the Deutsche Girozentrale - Deutsche Kommunalbank, Frankfurt (30.1 million u.a.), the Bayerische Hypotheken- und Wechsel-Bank, Munich (2.8 million u.a.), the Bayerische Vereinsbank, Munich (6.8 million u.a.) and the Deutsche Centralbodenkredit-AG, Cologne (16.4 million u.a.).

Table 6 : Borrowings in 1971

Date of contract	Issued in the course of:	Place of issue	Sub- scription currency	Amount in national currency (million)	Amount in units of account (million)	Term of loan	Nominal rate	Nature of issue
12. 1.1971	January	Germany	DM	100	27,3	10 years	7,75 %	Private placing
25. 1.1971	January	Luxembourg	US \$	20	20	6 years	variable	Private placing
27. 1.1971	January	Switzerland	FS	100	22,9	6 years	7,5 %	Private placing
1. 2.1971	February	Germany	DM	100	27,3	15 years	7,5 %	Public placing
26. 2.1971	February	Netherlands	Fl.	75	20,7	15 years	7,75 %	Public placing
10. 3.1971	March	Luxembourg	Flux.	300	6	7 years	7,9 %	Private placing
18. 3.1971	March	Luxembourg	Flux.	300	6	8 years	7,85 %	Private placing
30. 3.1971	April	Belgium	FB	1 000	20	12 years	7,75 %	Public placing
3. 5.1971	May	Luxembourg	US \$ US \$	25 25	25 25	15 years 7 years	8,50 % 7,75 %	Public placings
11. 5.1971	May	Luxembourg	Flux.	300	6	10 years	7,75 %	Private placing
4. 6.1971	June	Italy	Lit.	20 000	32	15 years	7 %	Public placing
28. 6.1971	June	Luxembourg	US \$	50	50	5 years	variable	Private placing
14. 9.1971	September	Switzerland	FS	80	19,6	15 years	6,5 %	Public placing
23. 9.1971	September	Luxembourg	Flux.	400	8	15 years	7 %	Public placing
30. 9.1971	October	Germany	DM	100	27,3	15 years	7,75 %	Public placing
22.10.1971	October	Belgium	FB	500	10	15 years	8 %	Private placing
11.11.1971	November	Switzerland	FS	40	9,8	7 years	7 %	Private placing
15.11.1971	November	Italy	Lit.	20 000	32	15 years	7 %	Private placing
6.12.1971	December	Luxembourg	FF	100	18	10 years	7,75 %	Private placing

Financial results

**The balance of the profit
and loss account is
20.5 million units of account ...**

While it felt the backlash of the general fall in the spot and short-term interest rates on the money markets and was faced with the need to reduce the term of its deposits under the general policy of accelerated disbursements which it applied in the course of the year with a view to limiting the volume of liquidities to be placed, the Bank was nevertheless still able to increase slightly in 1971 the amount of its accrued profits before amortization of the bond issue charges and the redemption premiums. This amount was 24.7 million units of account in 1971 as against 24.3 million in 1970. After amortization of the issuing charges and the redemption premiums, calculated according to the method adopted this year (1) and amounting to 4.2 million in 1971, the balance of the profit and loss account available for appropriation to reserves and provisions amounted to 20.5 million in 1971.

**... allocated to reserves
and provisions, which now
amount to very nearly
150 million units of account.**

Of this surplus 6.4 million units of account were appropriated to the statutory reserve and the remainder to provisions.

On 31st December, 1971, the overall amount of reserves and provisions was 149.8 million units of account, including 63.7 million for the statutory reserve.

(1) See comments on Balance Sheet, page 51.

Loans and guarantees granted in 1971

Ordinary operations

Member countries

Germany

	(million u.a.)
1. Berliner Kraft- und Licht (Bewag)-Aktiengesellschaft Thermal power station at Lichterfelde (West Berlin)	5.5
2. Deutsche Bundesbahn Electrification of the Koblenz-Völklingen line and its branches towards Luxembourg and France (Rhineland-Palatinate)	21.9
3. Aethylen-Rohrleitungs-GmbH & Co.KG Gas pipelines for supply of ethylene to several petrochemical plants in the Federal Republic of Germany, the Netherlands and Belgium	4.9
4. Leichtmetall-Gesellschaft mbH Aluminium plant at Essen-Borbeck (North Rhine-Westphalia)	16.0
5. Dillinger Hüttenwerke AG Steel plate works at Dillingen (Saar)	8.2
6. Kléber-Colombes Reifen und Technische Gummiwaren AG Tyre factory at St. Ingbert (Saar)	5.5

France

7. Electricité de France (E.D.F.) Power transfer pumping station at Revin (Champagne)	16.0
8. Société des Autoroutes du Nord et de l'Est de la France (SANEF) Combles-Hordain section of the A2 motorway (Combles-Belgian border, part of the Paris-Brussels-Ruhr itinerary)	12.6
9. Administration des Postes et Télécommunications Extension and modernisation of telecommunications in Brittany	16.0
10. Administration des Postes et Télécommunications Extension and modernisation of telecommunications in the Loire region	10.0
11. Administration des Postes et Télécommunications Extension and modernisation of telecommunications in the Limoges area	15.0
12. Société des Aciéries de Paris et d'Outreau Extension of a ferromanganese works at Boulogne-sur-Mer (Northern France)	5.4

(*) Guarantees are marked with an asterisk.












	(million u.a.)
13. Société Lorraine et Méridionale de Laminage Continu - SOLMER Steel works at Fos (Provence - Côte d'Azur)	25.0
14. Société Normande de Matières Plastiques Extension of a polypropylene plant at Lillebonne (Upper Normandy)	3.6
15. Société Nouvelle de Roulements, S.A. Restructuring and enlargement of production units for ball and roller bearings at Annecy (Rhône-Alpes)	3.6
16. Société Nationale Industrielle Aérospatiale S.A. Equipment of factories at Toulouse and Nantes - Saint-Nazaire for the construction of the Airbus A 300 B (Midi-Pyrenees and Loire Region)	14.4
17. Société GEO, S.A. Sausage and meat preserves factory at Morlaix (Brittany)	0.9
18. Overall loan to the Société de Développement Régional de l'Ouest - SODERO for financing small and medium-sized industrial projects in the Loire Region.	2.0
Italy	
19. Società Autostrada Ligure Toscana S.p.A. Sestri Levante - Borghetto and Carrara-Viareggio sections of the Sestri Levante-Livorno motorway	6.8*
20. INFRASUD S.p.A. Motorway section in Naples (Campania)	13.7*
21. Autostrade - Concessioni e Costruzioni Autostrade S.p.A. Porto d'Ascoli - Pescara section of the Adriatic motorway	16.4*
22. Autostrade - Concessioni e Costruzioni Autostrade S.p.A. Vasto-Canosa section of the Adriatic motorway	25.0
23. Autostrade - Concessioni e Costruzioni Autostrade S.p.A. Caserta-Salerno (Mercato S. Severino) motorway (Campania)	25.0
24. SNAM S.p.A. Methane pipelines in Southern Italy	5.0
25. S.I.P.-Società Italiana per l'Esercizio Telefonico p.A. Extension of the telephone equipment in Sicily and Calabria	20.0
26. Società Mineraria e Metallurgica di Pertusola p.A. Extension of an electrolytic zinc plant and construction of a germanium oxide production unit at Crotona (Calabria)	14.0
27. Acciaierie Megara S.p.A. Steel plant at Catania (Sicily)	4.0

The Bank contributed tot the extension and modernisation of two factories manufacturing ball and roller bearings in France (Haute-Savoie) and Italy (Campania).

	(million u.a.)
28. General Cable - Riva Steel Products S.p.A. Tyre cord factory at Cagliari (Sardinia)	4.6
29. Cementir - Cementerie del Tirreno S.p.A. Modernisation and enlargement of a cement works at Tarento (Puglia)	4.8
30. IVI SUD - Industria Vernici e Affini S.p.A. Paint and varnish factory at Caivano (Campania)	4.0
31. SARDAMAG - Sarda Magnesite S.p.A. Enlargement of a plant for extracting magnesium oxide from sea water at Sant'Antioco (Sardinia)	6.0
32. Chimica Dauna S.p.A. Caprolactame factory at Monte Sant'Angelo (Puglia)	25.0
33. SNIA VISCOSA - Società Nazionale Industria Applicazioni Viscosa S.p.A. Enlargement of a factory producing continuous polyester yarn in Naples (Campania)	7.2
34. SNIA VISCOSA - Società Nazionale Industria Applicazioni Viscosa S.p.A. Enlargement of a factory for the texturing of polyester yarns at Salerno (Campania)	2.8
35. FIAT - Macchine Movimento Terra S.p.A. Earth-moving equipment plant at Lecce (puglia)	12.0
36. FAG ITALIANA S.p.A. Enlargement and modernisation of a ball and roller bearing factory at Casoria (Campania)	3.4
37. FIAT S.p.A. Motor vehicle assembly plant at Piedimonte San Germano (Latium)	25.0
38. OSRAM SUD S.p.A. Establishment for the manufacture of fluorescent tubes and mercury vapour lamps, at Bari (Puglia)	3.0
39. Società Italiana Telecomunicazioni Siemens S.p.A. Telecommunication equipment factories at Aquila (Abruzzi) and S. Maria Capua Vetere (Campania)	4.8
40. Fabbrica Italiana Magneti Marelli S.p.A. Car accumulator factory at San Salvo (Abruzzi)	4.4
41. MOTTA S.p.A. Icecream factory at Ferentino (Latium)	4.4
42. S.M.A.E. - Società Meridionale Accessori Elastomerici S.p.A. Motor vehicle accessories factory at Battipaglia (Campania)	4.0
43. Industrie Pirelli S.p.A. Production workshop for radial tyres for lorries in the plant at Villafranca Tirrena (Sicily)	9.6

	(million u.a.)
44. Overall loan to the Credito Industriale Sardo - CIS for financing small and medium-sized industrial projects in Sardinia, granted through the intermediary of the Cassa per il Mezzogiorno.	5.0
45. Overall loan to the Istituto per lo Sviluppo Economico dell'Italia Meridionale - ISVEIMER for financing small and medium-sized industrial projects in Southern Italy, granted through the intermediary of the Cassa per il Mezzogiorno	15.0
Netherlands	
46. N.V. Koninklijke Nederlandse Zoutindustrie Extension of workshops producing chlorine and sodium salts, at Delfzijl (Groningen)	8.0
<i>Associated countries</i>	
Federal Republic of Cameroon	
47. Energie Electrique du Cameroun (ENELCAM) Extension of Edea hydro-electric power station	3.5
Republic of Senegal	
48. Société Propriétaire de l'Hôtel de l'Union (SPHU) Construction of an international-class hotel	1.4
Republic of Zaire	
49. Générale des Carrières et des Mines du Zaïre (GECAMINES) Extension of mining and industrial installations in the Shaba province for increasing the copper and cobalt production capacities	16.0
50. La Novatex (Nouvelles Usines de Textiles) Loan to the Société Financière de Développement (SOFIDE) for financing the extension of a synthetic textiles plant at Kinshasa	1.6
Special operations	
Turkey	
51. D.S.I. Devlet Su Isleri Genel Müdürlüğü (State Water Directorate-General) Additional financing for the construction of the dam and hydro-electric power station at Keban on the Euphrates (East Anatolia)	10.0
La Réunion	
52. Département de La Réunion Installation of an irrigation system for 895 hectares of agricultural land	0.7

**Infrastructure investments
financed in the Member
Countries from 1958 to 1971**

Telecommunications	
Power Stations	
Agricultural development	
Agricultural market	
Tourist infrastructure	
Water supply	
European school	
Motorways	
Railways	
Gas pipelines	
Waterways	

**Table 7 : Loans and guarantees granted
in 1971 (member countries)**
Breakdown according to dominant objectives⁽¹⁾

In million u.a.	
1. Regional development (130 a and b)	380.0
2. Modernization and conversion of enterprises (creation of new activities, new technologies, etc.) (130 b)	3.6
3. Common interest (130 c)	80.2
• Industrial cooperation; research and development	38.9
• Infrastructure of European interest	41.3
4. Special directive (West Berlin)	5.5
Total	469.3

⁽¹⁾ Breakdown of projects according to the objectives of economic policy assigned to the Bank by Article 130 of the Treaty of Rome, classified according to the dominant objective only.

Table 8 : Loans and guarantees granted in 1971 (member countries)
Breakdown according to all objectives of Article 130⁽¹⁾ (in million u.a.)

Country	Number of projects	Loans and guarantees	of which :					
			Regional development		Modernization and conversion of enterprises (creation of new activities and new technologies, etc.) (130 b)	Common interest to several member countries (130 c)		Special directive (West Berlin)
			Promotion of less developed regions (130 a)	Conversion (130 b)		Industrial cooperation and research development	Infrastructure of European interest	
Germany	6	61.9	30.0	21.5	—	4.9	26.8	5.5
France	12	124.5	58.3	30.4	3.6	37.6	12.6	—
Italy	27	274.9	274.9	—	—	—	48.2	—
Netherlands	1	8.0	8.0	—	—	—	—	—
Total	46	469.3	371.2	51.9	3.6	42.5	87.6	5.5

⁽¹⁾ Breakdown of projects according to the objectives of economic policy pursuant to article 130 of the Treaty of Rome fixing the tasks of the Bank. Certain projects come under several objectives : in such cases they are listed, with their total amount, under the different categories. Therefore the figures indicated for the various categories of projects cannot be grossed up.



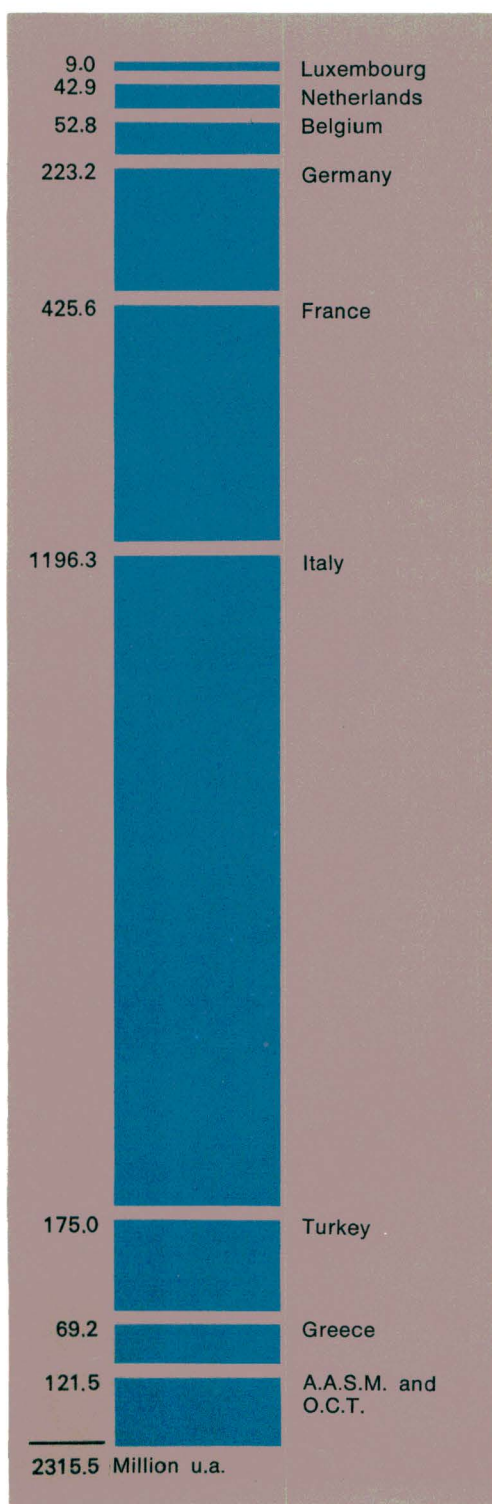


Table 9 : Loans and guarantees granted from 1958 to 1971
Breakdown by type of financing and by country

Country	Number of projects	Amount ⁽¹⁾ (million u.a.)	% of total
Ordinary operations			
<i>Member countries :</i>			
Germany	34	223.2	9.6
France	49	425.6	18.4
Italy	184	1,196.3	51.7
Netherlands	5	42.9	1.8
Belgium	5	52.8	2.3
Luxembourg	3	9.0	0.4
Total	280	1,949.8	84.2
<i>of which, guarantees ⁽²⁾</i>	<i>8</i>	<i>92.9</i>	<i>4.0</i>
<i>Associated countries :</i>			
Greece	15	69.2	3.0
AASM and OCT	22	73.7	3.2
Cameroon	7	14.8	
Congo-Brazzaville	1	9.0	
Ivory Coast	4	11.6	
Gaboon	3	3.2	
Upper Volta	1	0.5	
Mauritanie	1	11.0	
Senegal	2	3.9	
Zaire	2	17.6	
New Caledonia	1	2.0	
Total	37	142.9	6.2
Total of ordinary operations	317	2,092.7	90.4
Special operations			
Turquie	36	175.0	7.5
AASM and OCT ⁽³⁾	16	47.8	2.1
Cameroon	4	14.5	
Ivory Coast	4	12.4	
Gaboon	1	2.5	
Madagascar	1	1.9	
Mauritania	1	2.7	
Chad	1	1.2	
Zaire	1	9.0	
New Caledonia	1	1.0	
Surinam	1	1.9	
Reunion	1	0.7	
Total	52	222.8	9.6
Grand total	369	2,315.5	100.0

(1) Including overall loans.

(2) Of which, Italy : 90.2 million units of account; France : 2.7 million units of account.

(3) Loans under special conditions on resources of the European Development Fund.

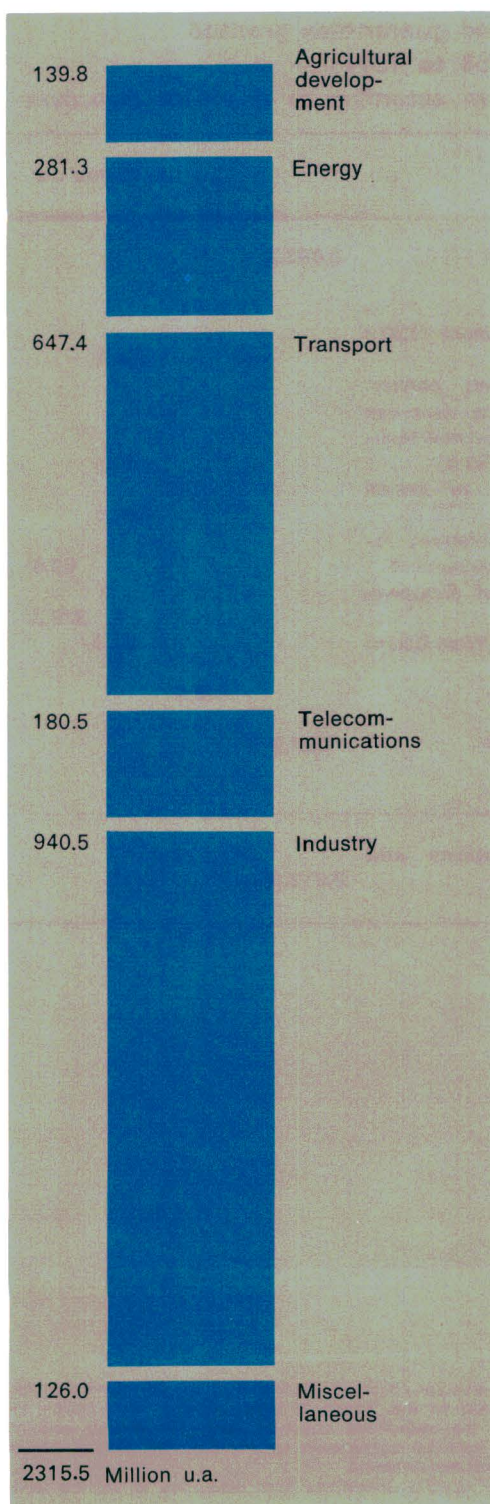


Table 10 : Loans and guarantees granted from 1958 to 1971
Breakdown by sector

Sectors	Number of projects	Amount ⁽¹⁾ (million u.a.)	% of total
Infrastructure works	110	1,303.3	56.3
Agricultural development	12	139.8	6.0
Energy (production and transport of electricity)	30	281.3	12.2
Water supply and distribution	2	28.0	1.2
Transport	52	647.4	28.0
Railways	11	151.1	6.5
Roads and bridges	29	394.6	17.0
Waterways	1	24.0	1.0
Port installations	4	6.7	0.3
Gas pipelines	7	71.0	3.1
Telecommunications	11	180.5	7.8
Tourism infrastructure	1	10.0	0.4
Other	2	16.3	0.7
Industry, trade and services	249	951.5	41.1
<i>Industry</i>	<i>246</i>	<i>940.5</i>	<i>40.6</i>
Extractive industries	5	36.6	1.6
Iron and steel, basic metal processing	26	220.8	9.6
Construction materials	20	42.3	1.8
Wood industry	3	5.4	0.2
Glass and ceramics	10	16.4	0.7
Chemical industry	64	283.0	12.2
Metal working and engineering	24	79.1	3.4
Motors, transport equipment	7	61.1	2.7
Electrical engineering, electronics	10	27.4	1.2
Food products	34	65.0	2.8
Textiles and leather	24	25.0	1.1
Paperpulp and paper	8	42.1	1.8
Rubber and plastics manufacture	8	33.3	1.4
Other industries	3	3.0	0.1
<i>Trade and services</i>	<i>3</i>	<i>11.0</i>	<i>0.5</i>
Tourism	2	8.3	0.4
Research and development	1	2.7	0.1
Overall loans	10	60.7	2.6
Grand total	369	2,315.5	100

(¹) Including the loans under special conditions on resources of the European Development Fund.

**Table 11 : Overall loans granted from 1969 to 1971
(member countries)**

Intermediate Institutes	million u.a.	Appropriations 1969-1971		Balance to be appropriated million u.a.
		Number	million u.a.	
ISVEIMER (1)	10.00	27	10.00	—
C I S (2)	3.60	7	3.60	—
I K B (3)	10.00	12	6.89	3.11
S A D E (4)	6.30	18	4.05	2.25
IRFIS (5)	5.00	6	3.24	1.76
C I S II (2)	5.00	6	1.90	3.10
SODERO (6)	1.98	1	0.27	1.71
ISVEIMER II (1)	15.00	—	—	15.00
Total	56.88	77	29.95	26.93

- (1) Istituto per lo Sviluppo Economico dell'Italia Meridionale, Naples.
(2) Credito Industriale Sardo, Cagliari.
(3) Industriekreditbank AG, Düsseldorf.
(4) Société Alsacienne de Développement et d'Expansion, Strasbourg.
(5) Istituto Regionale per il Finanziamento alle Industrie in Sicilia, Palermo.
(6) Société de Développement Régional de l'Ouest, Nantes.

**Table 13 : Appropriations on overall loans
in 1969 and 1970 (Turkey) (1)**
Breakdown by industrial sector

Sectors	Number of invest-ments	Appropriations	
		in million u.a.	in % of total amount
Iron and steel, basic metal proces- sing	1	0.49	13.00
Wood industry	1	0.36	9.55
Chemical industry	4	1.51	40.05
Metal working and engineering	2	0.67	17.77
Electrical engineering - electronics	1	0.30	7.96
Food products	1	0.44	11.67
Total	10	3.77	100.00

(1) Two overall loans totalling 3.77 million were granted by the Bank through the intermediary of Türkiye Sınal Kalkınma Bankası — TSKB (Turkish Industrial Development Bank) for financing small and medium-sized private industry. The total amount has been appropriated.

**Table 14 : Loans and guarantees granted
from 1958 to 1971**
Breakdown according to dominant objectives (1)

in million u.a.	
A. Ordinary operations	2,092.7
I. Member countries	1,949.8
1. Regional development (130 a and 130 b)	1,484.1
2. Modernization and conver- sion of enterprises (creation of new activities and new tech- nologies, etc.) (130 b)	46.4
3. Common interest to several member countries (130 c)	399.0
• Industrial cooperation; re- search and development	69.8
• Infrastructure of European interest	329.2
4. Special directive (West Berlin)	20.3
II. Associated countries	142.9
B. Special operations (2)	222.8
(Associated countries)	
Total Ordinary operations and Special operations	2,315.5

- (1) Breakdown of projects in member countries according to the objectives assigned to the Bank by Article 130 of the Treaty of Rome, taking as criterion the dominant objective. For the associated countries, only the overall amounts have been listed, as the financial agreements specify only the general objectives of economic and social development.
(2) Including the loans under special conditions from resources of the European Development Fund.

**Table 12 : Appropriations on overall loans from 1969 to 1971
(member countries)
Breakdown by regions and by sectors**

Regions/Sectors	Number of investments	Amount of appropriations in million u.a.	% of the total amount appropriated
Regions			
<i>Germany</i>	12	6.89	23.0
Hessen	1	0.82	2.7
Lower Saxony	2	1.19	4.0
North Rhine-Westphalia	7	3.62	12.1
Rhineland-Palatinate	2	1.26	4.2
<i>France</i>	19	4.32	14.4
Alsace	18	4.05	13.5
Loire region	1	0.27	0.9
<i>Italy</i>	46	18.74	62.6
Abruzzi	3	1.44	4.8
Basilicata	1	0.64	2.1
Calabria	1	0.24	0.8
Campania	10	3.32	11.1
Latium	7	2.04	6.8
Marche	1	0.56	1.9
Puglia	4	1.76	5.9
Sardinia	13	5.50	18.4
Sicily	6	3.24	10.8
Total	77	29.95	100.0
Sectors			
Extractive industries	7	2.29	7.6
Iron and steel, basic metal processing	4	2.06	6.9
Construction materials	5	2.36	7.9
Wood industry	3	0.54	1.8
Glass and ceramics	3	1.13	3.8
Chemical industry	2	0.76	2.5
Metal working and engineering	19	7.62	25.4
Motor vehicles, transport equipment	1	0.44	1.5
Electrical engineering, electronics	2	0.30	1.0
Food products	9	3.28	11.0
Textiles and leather	4	1.22	4.1
Paperpulp and paper	5	2.19	7.3
Rubber and plastics manufacturing	10	4.52	15.1
Other industries	3	1.24	4.1
Total	77	29.95	100.0

Table 15 : Loans and guarantees granted from 1958 to 1971
Breakdown according to all objectives of Article 130⁽¹⁾ (in million u.a.)

Country	Number of projects	Loans and guarantees	of which :						
			Regional development		Modernization and conversion of enterprises (creation of new activities, new technologies, etc.) (130 b)	Common interest to several member countries (130 c)		Special directive (West Berlin)	Associated countries
			Promotion of less developed regions (130 a)	Conversion (130 b)		Industrial cooperation, research and development	Infrastructure of European interest		
I. Ordinary operations									
1. Member countries :									
Germany	34	223.2	128.5	46.0	21.7	28.3	93.3	20.3	—
France	49	425.6	246.7	103.4	6.6	57.3	81.0	—	—
Italy	184	1,196.3	1,056.5	4.8	17.6	41.8	208.3	—	—
Netherlands	5	42.9	18.0	22.1	—	2.8	24.9	—	—
Belgium	5	52.8	4.8	22.0	16.0	22.0	16.0	—	—
Luxembourg	3	9.0	—	4.0	—	—	5.0	—	—
Total	280	1,949.8	1,454.5	202.3	61.9	152.2	428.5	20.3	—
2. Associated countries :									
Total	37	142.9	—	—	—	—	—	—	142.9
Total ordinary operations	317	2,092.7	1,454.5	202.3	61.9	152.2	428.5	20.3	142.9
II. Special operations (2)									
(Associated countries)									
Total	52	222.8	—	—	—	—	—	—	222.8
Grand total	369	2,315.5	1,454.5	202.3	61.9	152.2	428.5	20.3	365.7

(1) Breakdown of projects in the member countries according to the objectives of economic policy pursuant to Article 130 of the Treaty of Rome fixing the tasks of the Bank. Certain projects correspond to several objectives: in such cases they are listed, with their total amount, under the different categories. The figures indicated for the various categories therefore cannot be grossed up. For the associated countries, only the overall amounts have been listed, as the financial agreements specify only the general objectives of economic and social development.

(2) Including the loans under special conditions from resources of the European Development Fund.

Balance sheet at 31st december 1971

(in units of account of 0.88867088 g fine gold)

Assets	31.12.1971	31.12.1970
Receivable from member states on account of called capital . . .	50,000,000	—
Cash and banks		
At call or not exceeding one year	222,514,228	229,657,492
Over one year	4,087,446	5,889,838
	<u>226,601,674</u>	<u>235,547,330</u>
Investments		
Not exceeding one year	19,051,897	21,576,960
Over one year	41,949,423	43,006,288
	<u>61,001,320</u>	<u>64,583,248</u>
Receivable on bonds to be delivered	25,000,000	44,250,000
Receivable from member states for adjustment of capital	209,323	1,242,474
Effective loans		
Ordinary loans	1,796,661,374	1,392,966,472
(of which 1971 : u.a. 280,400,170 undisbursed 1970 : u.a. 334,124,719)		
Loans on mandate guaranteed by the Bank	92,896,175	56,010,929
	<u>1,889,557,549</u>	<u>1,448,977,401</u>
Real estate, furniture and equipment	200,000	300,000
Accrued interest and commission	24,927,782	18,901,229
Unamortized issuing charges and redemption premiums	37,567,662	4,028,274
Special deposits for service of loans	11,585,312	10,379,706
Miscellaneous	1,053,469	686,730
Total: u.a.	<u>2,327,704,091</u>	<u>1,828,896,392</u>
 Memorandum Accounts		
Securities received as guarantee for loans on mandate u.a.	23,224,044	16,393,443
Securities received in deposit u.a.	75,000,000	35,000,000

Liabilities

	31.12.1971	31.12.1970
Capital		
Subscribed	1,500,000,000	1,000,000,000
Not called	1,200,000,000	750,000,000
	<u>300,000,000</u>	<u>250,000,000</u>
Statutory reserve	63,673,089	57,261,781
Provisions		
For risks on loans and guarantees	64,000,000	56,000,000
For equalization of interest on borrowings	9,000,000	9,000,000
For monetary risks	5,000,000	5,000,000
For building	4,000,000	2,000,000
	<u>82,000,000</u>	<u>72,000,000</u>
Special provision	4,104,000	—
Write-back of issuing charges previously amortized	23,127,079	—
Staff pension fund	2,630,863	2,138,372
Payable to member states for adjustment of capital	1,095,830	2,274,270
Borrowings (of which 1971 : u.a. 49,233,055 due within one year 1970 : u.a. 15,694,703)		
Bonds and notes	1,164,615,063	822,200,443
Other medium and long-term borrowings	248,317,626	191,869,641
	<u>1,412,932,689</u>	<u>1,014,070,084</u>
Redemption premiums on bonds	10,398,288	5,905,488
	<u>1,423,330,977</u>	<u>1,019,975,572</u>
Creditors for loans on mandate guaranteed by the Bank	92,896,175	56,010,929
Undisbursed balance of ordinary loans	280,400,170	334,124,719
Accrued interest and commission and interest received in advance	33,634,128	18,915,480
Matured coupons and bonds - not yet paid	11,585,312	10,379,706
Miscellaneous	9,226,468	5,815,563
	<u>2,327,704,091</u>	<u>1,828,896,392</u>
Total: u.a.		

Special Section

Statement of condition at 31st december 1971

(in units of account of 0.88867088 g fine gold)

Assets	31.12.1971	31.12.1970	Liabilities	31.12.1971	31.12.1970
Turkey					
<i>On resources of the Member States</i>					
Loans	145,680,619	120,127,904	Funds in trust management . .	145,680,619	120,127,904
Undisbursed loans	28,990,196	44,542,911	Undisbursed funds	28,990,196	44,542,911
Total:	174,670,815	164,670,815	Total:	174,670,815	164,670,815

Associated African and Malagasy States and Overseas Countries and Territories

<i>On resources of the European Economic Community</i>					
Loans	27,634,893	13,117,105	Funds in trust management . .	27,634,893	13,117,105
Undisbursed loans	20,346,897	34,083,880	Undisbursed funds	20,346,897	34,083,880
Total:	47,981,790	47,200,985	Total:	47,981,790	47,200,985

Summary

Loans	173,315,512	133,245,009	Funds in trust management . .	173,315,512	133,245,009
Undisbursed loans	49,337,093	78,626,791	Undisbursed funds	49,337,093	78,626,791
Grand total: u.a.	222,652,605	211,871,800	Grand total: u.a.	222,652,605	211,871,800

Profit and loss account for the financial year ended 31st december 1971

(in units of account of 0.88867088 g fine gold)

Debit	1971	1970	Credit	1971	1970
Administrative expenses and charges	5,356,214	4,660,394	Interest and commission from loans	83,318,923	62,936,153
Interest and charges on borrowings	82,183,528	58,521,317	Interest and commission from investments	24,370,849	23,382,700
Amortization of issuing charges and redemption premiums	4,239,837	4,313,551	Management commissions	1,149,014	1,069,940
Financial charges	4,267	805,644	Exchange differences	344,633	361,547
Amortization of real estate . . . 100,000		110,000	Profit on the sale of gold	1,410,925	—
of net purchases of furniture and equipment <u>67,450</u>		<u>83,702</u>	Financial proceeds and other receipts	1,661,891	750,394
	167,450	193,702	Net proceeds on the change of the parity of the Swiss franc of 10.5.1971	210,369	—
Provision for risks on loans and guarantees	8,000,000	9,000,000			
Provision for equalization of interest and for issuing charges	—	3,000,000			
Provision for building	2,000,000	2,000,000			
Special provision	4,104,000	—			
Balance appropriated to the statutory reserve	6,411,308	6,006,126			
Total: u.a.	<u>112,466,604</u>	<u>88,500,734</u>	Total: u.a.	<u>112,466,604</u>	<u>88,500,734</u>

Main items of the Balance Sheet and the Profit and Loss Account

The main items of the Balance Sheet and the Profit and Loss Account call for the following comments :

Receivable from member states on account of called capital

The amount entered under this heading represents the amount of payments to be made by the member countries (see page 51, item "Capital").

Investments

The gold assets, included under this heading on 31st December, 1970, were sold in the course of the financial year 1971.

The treasury bonds, bonds and notes, which appear under this heading for an amount of 48,252,733 u.a., have been valued at cost price or at market quotation as at 31st December, 1971, if the latter was below cost price, with a maximum of 100%. The bank bills, amounting to 4,906,206 u.a., have been listed at their nominal value.

The "Investments" heading further includes, at repurchase price, the Bank's own bonds which have been purchased by it, i.e. 7,842,381 u.a. (nominal value of 8,689,956 u.a.).

The total of the items "Cash and Banks" and "Investments", i.e. 287,602,994 u.a., is broken down, according to currencies, as follows:

— currencies of member countries	u.a.	189,721,774
— US dollars	u.a.	97,294,661
— Swiss francs	u.a.	586,559

The breakdown by maturities is:

— at call	u.a.	30,896,506
— not exceeding 3 months	u.a.	121,658,106
— exceeding 3 months but not exceeding 6 months	u.a.	66,751,161
— exceeding 6 months but not exceeding 1 year	u.a.	22,245,007
— exceeding 1 year	u.a.	46,052,214

Receivable on bonds to be delivered

The amount under this heading represents the proceeds of bonds in US dollars issued in 1971 but not yet paid up at the end of the financial year.

Receivable from member states for adjustment of capital

Under this heading figure the amounts still to be paid by France as adjustment payments following the devaluation of the French franc in 1969.

Effective loans

— Ordinary loans

On 31st December, 1971, the amount of ordinary loans signed was, on the basis of the official parities in force on the date of signature of the contracts, the equivalent of u.a. 1,999,802,855
minus exchange adjustments on the amounts not yet disbursed at the dates of change of parities — u.a. 4,029,051
the amount of credits open was u.a. 1,995,773,804

After deduction of terminations

and cancellations	u.a.	6,047,522
and of capital redemptions	u.a.	201,658,572
	— u.a.	207,706,094
		<u>u.a. 1,788,067,710</u>

and taking account of the exchange adjustments on the amounts disbursed + u.a. 8,593,664

the amount of ordinary effective loans appearing in the balance sheet is u.a. 1,796,661,374

Of this total, the funds disbursed to the borrowers amounted, at the same date, to 1,516,261,204 u.a.

The claims resulting for the Bank from these disbursements are broken down by currencies as follows:

— currencies of member countries	u.a.	1,046,419,765
— currency of any member country at the Bank's option	u.a.	20,330,828
— other currencies	u.a.	449,510,611

The undisbursed amount, i.e. 280,400,170 u.a., which also includes the portion of the overall loans granted but not yet appropriated, appears as a contra item in the liabilities under the heading "undisbursed balance of ordinary loans".

Disbursement figures concerning ordinary loans compare as follows:

	on 31st Decem- ber, 1970	on 31st Decem- ber, 1971
— amount disbursed	1,058,841,753	1,516,261,204
— amount undisbursed	334,124,719	280,400,170
	<u>1,392,966,472</u>	<u>1,796,661,374</u>

The breakdown of ordinary effective loans, according to the principal guarantee covering them, is as follows:

— loans granted to member countries or benefiting from their guarantee	u.a.	1,221,507,022
— loans granted to public institutions of member countries or guaranteed by these institutions	u.a.	285,203,359
— loans granted to associated countries or benefiting from their guarantee	u.a.	49,257,766
— loans accompanied by other usual long term financial securities	u.a.	240,693,227
		<u>u.a. 1,796,661,374</u>

Part of the loans granted are covered by several types of guarantee and security.

Loans on mandate guaranteed by the Bank

Under this heading appear the loans guaranteed by the Bank granted on mandate from and for account of German credit institutions.

The overall amount of 92,896,175 u.a., appears as a contra item in the liabilities under the heading "Creditors for loans on mandate guaranteed by the Bank".

Real estate, furniture and equipment

On the real estate acquisitions effected in 1970, a depreciation of 100,000 u.a. has been made, thus leaving a balance of 200,000 u.a. in the balance sheet.

The furniture and equipment purchased in 1971, amounting to 67,450 u.a. net, have been fully amortized.

Unamortized issuing charges and redemption premiums

The Bank has changed the method of amortization of the issuing charges of loans, in order to avoid excessive variations from one financial year to the next of the surplus available for appropriation to reserves and provisions following from the application of the former method ⁽¹⁾, and to render homogeneous the elements appearing in the profit and loss account in respect of interest and charges on borrowings.

Until the 1970 financial year inclusive, the issuing charges were amortized immediately in full at the end of the year of issue of the loan in respect of which they had been incurred.

The new system adopted from this year onwards, in accordance with the practice followed by several other international development institutions, consists in spreading the amortization of these charges over the whole life period of the borrowing, proportionately to the amount outstanding each year.

Furthermore, at the time when the Bank's balance sheet is to undergo an important change, because of the incorporation of the contributions of the new member countries, it has seemed opportune to re-include in the assets and liabilities of the balance sheet the amount of the immediate amortizations effected prior to 1971.

The asset item "Unamortized issuing charges and redemption premiums" is broken down as follows:

(1) The table below makes it possible to compare, for the years 1963 to 1971, the amortization of the issuing charges and redemption premiums, as well as the surplus available for appropriation to reserves and provisions, calculated according to the former and the new method of amortization (in million u.a.):

	1963	1964	1965	1966	1967	1968	1969	1970	1971
<i>a) Former method</i>									
— Amortization of issuing charges on borrowings and redemption premiums	1.3	2.0	2.7	5.9	6.1	6.5	5.5	4.3	11.0
— Surplus available for appropriation to reserves and provisions	10.4	10.6	11.0	9.4	10.5	9.7	14.0	20.0	13.7
<i>b) New method</i>									
— Amortization of issuing charges on borrowings and redemption premiums	0.1	0.2	0.4	0.8	1.6	2.6	3.0	3.4	4.2
— Surplus available for appropriation to reserves and provisions	11.6	12.4	13.3	14.5	15.0	13.6	16.5	20.9	20.5

Total amount of issuing charges in respect of financial years prior to 1971, the equivalent of which is shown as a liability contra item under the heading "Write-back of issuing charges previously amortized" u.a. 23,127,079 (of which, in respect of the financial year 1970: u.a. 1,079,218).

Issuing charges in respect of the financial year 1971: u.a. 6,749,110
u.a. 29,876,189

This amount has been merged, under the heading "Unamortized issuing charges and redemption premiums", with the former item "Unamortized redemption premiums", the amount of which was, on 31st December 1971 u.a. 7,691,473

The amount of the new item at 31st December, 1971 is thus u.a. 37,567,662

Special deposits for service of loans

This item, which appears as a contra item in the liabilities under the heading "Matured coupons and bonds — not yet paid", represents the amount of coupons and bonds due but not yet presented for payment.

Capital

Pursuant to the decision by the Board of Governors on 26th April, 1971, the capital of the Bank has been changed as follows:

	on 31st Decem- ber, 1970	on 31st Decem- ber, 1971
Subscribed capital	u.a. 1,000,000,000	u.a. 1,500,000,000
Uncalled capital	u.a. 750,000,000	u.a. 1,200,000,000
Called capital	u.a. 250,000,000	u.a. 300,000,000

After entering the necessary amounts in their budgets, the member countries will pay the increase relating to the called capital, i.e. 50,000,000 u.a., in two equal instalments in 1973 and 1974. This amount is shown in the assets under the heading "Receivable from member states on account of called capital".

Statutory reserve

The balance of the profit and loss account to be appropriated to reserves and provisions, after depreciation of the issuing charges and the redemption premiums, amounts to 20,515,308 u.a. in 1971, compared to 20,006,126 u.a. in 1970.

After appropriation of 6,411,308 u.a. to the statutory reserve, the balance of the profit and loss account, i.e. 14,104,000 u.a. was appropriated to provisions. The statutory reserve amounts to 63,673,089 u.a., against 57,261,781 u.a. at the end of the previous financial year.

Provisions

The provision for risks on loans and guarantees, which amounted to 56,000,000 u.a. at the end of the previous financial year, has been increased to 64,000,000 u.a.

The title of the provision for "Equalization of interest on borrowings and for issuing charges" has been amended following the implementation of the new system for amortizing issuing charges. Henceforth, this provision, entitled "Provision for equalization of interest", is intended solely to enable an eventual equalization of differences between the yield of loans and the cost of borrowings. Its amount, which was 9,000,000 u.a. at the end of the previous financial year, has remained unchanged.

The provision for monetary risks, which amounted to 5,000,000 u.a. at the end of the previous financial year, has also remained unchanged.

The provision for building — intended to make it possible to meet the charges foreseen for the construction of the Bank's new building — which amounted to 2,000,000 u.a. at the end of the previous financial year, has been increased to 4,000,000 u.a.

The overall amount of the provisions thus reaches 82,000,000 u.a., as against 72,000,000 u.a. at the end of the previous financial year.

Special provision

This special provision of 4,104,000 u.a. is intended to enable the Bank to cover the loss on assets in the balance sheet as at 31st Decem-

ber, 1971 which will result in 1972 from the final adoption of new monetary parities calculated on the basis of the gold fineness of the currencies resulting from their central rates in terms of United States dollars, as notified to the International Monetary Fund in December 1971.

Write-back of issuing charges previously amortized

Cf. page 51.

Payable to member states for adjustment of capital

The liabilities entered under this heading represent the sums still to be paid to the Federal Republic of Germany and to the Netherlands following the revaluation of the Deutsche Mark and the florin.

Borrowings

The amount of 1,423,330,977 u.a. entered under this heading represents the borrowings contracted by the Bank and effective on 31st December, 1971, as well as the redemption premiums relating thereto.

In the course of the financial year, the evolution of the Bank's consolidated debt, broken down by currencies, was as follows (in units of account):

	Effective debt on 31st December, 1970	Operations of the financial year		Exchange adjustments	Effective debt on 31st December, 1971
		Borrowings	Redemptions		
DM.	335,655,737	81,967,213	5,054,644		412,568,306
FF	86,901,420	18,004,425	508,264		104,397,581
Lit.	141,448,000	64,000,000	2,555,200		202,892,800
FB	70,760,000	30,000,000	1,258,000		99,502,000
Fl.	65,359,116	20,718,232	925,414		85,151,934
Flux.	612,811	26,000,000	142,180		26,470,631
U.S.- \$	313,333,000	120,000,000	5,251,000		428,082,000
FS		52,250,776		+ 1,616,661	53,867,437
Total	1,014,070,084	412,940,646	15,694,702	+ 1,616,661	1,412,932,689
Redemption premiums	5,905,488	4,492,800			10,398,288
	1,019,975,572	417,433,446	15,694,702	+ 1,616,661	1,423,330,977

Administrative expenses and charges

The administrative expenses and charges amounted to 5,356,214 u.a., as against 4,660,394 u.a. for the previous financial year.

They are made up as follows:

— Staff expenses	u.a.	4,080,264
— Overhead expenses and provisions for other possible charges	u.a.	1,275,950

The increase in staff expenses, i.e. 778,129 u.a., is due to the increase in the number of staff employed and to the upward adjustment of salaries in 1971 in relation, notably, with the trend in the cost of living during the previous year.

On 31st December, 1971, the staff of the Bank totalled 211 persons, of whom 137 were employed in the translation, administrative, equipment and maintenance services.

Interest and charges on borrowings

The amount of 82,183,528 u.a. represents interest and commission on borrowings and other debit interest.

Taking account of the new system of amortization applied in 1971, this amount compares as follows to that of the previous year:

	1970	1971
Interest and commission on borrowings and other debit interest (including for 1970, the issuing charges and amortization on redemption premiums)	u.a. 62,834,868	u.a. 82,183,528
Amortization effected in 1970 on the basis of the old immediate amortization system	u.a. 4,313,551 ⁽¹⁾	—
	<u>u.a. 58,521,317</u>	<u>u.a. 82,183,528</u>

Amortizations on issuing charges for borrowings and on redemption premiums

This item, which appears for the first time in the profit and loss account, henceforth individualizes the amortizations on issuing charges for borrowings and on redemption premiums which were added in the profit and loss accounts of previous years to the interest and charges on loans. These amounts compare to those of the previous year as follows:

	1970	1971
— Amortizations calculated on the basis of the deferred amortization system introduced in 1971	u.a. 3,404,465 ⁽¹⁾	u.a. 4,239,837
— Other amortizations effected in 1970 and reactivated in 1971	u.a. 909,086	—
	<u>u.a. 4,313,551</u>	<u>u.a. 4,239,837</u>

Interest and commission from loans

This item amounts to 83,318,923 u.a., as against 62,936,153 u.a. for the previous financial year. The increase results from the growth of

the amounts disbursed on effective loans and from the rise in the rate of average yield of effective loans.

Interest and commission from investments

The income derived from investments of liquidities amounts to 24,370,849 u.a., as against 23,382,700 u.a. for the previous financial year.

Management commission

This item represents the remuneration for the management of loans for the account of and on mandate from member countries and the E.E.C.

Exchange differences

Nearly the whole of this item represents the profits resulting from the service of loans in respect of which the Bank can opt among the currencies of member countries, after the changes in monetary parities of 1961 and 1969.

Financial proceeds and other receipts

Almost the whole of this item represents the profits resulting from valuation of the investments and other income from securities.

Special section

The amount of 222,652,605 u.a. represents the overall amount of the effective loans in the framework of the Special Section on 31st December, 1971, viz.:

a) for the financing of projects located in Turkey for the account of and on mandate from the member countries:			
— loans granted at 31st December, 1971		u.a. 175,000,000	
— exchange adjustments on the amounts disbursed		— u.a. 329,185	
		<u>u.a. 174,670,815</u>	
b) for the financing of projects in the Associated African States and Madagascar and in the Overseas Countries and Territories (A.A.S.M.-O.C.T.) for the account of and on mandate from the European Economic Community:			
— loans granted at 31st December, 1971		u.a. 47,790,781	
— plus capitalized interest	+ u.a.	190,090	
— and exchange adjustments on the amounts disbursed	+ u.a.	919	
		<u>u.a. 47,981,790</u>	

Of these amounts, the funds disbursed amount respectively to 145,680,619 u.a. and 27,634,893 u.a.

⁽¹⁾ See footnote on page 51.

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(from January 1972)

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Vice-Presidents :

Ulrich MEYER-CORDING*
(until 30th April, 1972)

Sjoerd BOOMSTRA

Luca ROSANIA

Horst-Otto STEFFE
(from 16th May, 1972)

* The Board of Governors has conferred on Mr. Meyer-Cording the title of Honorary Vice-President.

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Secretary General, Manager

Hans HITZLBERGER
Deputy Manager, Head of Personnel

Department for Loans in Member Countries :

Armel BELLEC
Manager

Romeo dalla CHIESA
Associate Manager, Department for Italy, Rome

Helmuth CRAMER
Deputy Manager

Department for Loans in Associated Countries :

Karl-Heinz DRECHSLER
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Eugenio GREPPI
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Jacques SILVAIN
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Manager

Research Department :

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(until 15th May, 1972)

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Deputy Manager

Legal Department :

J. Nicolaas van den HOUTEN
Manager

Department for Technical Advisors :

Marcello GOFFI
Manager

Eugenio COMBONI
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Hellmuth BERGMANN

Jacques FAUDON

Robert LECLERCQ

Ernst-Helmut LINDER

Robert VERMEERSCH

The Bank may grant loans for the financing of projects which meet the requirements of Article 130 of the Treaty of Rome or the Association Agreements, to private or public enterprises, regardless of their legal status as well as to public authorities.

The projects financed must be in a Member State or an Associated State or Territory; loans are granted without regard to the borrower's nationality.

The Bank's loans cover only part of the cost of the investment projects, supplementing the borrower's own funds and credits from other sources. The Bank rarely lends more than 40% of the cost of the fixed investments.

The majority of its loans range from 2 to 16 million units of account. So far, they have never exceeded 30 million units of account.

The Bank may also guarantee loans made by other institutions.

The Bank is primarily concerned with the financing of fairly large projects. However, it also helps to finance small and medium-sized industrial projects by granting overall loans to financial institutions which act as intermediaries.

The Bank's financing contracts provide borrower's with credits expressed in the equivalent of their national currency. Actual payment is made in several currencies which the Bank selects according to actual availabilities after consulting the borrowers on the currency they would like to receive.

Interest rates are fixed by the Bank's Board of Directors.

Since the European Bank finances its loans by borrowing on the capital markets inside and outside the Community and operates on a non-profit-making basis, its interest rates are close to the average rates charged on financial markets. The rate charged, on each loan is that in force on the date when the contract is concluded and is not subject to revision. It is not affected by the currency in which payment is made or the country in which the project is implemented. The rates applicable on 1st May, 1972 were 7 1/2 % for loans not exceeding 9 years and 7 7/8 % for loans exceeding 9 years.

The duration of loans (usually between 8 and 12 years for industrial projects and up to 20 years for infrastructure projects) and the period for which repayment may be deferred, are geared to the types of project.

The Bank requires its loans to be secured by a guarantee from a Member State or by any other adequate guarantee.

The terms on which the Bank grants loans under its Special Section on mandate and for the account of the Member States or the European Economic Community for projects in the Associated States, are governed by the provisions contained in the various Association Agreements.

Any firm, authority or financing institute desiring to contact the European Investment Bank can apply directly to the Head Office, or to its Department for Italy in Rome. The European Bank can also be approached through the usual banker of the firm concerned.

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