

Commission of the European Communities

EUROPEAN ECONOMY

September 1982

Number 13

The manuscript was completed on 29 July 1982.

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Printed in Belgium, 1982

Catalogue number: CB-AR-82-013-EN-C

**Report on the borrowing
and lending activities
of the Community
in 1981**

**Communication from the Commission to the Council
and to Parliament**

Abbreviations and symbols used

Countries

B	Belgium
DK	Denmark
D	Federal Republic of Germany
GR	Greece
F	France
IRL	Ireland
I	Italy
L	Luxembourg
NL	The Netherlands
UK	United Kingdom
EC	Total of the member countries of the European Community
EC 9	Community without Greece
BLEU	Belgo-Luxembourg Economic Union

Currencies

BFR	Belgian franc
DKR	Danish krone
DM	German mark
DR	Greek drachma
FF	French franc
IRL	Irish pound (punt)
LIT	Italian lira
LFR	Luxembourg franc
HFL	Dutch guilder
UKL	Pound sterling
ECU	European currency unit
USD	US dollar
SFR	Swiss franc
SDR	Special drawing right

Other abbreviations, etc.

cif	Carriage, insurance and freight
EAGGF	European Agricultural Guidance and Guarantee Fund
EIB	European Investment Bank
EMCF	European Monetary Cooperation Fund
EMF	European Monetary Fund
EMS	European Monetary System
ESA	European System of Integrated Economic Accounts
Euratom	European Atomic Energy Community
Eurostat	Statistical Office of the European Communities
fob	Free on board (valuation basis for exports or imports of goods)
GDP (GNP)	Gross domestic (national) product
GFCF	Gross fixed capital formation
IMF	International Monetary Fund
LDC	Less-developed country
MTFA	Medium-term financial assistance
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
SOEC	Statistical Office of the European Communities
STMS	Short-term monetary support
VSTF	Very short-term financing mechanism
()	Estimate
:	Data not available
s.a.	Seasonally adjusted
,	Decimal point
—	Not applicable

Contents

Foreword	9
1. The economic situation in the Community	11
2. Measures taken or proposed in respect of Community borrowing and lending	11
3. Community borrowing and lending contracted in 1981 – Trends compared with previous years	13
3.1. Investment situation in 1981	13
3.2. Lending	14
3.2.1. Annual trend of lending operations in the Community	14
3.2.2. Annual trend of lending contracted outside the Community	16
3.3. Borrowing	16
3.4. Balance between borrowing and lending	17
4. Lending in the Community	18
4.1. New Community Instrument (NCI)	18
4.2. Subsidized loans for the reconstruction of disaster areas in Italy	19
4.3. European Investment Bank (EIB)	19
4.4. Euratom	20
4.5. European Coal and Steel Community (ECSC)	20
5. Lending activities outside the Community	22
5.1. Mediterranean countries	22
5.2. ACP States	22
6. Borrowing	22
6.1. The situation on the capital markets in 1981	22
6.2. Community borrowing in 1981	23
7. Community interest subsidies for loans contracted within the Community	24
7.1. Interest subsidy mechanisms	24
7.2. EMS interest subsidies	24
7.3. ECSC interest subsidies	25

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List of tables in the text

Trend of lending contracted in the Community, by instrument	14
Lending contracted in the Community in 1981, by sector	15
Geographical breakdown of lending contracted in the Community in 1981	15
Loans from EIB own resources contracted outside the Community	16
Trend of borrowing contracted by the European Communities	17
Comparison of borrowing and lending contracted out of resources borrowed	18
ECSC loans approved by the Commission and contracted	20
ECSC loans paid out by sector	21
Breakdown of borrowings contracted in 1981, by currency	23
Subsidized loans and EMS subsidies paid out	24
EMS interest subsidies paid from 1981 appropriations	25
ECSC interest subsidies granted in 1981	26

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* *

List of tables in the Annex

Table 1	Borrowings by the European Communities (amounts outstanding)	29
Table 2	Commission borrowings contracted in 1981	29
Table 3	Trend in lending operations in the Community, by sector	31
Table 4	Breakdown of loans in the Community in 1981 by instrument, sector and country	31
Table 5	NCI loans contracted, 1979-81	32
Table 6	Euratom loans contracted, 1977-81	32
Table 7	ECSC loans paid out, 1970-81	33
Table 8	Loans from EIB own resources contracted in the Community, 1970-81	34
Table 9	List of NCI loans contracted in 1981	36
Table 10	List of Euratom loans contracted in 1981	37
Table 11	Breakdown by sector of ECSC loans paid out in 1981	37
Table 12	Loans outside the Community from borrowings, 1977-81	38
Table 13	Interest subsidies granted in the Community by the various Community mechanisms (1970-81)	38
Table 14	EMS interest subsidies, 1981 financial year: Italy	39
Table 15	EMS interest subsidies, 1981 financial year: Ireland	40

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Foreword

This is the second comprehensive report drawn up by the Commission to provide the Council and Parliament with information on the Community's borrowing and lending activities. It covers the year 1981.

Like its predecessor, it was drawn up to meet the wishes expressed by Parliament on various occasions, particularly when granting the discharge to the Commission on the implementation of the general budget of the European Communities for 1978 and 1979 and in its Resolution on improving political control over the Communities' borrowing and lending activities.¹

The report reviews all the borrowing and lending activities of the Community institutions, including those of the ECSC and the EIB, thereby fulfilling the Commission's obligation to inform the Council and Parliament each year about:

- (i) the activities of Euratom, in accordance with Article 4 of the Council Decision of 29 March 1977;
- (ii) the activities of the NCI, in accordance with Article 6 of the Council Decision of 16 October 1978;
- (iii) the EMS interest subsidy instrument, in accordance with Article 10 of the Council Regulation of 3 August 1979;
- (iv) the Community aid granted by way of exception for the reconstruction of the regions affected by the Italian earthquake in November 1980, in accordance with Article 7 of the Council Decision of 20 January 1981;
- (v) the Community aid granted by way of exception for the reconstruction of the regions affected by the Greek earthquakes in February/March 1981, in accordance with Article 7 of the Council Decision of 14 December 1981.

The Commission's first comprehensive report, which covered the 1980 financial year, had provided a complete picture of the borrowing and lending activities of the Community instruments within the Community. It had reviewed not only the activities of Euratom, the NCI and the EMS interest subsidy instrument, mentioned in the preceding paragraph, but also those of the ECSC and, in a more general way, those of the EIB.

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

The present report also includes loans granted by the Community in third countries from the proceeds of borrowing on capital markets. These loans concern the ACP States,² and the OCTs³ and the countries linked to the Community through agreements establishing different forms of economic and/or financial cooperation (Maghreb and Mashreq countries, Israel, Cyprus, Malta, Spain, Portugal, Turkey and Yugoslavia). The loans to these countries from the Community's budgetary resources or from those of the EDF⁴ and EDF aid in grant form are not taken into account.

¹ Doc. PE 67134 of 5 March 1981.

² ACP = African, Caribbean and Pacific States.

³ OCTs = Overseas Countries and Territories.

⁴ EDF = European Development Fund.

1. The economic situation in the Community

In 1981, operations under the borrowing and lending instruments took place against a generally unfavourable economic background. The recession that had taken hold in 1980 continued in 1981. Taking the average for the year, the Community's GDP fell by 0,3 % in real terms.

By contrast, the other leading industrialized countries belonging to the OECD again recorded positive year-on-year growth rates (2,1 % for the OECD as a whole, excluding the Community), although growth generally lost some momentum in the course of the year and the United States entered a period of recession. Activity in the Community picked up somewhat in the second half of the year.

The Community's current account deficit, while remaining substantial (14 000 million ECU), showed a distinct improvement between 1980 and 1981. The situation in Japan and in the United States likewise improved. The counterpart of these trends was the extensive mopping up of the OPEC countries' surplus.

The Community had to contend with noticeable deterioration in its terms of trade although this was offset almost entirely by an improvement in its trade balance in real terms. In the face of a persistently large current account deficit, it was obliged to encourage net inflows of long-term capital, in particular by issuing public loans and by permitting some rundown in reserves.

Inflation continued to run at a high level in the Community in 1981. It will probably slow down in 1982 although it seems to be more obstinate now than in the wake of the first oil shock.

Unlike during the period after the first oil shock, the higher energy prices were rapidly passed on in costs, speeding up the process of adapting the productive apparatus to dearer energy and the dismantling of artificial pricing conditions for the different sources of energy.

On the exchange front, the Community had to cope with a period of marked turbulence in 1981. The significant rise in the dollar and in the yen and the ensuing depreciation of the Community currencies were accompanied by strains within the European Monetary System (EMS). Nevertheless, with the plentiful resources available under the EMS exchange-rate mechanism, the fall in the European currencies was managed in orderly fashion.

The upward movement of interest rates, although partly in response to the climb in US rates, has also to be seen in the light of the prospects for tackling inflation. Yet, the slowdown in monetary expansion in the Community, first discernible in 1979, did not continue into 1981.

The public finance deficit in the Community widened in 1981. The slacker rate of activity and the resulting contraction in tax receipts, the scale of transfers to households and the growing burden of public debt, which is particularly onerous in some Member States were factors making for an increased budget deficit. Thus, expressed as a proportion of Community GDP, government revenue, which had grown steadily since 1972, again rose in 1981, with the result that the redistributive function of the budget is becoming increasingly important. Governments were able to finance their deficits in a non-monetary way by drawing extensively on the savings of domestic capital markets, taking advantage of the depressed state of private-sector demand for long-term capital, and by making calls on international capital markets to cover a proportion of their needs that varied from one Member State to another. None the less, most Member States increased their reliance on monetary financing to meet the general government borrowing requirement. While stemming in part from the escalation in short-term rates, the rise in long-term interest rates in 1981 also reflected continuing inflationary expectations on a number of scores and growing public-sector demand for long-term financing instruments.

Together with inflation, the problems of employment and unemployment are nowadays the main preoccupation of economic policymakers. The vigorous rise in unemployment since the beginning of 1980 derives from the number of young people seeking jobs for the first time and the small number of people reaching retirement age, on the one hand, and the sluggish rise in job vacancies, on the other. This situation is having significant repercussions on the structure and nature of unemployment. The fact that fewer jobs are available is one result of the economic recession but it has other, deeper-rooted causes tied up among other things with the Community's competitiveness, with technological developments in equipment and with the competition between industrialized and developing countries in traditional industries. This persistent and growing imbalance on the labour market is becoming extremely burdensome for Member States.

2. Measures taken or proposed in respect of Community borrowing and lending

This unfavourable economic situation has not led to any easing up on the Community's part in developing its borrowing and lending instruments. Indeed, the Commission proposed and the Council adopted in 1981 a string of proposals for developing the existing instruments or for setting up new instruments. This reflected the determination shown by the Community institutions on more than one occasion, and notably at the European Council meeting in London on 26 and 27 November 1981, that the Community

should facilitate the general investment effort by giving its borrowing and lending instruments more flexibility and by expanding the financial resources available under them. Hence the action taken by the Commission and the Council.

Following the Commission's proposal¹ to the Council of 29 October 1980 extending the term of validity of the Decision of 16 October 1978 establishing the NCI,² the Council, on 19 October 1981, endorsed a 'joint position' on the pursuit of activities under the NCI (NCI II).

The purpose of the draft decision in question, which was the subject of a conciliation procedure between the Council and Parliament, was to empower the Commission to contract a new series of loans for promoting long-term investment as a priority measure in order to contribute towards the growing convergence and integration of Member States' economic policies. The conciliation procedure took place at the meeting of the Council (Economic and Financial Affairs) on 15 March 1982, at which the Council decided to transform its 'joint position' into a decision empowering the Commission to contract loans up to the equivalent of 1 000 million ECU in principal.³

Without awaiting the outcome of the conciliation procedure, the Commission sent to the Council on 9 December 1981 a proposal for a Decision empowering the Commission to contract loans totalling 1 000 million ECU under NCI II.⁴

The proposal was made by the Commission as a matter of urgency, since the loans signed or approved by the Commission and the European Investment Bank (EIB) by the end of 1981 would have virtually exhausted the borrowing ceiling of 1 000 million ECU authorized by the Decision of 16 October 1978.

Like the previous ones, the new tranche will go to financing investment projects which are carried out on Community territory and are in line with the Community's priority objectives. The Commission proposed three main areas in which financing could be made available: projects promoting the efficient use of energy and the replacement of oil by other sources of energy, infrastructure projects contributing to regional development and/or of Community interest, and productive investment projects carried out by small and medium-sized enterprises. This decision to grant SMEs access to funding will be the first time the NCI has been deployed in support of industrial, commercial and service activities.

¹ OJ C 341, 31.12.1980.

² OJ L 298, 25.10.1978.

³ Council Decision 82/169/EEC, OJ L 78, 24.3.1982.

⁴ Doc. COM(81)790 final of 9 December 1981.

Following the favourable resolution adopted by Parliament on 23 April 1982, the Council approved the Commission's proposal concerning this new, single tranche two days later.⁵

On 15 June 1981, the Board of Governors of the EIB decided on a two-fold increase in the Bank's subscribed capital, to 14 400 million ECU.⁶ Since, under the EIB's statute, the amount of loans and guarantees outstanding may not exceed 250 % of subscribed capital, this increase raises the ceiling for amounts outstanding to 36 000 million ECU.

On its accession to the Community on 1 January 1981, Greece became the EIB's tenth member; it has 1,56 % share of Bank capital and is eligible for loans in accordance with the rules governing financing in Member States.⁷

On 20 January 1981, the Council adopted the Decision on Community aid granted by way of exception for the reconstruction of the regions affected by the Italian earthquake in November 1980⁸ (Italian 'earthquake' loans). Under the terms of this decision, the proceeds of NCI borrowings contracted by the Commission on behalf of the Community may also be used in the form of loans to finance investments for reconstructing the means of production and the economic and social infrastructure in the stricken regions, with the loans totalling not more than 1 000 million ECU, less the amount of assistance granted in this connection by the EIB from its own resources. The loans carry a 3 % interest subsidy for a maximum period of 12 years, chargeable to the general budget of the Communities.

Acting on a proposal from the Commission,⁹ the Council, applying the same principles as in the case of Italy, decided on 14 December 1981 to grant Community aid by way of exception for the reconstruction of the regions affected by the Greek earthquakes in February and March 1981 (Greek 'earthquake' loans).

The aid consists of loans totalling not more than 80 million ECU for the stricken sectors and made either under the NCI or from the EIB's own resources, and a 3 % interest subsidy for a maximum period of 12 years chargeable to the general budget of the Communities.

On 16 March 1981, the Council formally adopted the Regulation adjusting the Community loan mechanism

⁵ OJ L 116, 30.4.1982.

⁶ OJ L 311, 30.10.1981. This Official Journal also contains the text of the Decision of the Board of Governors on adoption of the ECU as the Bank's unit of account.

⁷ Between 1964 and 1980, the EIB granted assistance to Greece under financial protocols.

⁸ OJ L 37, 10.2.1982.

⁹ Doc. COM(81)451 final of 25 July 1981 and OJ L 367, 23.12.1981.

designed to support the balance of payments of Member States.¹

The new Regulation differs from the 1975 Regulation² in three major respects: first, it is the Member State seeking the loan that is responsible for drawing up a recovery programme for transmission to the Council in support of its loan application; second, there is now greater flexibility of choice as regards borrowing equal to 6 000 million ECU in principal, compared with USD 3 000 million, including interest, in 1975.

The mechanism was not activated during the year.

On 7 January 1982, the Commission sent the Council a proposal for a decision raising the ceiling on Euratom borrowings from 1 000 million ECU to 2 000 million ECU.³ The proposal was in the form of a straightforward amendment to basic Decision 77/271/Euratom of 29 March 1977 and was adopted by the Council (Economic and Financial Affairs) on 15 March 1982.

On 26 October 1981, the Commission laid before the Council a proposal for a Regulation amending the Regulation establishing a European Regional Development Fund (ERDF).⁴ Under the proposal, Fund assistance could, at the request of Member States, take the form of interest subsidies either on EIB loans, a facility available under the previous Regulation, or on loans made under the other borrowing and lending instruments.

It was in 1981 that the Second Lomé Convention, signed on 31 October 1979 between the European Economic Community and the ACP (African, Caribbean and Pacific) States, who numbered 61 at the end of 1981, entered into force. The same year, the financial protocols concluded with a number of Mediterranean countries (the Maghreb countries, the Mashreq countries and Israel) expired, and new protocols have been negotiated that should be ready for signing in 1982. Negotiations also continued with Turkey on the implementation of the fourth financial protocol.

In 1981, the EIB, after receiving authorization from its Board of Governors and in accordance with the agreement concluded on 3 December 1980 between Portugal and the Community, began implementing the arrangements for granting additional aid to that country before it joins the Community (pre-accession aid). For the first time, it also made loans to Spain, complying with a decision by its Board of Governors empowering it, at the Council's request, to grant loans from its own resources in the period prior to Spain's accession for investment projects that should, at the

appropriate time, facilitate integration of the Spanish economy with the Community economy.

Under these various agreements, loans — generally carrying interest subsidies — may be made from the EIB's own resources, while loans on special conditions, assistance in the form of risk capital, and grants may be made from the EDF's resources or from the general budget of the Communities. Only loans from the EIB's own resources will be discussed here.

Relations between the Commission and the EIB did not undergo any particular change in 1981.⁵ As we saw above, the Bank not only lends from its own resources but also manages various financial instruments on behalf of the Community, represented by the Commission. When acting as an agent of the Community, its relations with the Commission are governed by cooperation agreements specifying their particular role and responsibilities.

These arrangements, which differ according to the peculiarities of each instrument, are all designed to ensure that the Commission and the EIB carry out their responsibilities in the most effective manner possible and deploy to the full the facilities available. Cooperation of this sort between the authorities and specialized financial institutions is also common in the individual Member States. A point to be noted is that the EIB has widely experienced project appraisal and financial management teams made up of financial experts, engineers and economists.

The EIB thus acts as an agent for Euratom and operates under a mandate where the NCI, the EMS and the 'earthquake' interest subsidies, advances of risk capital provided for in the Lomé Convention and loans made on special conditions from budgetary resources under the Mediterranean financial protocols are concerned.

3. Community borrowing and lending contracted in 1981 – Trends compared with previous years

3.1. Investment situation in 1981

The relative pick-up in investment in the Community between 1978 and 1980, as a result of which investment,

⁵ Article 21 of the EIB's Statute stipulates that applications for loans or guarantees are to be submitted for an opinion to the Commission and to the Member State concerned. Where the Commission delivers an unfavourable opinion, the EIB's Board of Directors may not grant the loan or guarantee concerned unless its decision is unanimous, the director nominated by the Commission abstaining.

¹ OJ L 73, 19.3.1981.

² OJ L 46, 20.2.1975.

³ Doc. COM(81)721 final of 7.1.1982.

⁴ Doc. COM(81)589 final of 26.10.1981.

expressed as a proportion of Community GDP, climbed from 20,7 % to 21,3 %, was not repeated in 1981, the share accounted for by investment falling back to 20,8 %. The volume of investment in the Community, which had grown by 1,8 % between 1979 and 1980, thus contracted by 3,7 % between 1980 and 1981.

Community borrowing and lending, albeit expressed at current prices, moved in line with this general downward trend.

Loans contracted in 1981 both inside and outside the Community totalled 4 593,3 million ECU compared with 4 710,4 million ECU in 1980, an overall decline of 2,1 %.

The components of this trend were as follows: loans contracted inside the Community fell by 0,9 %, from 4 162,8 million ECU in 1980 to 4 106,5 million ECU in 1981, while loans contracted outside the Community fell by 11,2 %, from 547,7 million ECU to 486,8 million ECU.¹

Borrowing too was down 15,5 % on 1980, from 3 874 million ECU to 3 280 million ECU.

3.2. Lending

3.2.1. Annual trend of lending operations in the Community

The table below gives the annual trend in aggregate borrowing under the Community's financial instruments since 1971. The substantial contraction in ECSC loans paid out under Articles 54 and 56 of the ECSC Treaty can be put down in particular to the special difficulties encountered in the steel industry and to the generally unfavourable conditions on capital markets. It does, however, mask a significant increase in the amount of conversion loans made by the Commission during the period in question.

The decline in the total volume of ECSC activities in 1981 primarily reflects the fact that, partly as a result of the tight financial position of coal and steel undertakings and partly because of the highly selective nature of the lending policy pursued by the Commission which, in the steel industry especially, ensures that projects financed are strictly in accordance with its restructuring policy, the share of investment financing accounted for by national subsidies rose. By contrast, much greater recourse was had to Euratom and NCI loans, which amounted to 357,6 million ECU (up by 100 %) and 539,8 million ECU (up by 173 %) respectively.

The increase in lending under all these instruments, which took place under difficult circumstances, was consistent with

¹ The figures for lending outside the Community include both loans from the proceeds of Community borrowing and loans from the resources of the general budget of the Communities or from EDF resources.

the policy unremittingly advocated by the Commission, notably in the fifth medium-term economic policy programme, of stepping up its financing activities aimed at boosting investment, stimulating job creation and narrowing economic disparities between member countries.

The European Council of 29 and 30 March 1982 also confirmed the importance which is attached to the strengthening of Community credit mechanisms in favour of investment projects.

The support given—in spite of the difficulties stemming from the economic situation—under the lending instruments to the Community's major policy objectives can be gauged particularly from the breakdown of lending by sector and by country and from its employment effects.²

The sectoral breakdown of lending contracted within the Community in 1981 under the four instruments was as follows:

² Except where otherwise stated, the overall figures or those broken down by sector and by country which are contained in this report correspond to the amounts of loans and borrowings signed during the year under consideration. For this reason, the word 'contracted' has been used in the text. The only exceptions, concerning ECSC loans, have been clearly indicated.

Except where otherwise stated, operations accepted or decided by the competent body (Commission or EIB Board of Directors) but not yet signed are, generally speaking, not covered by this report.

Trend of lending contracted in the Community, by instrument¹

<i>(in million ECU)</i>					
Year	ECSC	EIB	Euratom	NCI	Total
1971	112,2	469,0			581,2
1972	188,5	505,9			694,4
1973	286,4	696,8			983,2
1974	377,9	849,7			1 227,6
1975	804,9	917,5			1 722,4
1976	1 063,8	1 086,0			2 149,8
1977	741,5	1 401,3	96,9		2 239,7
1978	797,7	1 966,5	70,3		2 834,5
1979	675,8	2 281,2	152,5	277,0	3 386,5
1980	1 030,7	2 753,2	181,3	197,6	4 162,8
1981	387,6	2 821,5 ²	357,6	539,8 ³	4 106,5

¹ 'Balance of payments' loans are not shown in this table since their purpose is not to promote investment.

² The figures for the EIB include loan guarantees (282,1 million ECU in 1981).

³ Including an amount of 382,2 million ECU for loans for the reconstruction of the areas affected by the November 1980 earthquake in Italy.

The sectoral breakdown of lending contracted within the Community in 1981 under the four instruments was as follows:

Lending contracted in the Community in 1981, by sector

Sector	<i>(in million ECU)</i>					
	Total	ECSC	EIB	Euratom	NCI	%
Productive sector	788,0	315,7	472,3 ¹	—	—	19,2
Infrastructure	1 390,2	14,7	929,4 ²	—	446,1	33,8
Energy	1 928,3	57,2	1 419,8	357,6	93,7	47,0
Total	4 106,5	387,6	2 821,5	357,6	539,8	100,0

¹ Including an amount of 318.4 million ECU for global loans to finance small and medium-scale projects.

² Including an amount of 83.1 million ECU for improvements in agriculture (irrigation and drainage).

The percentage shares accounted for by the three sectors in question were as follows: 19,2 % for the productive sector, 33,8 % for infrastructures and 47 % for energy. Compared

with the previous year, there were significant increases in the shares accounted for by infrastructures (5 points) and by energy (7 points), whereas the productive sector recorded a fall of 12 points, from 31 % in 1980 to 19,2 % in 1981. These developments reflect the general investment situation in the Community, where the particularly disturbing decline in productive investment was offset in part by an unchanged or higher level of investment in the other sectors. A striking feature, however, was the sharp growth in allocations out of EIB global loans for small and medium-scale projects; the Commission's proposal to include SMEs and energy-efficiency projects in a new tranche of lending under NCI II is designed to promote investment in these areas, which are especially important for the development of the Community.

Taking its regional breakdown, lending continues to be concentrated in those Community countries having to contend with major regional problems. Italy, Ireland and the United Kingdom, which together received 69 % of lending in 1980, accounted for 61,1 % in 1981, with 44,6 % going to Italy, 8,6 % to Ireland and 7,9 % to the United Kingdom. The other major beneficiaries were France with 11,7 %, Belgium with 10 %, Greece with 3,9 % (EIB loans only) and Denmark with 3,5 %.

Geographical breakdown of lending contracted in the Community in 1981

	B	DK	D	GR	F	IRL	I	L	NL	UK	Outside EEC ¹	Total
Million ECU	408,2	142,9	384,3	159,2	477,2	353,6	1 834,7	0,1	0,5	323,0	22,8	4 106,5
%	10,0	3,5	9,3	3,9	11,7	8,6	44,6	0	0	7,9	0,5	100

¹ This represents lending to Tunisia, which is a major supplier of energy to the Community; special authorization was granted by the EIB's Board of Governors in accordance with Article 18 of the EIB's Statute.

The estimates made by the Commission and by the EIB of the employment effects of Community lending cover both the temporary and the permanent effects.

The projects in the Community part-financed by the NCI and the EIB will help create some 20 600 permanent jobs, of which 16 500 are in industry, and to safeguard 10 600 other jobs, of which 10 500 are also in industry.

Some 86 % of the new jobs created in industry owe their existence to small and medium-scale projects financed out of global loan allocations and which have a much lower investment cost per new job than larger-scale industrial projects financed by individual loans (49 400 ECU as against 148 600 ECU). The lower labour content of such larger-scale projects in 1981 is due to the high proportion of assistance going to modernization and conversion projects (41 % of all individual loans made).

All the orders and work generated by the projects financed are also temporarily providing employment for a large number of workers in the different sectors for construction periods generally ranging from 2 to 10 years depending on the project.

These temporary employment effects of projects for which EIB and NCI contracts were signed in 1981 are put at some 450 000 man-years, equivalent to a maximum of 105 000 jobs in each of the first two years (1981 and 1982).

These effects are attributable primarily to energy and infrastructure investments.¹

While, as is only to be expected given the kind of work involved, projects financed by Euratom create few new jobs directly, ECSC conversion loans (Article 56) provided jobs for 13 640 workers in 1981, of whom 12 254 had been formerly employed in the coal and steel industries, and industrial loans (Article 54) created or preserved some 10 000 jobs.

3.2.2. Annual trend of lending contracted outside the Community

Since 1963, loans have been contracted outside the Community, namely in Greece² and Turkey, in associated

¹ Permanent employment effects are calculated on the basis of information supplied in connection with the investment appraisal procedure. Temporary effects are calculated with the help of an input-output model. It is important to stress the highly approximate nature of these estimates, which, in view of the margins of error attaching to calculations of this sort, simply give an order of magnitude.

² Prior to its accession, i.e. up to and including 1980, under financial protocols.

Loans from EIB own resources contracted outside the Community

Year	In million ECU
Annual average (1963-72)	15,6
1973	10,9
1974	61,0
1975	48,9
1976	142,4
1977	152,0
1978	173,9
1979	420,9
1980	371,4
1981	396,4
Total (1963-81)	1 933,6

countries, in the African, Caribbean and Pacific (ACP) countries covered initially by the Yaoundé Conventions and then by the Lomé Conventions and, more recently, in Portugal and in most of the countries bordering the Mediterranean: Yugoslavia, Malta, Algeria, Morocco, Tunisia, Egypt, Jordan, Syria, Israel, Cyprus, and, since May 1981, Spain.

The above table summarizes EIB lending outside the Community that is financed out of own resources under the conventions, financial protocols and other acts involving the aforementioned countries. This report does not, however, discuss operations financed out of budgetary resources, which include (a) operations mounted in the ACP countries within the framework of the successive European Development Funds (loans on favourable terms under the First and Second Yaoundé Conventions and risk capital operations under the First and Second Lomé Conventions) and (b) in certain Mediterranean countries, loans on favourable terms from Member States' or Community budgetary resources. These various lending operations, which are not included in the tables, totalled 90,4 million ECU in 1981. In helping finance projects contributing to their economic and social development, the EIB is participating in the Community aid programme for the countries in question.

3.3. Borrowing

Borrowing also contracted, with calls on capital markets down by 15,5 %, from 3 874 million ECU in 1980 to 3 280 million ECU in 1981.

Since the Community first raised funds on capital markets, this is the second time that borrowing has fallen in nominal terms, the first being between 1976 and 1977 in response to the cyclical downturn consequent upon the first oil price shock in 1974 and as a result of reduced 'balance of payments' lending. Likewise, the second contraction in borrowing, recorded between 1980 and 1981, is partly tied up with the second oil price shock in 1979.

As with lending, it was primarily calls on capital markets by the ECSC that showed a decline, from 1 004 million ECU in 1980 to 325 million ECU in 1981. While remaining substantial, EIB borrowing dipped slightly, from 2 384 million ECU to 2 243 million ECU. It was only borrowings on capital markets by Euratom and under the NCI that rose, to 373 million ECU and 339 million ECU respectively.

The share of funds raised by the Community institutions in total operations on international capital markets shrank from 2,9 % in 1980 to 1,2 % in 1981.¹ As a result, the situation in 1980, when the Community borrowed more than the other international organizations put together, was not repeated in 1981, when the market share of international organizations other than the Community fell to 2,6 % from 3,72 % in 1980. As in previous years, virtually all the Community's borrowings were made up of conventional issues—including private placings—of foreign bonds or of Eurobonds, with only insignificant amounts being raised through international syndicated bank loans. The share of these bond

¹ OECD estimate.

Trend of borrowing contracted by the European Communities

Year	(in million ECU)					
	ECSC	EIB ¹	Euratom	EEC ²	NCI	Total
1971	102	413				515
1972	230	462				692
1973	263	608				871
1974	528	826				1 354
1975	731	814				1 545
1976	956	732		1 249		2 937
1977	729	1 030	99	571		2 429
1978	981	1 863	72			2 916
1979	837	2 437	153		178	3 605
1980	1 004	2 384	181		305	3 874
1981	325	2 243	373		339	3 280

¹ The EIB also raises funds by selling participations in EIB loans to third parties; the limited amounts involved (469,5 million ECU between 1972 and 1981; of which 83,3 million ECU in 1980 and 67,0 million ECU in 1981) are not included in the figures given.

² Borrowing to finance balance-of-payments deficits.

markets accounted for by the Community institutions was just over 8 % in 1981, compared with 14 % in 1980, whereas the corresponding share of other international organizations increased slightly (from 10,1 % in 1980 to 10,5 % in 1981).

3.4. Balance between borrowing and lending

This report is not an accounting document concerned with depicting the financial balance over time between borrowing and lending for all the instruments examined. This purpose is served by specific documents such as the EIB annual report, the ECSC financial report and, where the NCI and Euratom are concerned, Part II of the general budget of the European Communities.

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

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

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

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

The following table reveals that the discrepancy in the case of the NCI is due to operations straddling the year-end and corresponding to 'earthquake' loans contracted in 1981 but to be paid out in 1982.

The Treaty of Paris provides that ECSC borrowing is to be used to finance lending operations.

In addition, the ECSC levy was used to finance a very small proportion of loans for low-cost housing.

The EIB, which has resources of its own (paid-up capital and reserves built up mainly out of interest received on paid-up capital) as well as cash holdings, is able flexibly to stagger its borrowing operations to match loan payments. In 1981, total net lending by the EIB amounted to 2 696 million ECU (excluding loans from Community resources), or over 385 million ECU in excess of the total proceeds of its borrowing operations and sales to third parties of participations in EIB loans.

Comparison of borrowing and lending contracted out of resources borrowed

(in million ECU)

1981	Borrowing	Lending		
		EEC	non-EEC	Total
NCI	338,7	539,8	—	539,8
Euratom	373,5	357,6	—	357,6
ECSC	325,4	387,6	—	387,6
EIB ¹	2 242,7	2 821,5	396,4	3 217,9
Total	3 280,3	4 106,5	396,4	4 502,9

¹ Excluding operations carried out under mandate and on behalf of, for the account of, and at the risk of the Community, which are accounted for off balance sheet in the EIB's special section (Euratom /NCI plus financing outside the Community totalling 90,4 million ECU from the resources of the general budget of the Communities and from EDF resources).
By adding this figure of 90,4 million ECU to the 4 502,9 million ECU in respect of lending operations financed out of proceeds from borrowing, we obtain the figure of 4 593,3 million ECU given for Community loans in Section 3.1 of this report.

4. Lending in the Community

4.1. New Community Instrument (NCI) ¹

Loans from NCI resources contracted in 1981 totalled 539,8 million ECU (see Table 9 in the Annex).

¹ The EIB makes these loans on behalf of, for the account of, and at the risk of the Community. It receives the loan applications and following a decision by the Commission that the projects concerned are eligible, appraises the applications, decides on the granting of loans and administers them, all in accordance with the procedures laid down in its Statute and its usual criteria.

(a) The Commission decided that 13 projects (corresponding to 14 loan contracts) were eligible, on the criteria laid down in Council Decisions 79/486/EEC and 80/279/EEC authorizing tranches of borrowing, for ordinary NCI loans totalling 243,4 million ECU because of their contribution to solving the structural problems of the Community. Nine of these projects, which received loans totalling 178,7 million ECU, are designed to reduce regional disparities. The bulk (78 %) went to the Community's peripheral regions, where the rate of unemployment is 40 % higher than the Community average. The nine projects help to alleviate the disadvantages of remoteness by improving road and telecommunications networks and by correcting the lack of basic infrastructures, in particular energy infrastructure and industrial estates, which was seriously hampering economic development. A further 73,7 million ECU ² was granted for seven projects to improve energy supplies in the Community: these projects, which should reduce the Community's dependence on oil by an estimated 2,5 million tonnes of oil equivalent, concern a wide range of investments in the production and transmission of energy, mainly power stations and infrastructures for the transport of gas from Algeria.

These projects also received loans from the EIB's own resources both before and during 1981: the combination of these two types of loan makes it easier and in some cases quicker to carry out priority projects by covering an additional proportion of the investment costs. Altogether, these projects should lead to the direct creation of about 2 200 jobs.

In view of the amortization period for the projects, the loans are for 10 to 20 years. The total cost of the 13 investment projects for which finance was provided is 2 534 million ECU, including 931 million ECU for energy. The loans granted from NCI resources finance on average a proportion of 11 % of the cost,³ while those from the EIB's own resources finance an average of 22 %.⁴

(b) Extraordinary loans totalling 296,4 million ECU were granted from the NCI, pursuant to the Council Decision of 20 January 1981, for projects involving the rebuilding of economic and social infrastructures, roads, schools and basic infrastructures in the disaster areas hit by the earthquake of November 1980 in Italy.

² Including three loans with a regional purpose, for a total of 29 million ECU.

³ The range is from 6% to 47%, depending on the project.

⁴ For investment projects financed from both sources.

In Italy, almost two-thirds of the volume of NCI lending was accounted for by five 'earthquake' loans; the remainder involved nine loans to finance investments contributing to the development of the southern region and to improved energy supplies.

The improvement of the telephone networks in Campania and Sardinia (190 000 lines being added) will encourage the installation of new firms and the development of existing economic activities.

The construction of road and rail links, water supplies, sewerage and gas supply lines in the industrial estates of Chieti (Abruzzi), Frosinone (Latium), Catania (Sicily), Naples and Salerno (Campania) should contribute to the industrialization of the regions concerned.

The loans in the energy sector concern projects such as the conversion to coal of the Brindisi power station in Apulia and the Sulcis power station in Sardinia, and the construction of a gas pipeline between the Algerian/Tunisian frontier and Northern Italy (the section financed in 1981 crosses Calabria).

Other gas infrastructures, partly linked to the gas pipeline project, have been financed in Northern Italy: the conversion of two natural gas deposits into underground storage reservoirs in Minerbio (Emilia-Romagna) and Ripalta (Lombardy), the construction of compressor stations and gas pipelines to link Minerbio to Zimella (Venezia) and Ripalta to Cortemaggiore (Emilia-Romagna).

In Lombardy a 1 000 MW pumped storage station at Edolo will make it possible to meet peak demand and will produce the equivalent of 70 000 toe a year, using traditional water power. At Brescia the construction of a district heating network relying on heat generating stations should save about 50 000 toe a year.

In France, the first NCI loans were for the Poitiers-Bordeaux section (290 km) of the Paris-Bordeaux A10 motorway (part of the E3 European road link from Lisbon to Stockholm), which is an essential line of communication for south-west France.

In the United Kingdom, the loan granted towards the building of a 200-million-cubic-metre dam at Kielder, North Tyne, and the channelling of water to the Wear and the Tees will contribute to improving water supply in the north of England.

The two loans granted in Ireland were, like those granted in 1980, for key projects of the regional development programme. Peat production to supply power stations will reduce the country's dependence on imported oil, and further work on modernizing and extending the telecommunications

network will add 90 000 new telephone subscribers and provide numerous telex lines, thereby improving conditions for establishing and running firms.

4.2. Subsidized loans for the reconstruction of disaster areas in Italy

Loans from NCI and EIB resources contracted in 1981 and intended for the reconstruction of the disaster areas of Campania and Basilicata totalled 328,2 million ECU, a third of the total amount authorized for this purpose by the Council.

Loans from NCI resources, totalling 296,4 million ECU, helped to finance repairs to 1 137 km of the railway network, almost 900 km of roads and motorways and 1 179 State schools, as well as the provision of basic facilities, in particular the supply of drinking water and the removal of waste water, for the prefabricated villages and accommodation centres to house almost 120 000 persons.

Loans totalling 31,8 million ECU were granted from the EIB's own resources for urgent repairs to telephone and electricity networks.

4.3. European Investment Bank (EIB) ¹

In 1981 the EIB contracted financings totalling 3 217,9 million ECU from its own resources, including financings for projects located outside the Community.

Lending from own resources and guarantees for investments in the member countries amounted to 2 821,5 million ECU (of which 282,1 million ECU in the form of guarantees), or 87,7% of total financing from the Bank's own resources.

Almost two-thirds of financing from the Bank's own resources went to regional investment projects; energy, telecommunications and means of transport; irrigation and water supply; treatment of waste water, various infrastructures, and to investment projects in the industrial, agricultural and services sectors, mainly in the form of global loans to small and medium-sized ventures.

The loans were concentrated in regions given priority under Community regional policy: the Mezzogiorno, Ireland, Greece, Northern Ireland and Greenland, or in regions where unemployment is highest and per capita output lowest.

¹ See also the annual report of the Bank. This report and several other publications are sent to all the Community institutions, and individually to members of the European Parliament and the Economic and Social Committee.

Financing for projects to help to achieve the Community's energy objectives totalled 1 346 million ECU; 1 63% of this sum was for projects to develop indigenous resources, mainly in the nuclear sector (700.6 million ECU), and to exploit hydrocarbon deposits (179 million ECU). Loans for the diversification of energy imports and for the efficient use of energy amounted respectively to 344,7 million ECU and to 88,2 million ECU.

Other loans for projects in the common European interest (improvement of communications between Member countries, environmental protection, industrial cooperation) amounted to 104,5 million ECU.

Over two-thirds of the financing granted in 1981 was concentrated in Italy, Ireland, the United Kingdom and Greece, the countries with the most acute structural problems; significant amounts were also granted in the Federal Republic of Germany, France, Belgium and Denmark; one investment project was financed in Tunisia because of its importance for Community energy supplies, pursuant to Article 18 of the EIB Statute under which the Bank may grant loans for investment projects to be carried out outside the European territories of the Member States with the special authorization of the Board of Governors. The project in question was the Tunisian section of the gas pipeline between Algeria and Italy.

4.4. Euratom

In 1981, Euratom contracted to grant 17 loans for a total of 357,6 million ECU for the construction of four nuclear power stations (see Table 10 in the Annex):

- (i) fast-breeder nuclear power station at Creys-Malville (Nersa, France);
- (ii) nuclear power station at Alto Lazio (Enel, Italy);
- (iii) nuclear power station at Doel (Ebes, Belgium);
- (iv) nuclear power station at Tihange (Intercom, Belgium).

Apart from direct loans to the owner companies, the power stations of Doel and Tihange in Belgium were also aided by loans through Belgelectric Finance BV.

¹ The difference between this figure and the 'energy' column in Table 8 in the Annex is due to the fact that some industrial projects contribute to Community energy objectives, while other projects in the energy sector are financed to promote regional development.

The transactions carried out in 1981 raised the total amount of loan financing contracted since Euratom began its financing activities to 861 million ECU, very close to the initial ceiling of 1 000 million ECU authorized by the Council; consequently, the Council raised the ceiling from 1 000 million to 2 000 million ECU on 15 March 1982.

4.5. European Coal and Steel Community (ECSC) ²

The total amount of loans paid out by the ECSC in 1981 (see Table 11 in the Annex) came to 387,6 million ECU, considerably less than the 1980 figure (1 030,7 million ECU); the sizeable fall was due to a marked slow-down in the signing of contracts for loans already approved by the Commission, as a result of the difficult conditions on the capital markets and, in the case of loans to the steel industry, as a result of a more selective policy of aid to restructuring projects.

With the exception of loans paid out for the construction of workers' housing, which increased from 9,6 million ECU in 1980 to 14,7 million ECU in 1981, payments to all the sectors financed by the ECSC declined sharply during the year.

In the case of conversion loans, the continuing high cost of financing during the first nine months of 1981 seems to have hampered the implementation of major investment plans in new industries, but the share of global loans (intended to encourage job creation in small and medium-sized firms) increased from about 3% of loans granted in 1977 to 42% in 1981.

² See the financial report of the ECSC for 1981. ECSC lending accounts are drawn up in terms of loans 'paid out'. The Commission takes a decision in principle to lend a certain amount to a firm to finance an investment. It then raises the resources, within the limits defined by its decision, on the terms requested by the firm. It signs contracts for all or part of the loan with the firm on each disbursement.

ECSC loans approved by the Commission and contracted

<i>(million ECU)</i>				
Year	Amount in loans approved but not yet paid out at the beginning of the year	Amount in new loans approved during the year	Loans paid out	Amount in loans approved but not yet paid out at the beginning of the year
1980	2 523	1 223	1 031	2 715
1981	2 715	1 098	388	3 425

ECSC loans paid out by sector

	Total ECSC loans	Coal industry (first para. of Art. 54)	Steel industry (first para. of Art. 54)	Thermal power stations (first para. of Art. 54)	Conversion (Art. 56)	Workers' housing (Art. 54)	Iron-ore mines (first para. of Art. 54)	Other (second para. of Art. 54)
1980	1 030,7	233,2	424,0	90,0	266,1	9,6	—	7,9
1981	387,6	30,1	223,6	26,6	86,0	14,7	—	6,1
$\frac{1981}{1980}$ %	-62%	-87%	-47%	-64%	-68%	+152%	—	-22%

The fall in loans paid out to the steel industry in 1981, in spite of an increase in investment expenditure¹, is mainly a result of the Commission's extremely selective policy in appraising new applications for loans in the industry. The Commission considers applications for loans only when they correspond to the guidelines in the Council Resolution on steel recovery policy of 26 March 1981.

The aims of these guidelines are:

- (i) principally, the restoration in the medium term of normal market conditions in which undertakings are profitable;
- (ii) to this end, an overall reduction in steel-producing capacity in the Community, and the gradual phasing out of assistance to steel firms.

To achieve an overall reduction in steel-producing capacity, the Commission has tried to limit its aid solely to projects that are part of restructuring programmes involving both a significant reduction of the total capacity of an undertaking or group of undertakings and concentration of production on the most competitive plants. The gradual phasing out of assistance requires strict control of all sources of investment finance available to an undertaking or group of undertakings. In accordance with this comprehensive approach, the Commission has carefully examined not only new decisions to grant ECSC loans, but also decisions to pay out loans already granted.

Twenty-eight loans were contracted with steel firms during 1981, for a total of 223,6 million ECU. Loans were paid out to firms in four Member States in 1981: Italy, France, the Federal Republic of Germany and Ireland.

However, the contribution of ECSC loans to financing steel investment remained small, except in France (18%) and Italy (12%).

Decisions to grant new loans in the steel industry were limited to the part-financing of four projects.

As regards ECSC financing in the coal industry, the Commission mainly supported investment projects for modernization and rationalization intended to preserve or raise the level of output in the most productive mines.

The number of loans for investment in coalmining (under the first paragraph of Article 54) remained small: only two loans were paid out during the year, both to the same German firm, totalling 30 million ECU.

Five new decisions to grant loans during the year to major projects, including the reopening of a mine in the United Kingdom, indicate that more loans should be signed in 1982. However, the trend, combined with a more selective lending policy on the part of the Commission and increasingly difficult conditions on the capital markets, has led to a significant decline in the share of ECSC financing in total investment financing in the ECSC industries.

Three projects for thermal power stations received ECSC loans in 1981 under the first paragraph of Article 54 of the ECSC Treaty, for a total of 26,6 million ECU.

The Commission approved only one new loan during the year, to contribute to building a new thermal power station on the west coast of Ireland.

Outside the area of coal use, the Commission contracted only one loan under the second paragraph of Article 54 in 1981, for the modernization of shipyards in Italy.

¹ See 'Investment in the Community coalmining and iron and steel industries: Report on the 1981 survey', November 1981, Commission.

Five new loans were approved under the second paragraph of Article 54 in 1981: two concerned the application of industrial processes to coal, and two concerned raw material supplies for the European steel industry. The fifth is to finance railway wagons specially designed for the transport of coal, coke and steel products.

Loans for workers' housing, which were the only loans in the ECSC sector to increase in volume in 1981, expanded rapidly during the year, probably because the ninth ECSC housing programme began in several Member States.

The total amount in loans contracted from own resources in 1981, with interest at 1%, was 9,4 million ECU, plus an amount of 5,4 million ECU from borrowings. These sums made it possible to finance about 3 000 new workers' homes. Since it began its financial activities, the ECSC has contributed to the construction of 170 000 such homes.

5. Lending activities outside the Community

Pursuant to conventions and agreements covering economic or financial cooperation, in a variety of legal frameworks, some Community financing was provided in the form of loans to projects contributing to the economic and social development of recipient countries outside the Community.

EIB loans from own resources to projects outside the Community (see Table 12 in the Annex) amounted to 396,4 million ECU, with 238 million ECU going to the Mediterranean countries including Portugal, and 158,4 million ECU to the African, Caribbean and Pacific States pursuant to the second Lomé Convention. Lending from the budgetary resources of the Community, which is not covered in this report, totalled 90,4 million ECU.

5.1. Mediterranean countries

Half of the financing from the EIB's own resources in the Mediterranean region went to the two applicant countries: Portugal (79 million ECU) and, for the first time, Spain (40 million ECU); almost 30% went to the Maghreb countries (Algeria, Morocco, Tunisia; 52 million ECU) and the Mashreq countries (Jordan, Lebanon: 15 million ECU); a fifth of the amount was shared between Israel, Cyprus and Turkey (52 million ECU). Over half of these financings concerned small and medium-sized industrial investments, under the global loan scheme, and agriculture and forestry projects. The rest concerned road and harbour infrastructures and energy installations.

Loans from the EIB's own resources amounting to 121 million ECU carried interest subsidies of two or three points from the general budget of the Communities, which also

guarantees 75% of EIB lending to these countries, and 100% of emergency aid to Portugal.

5.2. ACP States

The EIB granted 13 loans from its own resources in the African States (106,4 million ECU) and the Pacific States (52 million ECU), including a loan of 40 million ECU in Papua-New Guinea: this was the first loan to mining and energy projects of mutual interest to the ACP State concerned and the Community, made under Article 59 of the Second Lomé Convention and with the special authorization of the Board of Governors of the EIB, pursuant to Article 18 of the Bank's Statute. Over 40% of the total amount went to mining, which is given special importance in the Second Lomé Convention. A major aspect of this is the launching of the 'Sysmin' system, to preserve and revive the mining industry through grants from the EDF. Energy came second, accounting for almost 33% of the total, in particular for hydroelectric or coal-fired power stations; other industries accounted for 18% (for cement works, and small and medium-sized ventures in industry, agriculture, energy, mining and tourism), while transport infrastructures accounted for 9%.

All these loans, except the 40 million ECU loan for the mining project in Papua-New Guinea, were granted at a rate of 8% which includes an interest subsidy from the resources of the European Development Fund.

6. Borrowing

6.1. The situation on the capital markets in 1981

Interest rates were still extremely high on all capital markets in 1981.

In several countries, for the first time for many years, real rates were positive. Their level mainly reflects the inflationary pressures that persist in all the western countries, in spite of the general decline in economic activity. They were held at an unprecedented level by the pursuit, in the United States and elsewhere, of very restrictive monetary and budgetary policies intended to combat inflation.

Some markets, in particular the dollar market, also displayed extreme volatility, aggravated by the pragmatic policy of borrowers, who usually tried to launch their operations during the short periods when interest rates eased temporarily for purely technical reasons.

In spite of these strains, the volume of activity on the international markets for fixed-rate bonds expanded strongly (from USD 42 000 million in 1980 to USD 53 000

million in 1981, according to recent estimates); however, the largest expansion was in floating-rate and zero-coupon issues, because of high interest rates and other factors of instability. Several borrowers with a high credit rating who had to go on issuing large fixed-rate bond loans were able to do so but had to offer sufficiently high coupons to offset uncertainty about market trends.

Against this difficult background, firms and long-term credit institutions that could not slow down or halt current investment programmes tried to find better protected methods of financing than public issues, i.e. private placings, bank loans and government loans and grants.

The most unstable financial market outside the Community was the dollar market, while an increasing number of European borrowers made calls on the yen market. Within the Community, the level of activity even on the traditionally more stable markets like those for the German mark and the Dutch guilder remained fairly moderate until the last weeks of the year, when there was some revival.

6.2. Community borrowing in 1981

During 1981, the Community contracted new borrowings totalling 3 280 million ECU, about 15,5% down on the 1980 figure.

The operations carried out in 1981 showed three main features (see table below):¹

- (i) For the first time, the Commission, borrowing on behalf of Euratom, and the EIB denominated issues in ECU. The ECU issues, which totalled 127,0 million ECU, represent slightly less than 4% of all the borrowings made by the Community in 1981; they were well received by the markets.

- (ii) There was a shift in the currencies borrowed towards non-Community currencies, which represented 46,6% of all borrowing (mainly the US dollar, followed by the Swiss franc and the yen), compared with 39,3% in 1980. Among the Community currencies, the share of the German mark declined considerably, from 33,2% in 1980 to under 19% in 1981, to the benefit of all the other currencies, especially the Dutch guilder. The breakdown partly reflects the preferences of loan recipients for a particular currency, and it is also influenced by interest rates and the varying extent to which currencies were available.

¹ Euratom and NCI borrowings are accompanied by an undertaking on the part of the Community to the lenders to reimburse, from the general budget, any balance unpaid by a defaulting borrower. In fact, the probability of such intervention being necessary is very low, for the operations guaranteed by the Community are either loans to major public promoters or, in the case of other recipients in the private sector, loans accompanied by the usual banking guarantees (surety, fixed charge, etc.). The budgetary guarantee is therefore only likely to be drawn upon in a few rare cases of delay in reimbursing the annual slice of a debt or loan. The budget guarantee takes the form of a token entry in the general budget against the headings for guaranteed borrowing and lending operations. This token entry in the budget makes it technically possible to apply the guarantee through a temporary call on Community cash resources to cover the debt. This guarantee is welcomed by lenders; it helps to reinforce the Community's excellent reputation on the financial markets, and to improve the terms on which it can borrow. Moreover, the capital of the EIB includes subscribed capital not paid up, which it may call to such extent as may be required to meet its obligations towards lenders in respect of borrowings (see Annex A to the balance sheet at 31.12.1981, EIB annual report 1981, page 71).⁶³

Breakdown of borrowings contracted in 1981, by currency

(in million ECU at the rate on 31.12.1981)

	Member country currencies							Non-member country currencies			Total	
	DM	HFL	UKL	FF	LFR	BFR	LIT	ECU	USD	SFR		Yen
EIB	358,3	319,2	106,9	128,6	14,5	51,7	—	85,0	615,1	300,0	263,4	2 242,7 ¹
Euratom	36,8	98,8	—	—	56,3	24,0	—	42,0	73,7	—	41,9	373,5
ECSC	109,0	57,8	16,8	4,8	33,5	—	—	—	36,9	66,6	—	335,4
NCI	101,2	98,8	9,7	—	—	—	—	—	129,0	—	—	338,7
Total	605,3	574,6	133,4	133,4	104,3	75,7	—	127,0	854,7	366,6	305,3	3 281,3
%	18,46	17,53	4,07	4,02	3,18	2,31	—	3,87	26,07	11,18	9,31	100,00

¹ Taking into account third-party participations in EIB loans (67 million ECU), the total funds raised in 1981 amount to 2 309,7 million ECU (see footnote 1 to the table on page 17).

(iii) As in 1980, there were a large number of private placings. The use made of this borrowing technique was due usually to the small amount per loan application or to the impossibility of floating a public loan in the desired currency at the particular moment. On a more technical level, the use of this technique makes it possible to spread borrowing over a period of time and to take better advantage of market fluctuations (see Table 2 in the Annex).

7. Community interest subsidies for loans contracted within the Community

7.1. Interest subsidy mechanisms

In 1981, the Community was able to grant four types of interest subsidy for loans within the Community:

from the ECSC budget:

(i) ECSC subsidies (on ECSC loans);

from the general budget of the European Communities:

(ii) EMS subsidies (on NCI and EIB loans in Italy and Ireland);

(iii) ERDF subsidies (on EIB loans in ERDF regions);¹ and

(iv) subsidies related to the special aid for the Italian and Greek areas hit by earthquake in November 1980 and February/March 1981 respectively (from NCI and EIB resources).

The 'earthquake' interest subsidies were not applied in 1981, since the first subsidized loans to Italy were not to be disbursed until 1982. Each of the four types of subsidy has the effect of lowering the interest rate by three percentage points. However, the technique of granting the subsidies varies: the EMS and ERDF interest subsidies are discounted and charged to the Community budget as a single sum, whereas the ECSC subsidies are not discounted and are charged annually to the ECSC budget over the first five years of the loan. The 'earthquake' interest subsidies are also to be charged annually, to the general budget of the Communities, for not more than 12 years (see Table 13 in the Annex).

¹ An ERDF interest subsidy has been granted only once: Member States prefer capital grants, and only one application for a subsidy has ever been received.

Subsidized loans and EMS subsidies paid out

Year	Subsidized loans		Interest subsidies paid out	
	Number	Million ECU ¹	Million ECU	% of loans
1979	34	885,4 ²	200,0	22,6
1980	55	1 030,8 ²	197,0 ³	19,1
1981	58	1 017,5	193,2 ³	19,0
Total	147	2 933,7	590,2	20,1

¹ The amounts in ECU of subsidized loans referred to in EIB documents differ slightly from those given here owing to the different dates used for converting into ECU. To ensure statistical comparability, the EIB uses the conversion rate in force on the last working day of the quarter preceding the signing of the contract not only for non-subsidized loans but also for subsidized loans. For purposes of calculating the interest subsidy to be entered in the accounts, however, it uses the conversion rates prevailing on the day of the final calculation. The figures in this report are based on the rate in force on the latter date both for subsidies and for subsidized loans, in order to preserve comparability between the amount of the subsidy and the amount of the subsidized loan.

² One subsidy was financed partly from 1979 appropriations and partly from 1980 appropriations. For statistical purposes, the amount of the loan concerned was divided between the two financial years in proportion to the interest subsidy for each year, each part being counted as a separate loan.

³ The amount available from budget appropriations for 1981 was 203,0 million ECU, including 3,0 million ECU carried over from the preceding year. After the disbursement of 193,2 million ECU in 1981, there remains a sum of 9,8 million ECU, owing to some delay in signing loan contracts in 1981, to be carried over to the 1982 budget under a supplementary or amending budget proposed by the Commission.

7.2. EMS interest subsidies²

Since Council Regulation (EEC) No 1736/79 of 3 August 1979 came into force, 147 loans have been subsidized under the European Monetary System, 58 from 1981 budget appropriations.

The 1981 operations related to 48 investment projects which were financed by 49 loans from the EIB's own resources (904 million ECU) and by 9 loans from NCI resources (114 million ECU), giving a total of 1 018 million ECU; five projects were financed jointly from the EIB's own resources and from those of the NCI. Four projects received several subsidized loans.

The discounted amount of interest rate subsidies totalled 193 million ECU. The ratio of the total amount of interest subsidies to that of subsidized loans was 19,0%, as against 22,6% in 1979; this ratio depends *inter alia* on the length of the loans, the interest rate and the period of grace.

The amount of each interest subsidy and of each subsidized loan is given in Tables 14 and 15 in the Annex.

² Discounted interest subsidies, charged to the general budget as a single sum for each loan.

The interest subsidies break down by recipient country as follows: two-thirds for Italy and one-third for Ireland, pursuant to Council Decision 79/691/EEC of 3 August 1979.

By origin of resources lent, they break down into nine loans from NCI resources and 49 loans from the EIB's own resources (i.e. 9% and 91% respectively).

An analysis by sector of use shows that 64% of the total amount of interest subsidies went to projects in the energy sector: 19% for the development of primary energy sources (hydrocarbons, peat, hydroelectric power and nuclear power); 15% for thermal power stations and heat production; and 29% for energy transmission (gas pipelines and power lines). Infrastructure projects in the other sectors accounted for the remaining 36% of the interest subsidies, mainly water supplies and irrigation (17%); industrial estates and training centres (7%); the improvement of telecommunications networks, road networks, rail and sea links (13%).

EMS interest subsidies paid from 1981 appropriations

	Subsidized loans		Interest subsidies paid	
	Num-ber	Million ECU	Million ECU	%
A. By recipient country				
Italy	41	726,3	126,6	65,5
Ireland	17	291,2	66,6	34,5
B. By origin of resources lent				
NCI	9	113,5	18,1	9,4
EIB	49	904,0	175,1	90,6
C. By sector of use				
Primary energy production	12	220,3	37,4	19,3
Transformation of energy	6	134,9	29,5	15,3
Transmission of energy	13	312,6	56,4	29,2
Subtotal: energy	31	667,8	123,3	63,8
Water engineering	16	163,4	32,2	16,7
Industrial infrastructure	4	72,3	12,8	6,6
Transport and communications	7	114,0	24,9	12,9
Subtotal: other infrastructure	27	349,7	69,9	36,2
Total	58	1 017,5	193,2	100,0

Almost four-fifths of the interest rate subsidies related to projects located wholly or partly in priority regions. Since the projects involve infrastructure, the number of new permanent jobs for running the completed projects is necessarily limited.

Nevertheless, these projects will eventually contribute, largely indirectly, to the development of productive activities which will create a substantial number of jobs; moreover, the work involved and the supplies needed for carrying out the infrastructure schemes will have direct and indirect temporary repercussions on the employment situation over what may, in some cases, be relatively long periods.

7.3. ECSC interest subsidies

The interest subsidies granted by the Commission on ECSC loans in 1981 were used to finance the following investments:

- (i) conversion projects financed by loans under Article 56 of the Treaty;
- (ii) restructuring investments ¹ in the steel industry, financed by loans under the first paragraph of Article 54 of the Treaty;
- (iii) investments to maintain and/or increase coalmining capacity, ² financed from loans under the first paragraph of Article 54 of the Treaty.

In 1981, as in previous years, the major share of interest subsidies (both for new applications approved and for loans contracted) went to conversion projects.

The very small amount of budgetary funds available for financing subsidies (from the ECSC levy, which is decreasing as a result of the steel crisis) has led several firms to decide not to rely on loans even though the projects concerned were eligible. The Commission has had to follow a restrictive policy in granting interest subsidies, and this has dissuaded firms from going ahead with existing applications for loans or from making new applications.

Fuller details on projects financed by ECSC subsidized loans are given in the ECSC financial report for 1981.

¹ See the Commission communication of 22 July 1977 (OJ C 174), and the Commission communication of 22 April 1980 (OJ C 99).

² See the Commission communication of 29 March 1980 (OJ C 79).

ECSC interest subsidies granted in 1981

	B	DK	D	F	IRL	I	L	NL	UK	Total
Article 54 ¹	—	—	1,2	0,5	—	0,7	—	—	2,8	5,2
Article 56 ¹	3,5	—	4,8	2,5	—	0,5	—	—	14,9	26,2
Total	3,5	—	6,0	3,0	—	1,2	—	—	17,7	31,4

¹ Non-discounted interest subsidies, paid annually, and thus for the most part concerning loans contracted before 1981.

Annex

List of tables in the Annex

Table 1	Borrowings by the European Communities (amounts outstanding)	29
Table 2	Commission borrowings contracted in 1981	29
Table 3	Trend in lending operations in the Community, by sector	31
Table 4	Breakdown of loans in the Community in 1981 by instrument, sector and country	31
Table 5	NCI loans contracted, 1979-81	32
Table 6	Euratom loans contracted, 1977-81	32
Table 7	ECSC loans paid out, 1970-81	33
Table 8	Loans from EIB own resources contracted in the Community, 1970-81	34
Table 9	List of NCI loans contracted in 1981	36
Table 10	List of Euratom loans contracted in 1981	37
Table 11	Breakdown by sector of ECSC loans paid out in 1981	37
Table 12	Loans outside the Community from borrowings, 1977-81	38
Table 13	Interest subsidies granted in the Community by the various Community mechanisms (1970-81)	38
Table 14	EMS interest subsidies, 1981 financial year: Italy	39
Table 15	EMS interest subsidies, 1981 financial year: Ireland	40

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Table 1

Borrowings by the European Communities

(amounts outstanding at end of each year, in million ECU)¹

Year	ECSC	EIB	Euratom	BEC ²	NCI	Total
1970	741	1 020	—	—	—	1 761
1971	802	1 423	—	—	—	2 225
1972	963	1 784	—	—	—	2 747
1973	1 172	2 287	—	—	—	3 459
1974	1 617	3 124	—	—	—	4 741
1975	2 393	3 926	17	—	—	6 336
1976	3 477	4 732	14	1 161	—	9 384
1977	3 956	5 421	110	1 500	—	10 986
1978	4 416	6 715	182	1 361	—	12 674
1979	4 713	8 541	333	965	178	14 730
1980	5 406	10 604	502	1 016	402	17 930
1981	5 817	13 482	902	1 062	894	22 157

¹ The conversion rates used were those obtaining on 31 December of each year; as the majority of borrowings are denominated in national currencies, the difference between two year-ends reflects, on the one hand, changes in the valuation of the existing stock and, on the other, the net volume of borrowings during the year.

² 'Balance of payments' borrowings.

Table 2

Commission borrowings contracted in 1981

(in million ECU)

No	Type	Life (years)	Coupon %	Currency and amount (millions)	Million ECU ¹
a) NCI					
1	Public issue	10	13¼	USD 25	23,04
2	Private placing	10	11½	HFL 40	14,91
3	Private placing	20	10,85	DM 30	12,27
4	Private placing	12	10,75	DM 45	18,41
5	Private placing	12	12,50	HFL 50	18,64
6	Public issue	12	14,75	USD 65	59,90
7	Private placing	12	10,75	DM 20,3	8,30
8	Private placing	12	10,85	DM 52	21,27
9	Public issue	12	17	USD 25	23,04
10	Private placing	15	16,75	UKL 5,5	9,71
11	Private placing	15	13,25	HFL 75	27,95
12	Public issue	12	15,5	USD 25	23,04
13	Public issue	12	10¼	DM 100	40,91
14	Public issue	12	12¼	HFL 100	37,27
NCI	Total				338,66

Table 2 (continued)

Commission borrowings contracted in 1981

No	Type	Life (years)	Coupon %	Currency and amount (millions)	Million ECU ¹
b) Euratom					
15	Public issue	9	12¾	USD 40	36,83
16	Private placing	7	13,25	LFR 300	7,19
17	Private placing	15	8,7	Yen 5 000	20,98
18	Private placing	15	11,5	HFL 40	14,91
19	Private placing	7	13,625	LFR 600	14,37
20	Private placing	7	10,25	DM 40	16,36
21	Public issue	7	11,5	HFL 150	55,90
22	Private placing	7	13,75	LFR 500	11,98
23	Public issue	7	12,25	LFR 500	11,98
24	Private placing	7	14	LFR 450	10,78
25	Private placing	10	10,75	DM 50	20,46
26	Public issue	10	12,50	HFL 75	27,95
27	Public issue	10	14,50	USD 40	36,86
28	Private placing	14	9,1	Yen 5 000	20,98
29	Private placing	12	15,25	BFR 1 000	23,95
30	Public issue	15	14	ECU 42	42
Euratom	Total				373,51
c) ECSC					
31	Public issue	10	10	DM 120	49,09
32	Private placing	5	15	FF 20	3,22
33	Private placing	7	13½	LFR 300	7,19
34	Public issue	10	6¾	SFR 80	40,99
35	Private placing	7	13¼	LFR 250	5,99
36	Public issue	7	14	USD 40	36,86
37	Private placing	9	14¼	UKL 2	3,53
38	Private placing	10	11%	HFL 60	22,36
39	Private placing	8	11¼	DM 10	4,09
40	Private placing	10	11¾	HFL 50	18,64
41	Private placing	12	12¾	HFL 45	16,77
42	Private placing	5	7¾	SFR 30	15,37
43	Private placing	8	11½	DM 26	10,64
44	Private placing	5	11½	DM 30	12,27
45	Public issue	10	13	LFR 600	14,37
46	Private placing	6	15	LFR 150	3,59
47	Private placing	8	10,39	DM 70	28,64
48	Private placing	8	16¾	UKL 7,5	13,24
49	Private placing	6	8½	SFR 20	10,25
50	Private placing	7	14¾	FF 5	0,81
51	Private placing	7	14¾	FF 5	0,81
52	Private placing	7	15	LFR 100	2,40
53	Private placing	5	9¾	DM 10,5	4,30
ECSC	Total				325,42
NCI + Euratom + ECSC					1 037,59

¹ The conversion rates used were those obtaining on 31 December 1981.

Table 3

Trend in lending operations in the Community, by sector

(in million ECU)¹

Year	Productive sector	Infrastructure	Energy	Total
1971	340,3	192,6	48,3	581,2
1972	328,3	191,2	174,9	694,4
1973	503,8	196,9	282,5	983,2
1974	604,0	143,4	480,2	1 227,6
1975	758,7	469,9	488,8	1 722,4
1976	1 163,5	429,9	556,4	2 149,8
1977	938,8	607,7	693,2	2 239,7
1978	745,4	1 000,0	1 089,1	2 834,5
1979	756,4	1 055,8	1 574,3	3 386,5
1980	1 277,9	1 204,7	1 680,2	4 162,8
1981	788,0	1 390,2	1 928,5	4 106,5

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

Table 4

Breakdown of loans in the Community in 1981 by instrument, sector and country

(in million ECU)⁴

	NCI			Euratom		EIB				ECSC				Total				%
	Inf.	Ener-gy	To-tal	Ener-gy	To-tal	Pr.s. ¹	Inf.	Ener-gy	To-tal	Pr.s. ¹	Inf.	Ener-gy	To-tal	Pr.s. ¹	Inf.	Ener-gy	To-tal	
B	—	—	—	225,2	225,2	12,3	—	170,2	182,5	—	0,5	—	0,5	12,3	0,5	395,4	408,2	10,0
DK	—	—	—	—	—	13,3	10,6	119,0	142,9	—	—	—	—	13,3	10,6	119,0	142,9	3,5
D	—	—	—	—	—	—	—	292,0	292,0 ³	53,2	5,9	33,2	92,3	53,2	5,9	325,2	384,3	9,3
GR	—	—	—	—	—	61,2	98,0	—	159,2	—	—	—	—	61,2	98,0	—	159,2	3,9
F	40,3	—	40,3	98,8	98,8	—	67,7	159,0	226,7	85,1	2,3	24,0	111,4	85,1	110,3	281,8	477,2	11,7
IRL	8,1	9,2	17,3	—	—	81,9	113,7	129,7	325,3	11,0	—	—	11,0	92,9	121,8	138,9	353,6	8,6
I	363,9	84,4	448,3	33,6	33,6	277,7	524,8	448,8	1 251,3	96,2	5,3	—	101,5	373,9	893,9	566,9	1 834,7	44,6
L	—	—	—	—	—	—	—	—	—	—	0,1	—	0,1	—	0,1	—	0,1	0
NL	—	—	—	—	—	—	—	—	—	—	0,5	—	0,5	—	0,5	—	0,5	0
UK	33,9	—	33,9	—	—	25,8	193,0	—	218,8	70,2	0,1	—	70,3	96,0	227,0	—	323,0	7,9
Non-EEC ²	—	—	—	—	—	—	—	22,8	22,8	—	—	—	—	—	—	22,8	22,8	—
	446,2	93,6	539,8	357,6	357,6	472,2	1 007,8	1 341,5	2 821,5	315,7	14,7	57,2	387,6	788,0	1 390,2	1 928,3	4 106,5	100
% Inst.			13,2		8,7				68,7				9,4				100	
% Sect.														19,2	33,8	47,0	100	

¹ Pr.s. = productive sector.

² Operations under Article 18 of the EIB's Statute.

³ Of which 282,1 million ECU in the form of guarantees.

⁴ See footnote 1 to Table 3.

Table 5
NCI loans contracted, 1979-81
(in million ECU)¹

	1979			1980			1981			%
	Infra-structure	Energy	Total	Infra-structure	Energy	Total	Infra-structure	Energy	Total	
Belgium	—	—	—	—	—	—	—	—	—	
Denmark	—	—	—	—	18,1	18,1	—	—	—	
FR of Germany	—	—	—	—	—	—	—	—	—	
Greece	—	—	—	—	—	—	—	—	—	
France	—	—	—	—	—	—	40,3	—	40,3	7,5
Ireland	62,0	24,7	86,7	27,3	14,4	41,7	8,1	9,2	17,3	3,2
Italy ²	39,6	45,4	85,0	62,3	75,5	137,8	363,9	84,4	448,3	83,0
Luxembourg	—	—	—	—	—	—	—	—	—	
Netherlands	—	—	—	—	—	—	—	—	—	
United Kingdom	25,9	79,4	105,3	—	—	—	33,9	—	33,9	6,3
Total	127,5	149,5	277,0	89,6	108,0	197,6	446,2	93,6	539,8	100
						%	82,7	17,3	100	

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

² Including 'earthquake' operations in 1981.

Table 6
Euratom loans contracted, 1977-81
(in million ECU)¹

	1977		1978		1979		1980		1981		%
	Energy	Total	Energy	Total	Energy	Total	Energy	Total	Energy	Total	
Belgium	—	—	—	—	50,54	50,54	82,2	82,2	225,2	225,2	63,0
Denmark	—	—	—	—	—	—	—	—	—	—	
FR of Germany	77,05	77,05	34,37	34,37	—	—	—	—	—	—	
Greece	—	—	—	—	—	—	—	—	—	—	
France	19,85	19,85	—	—	67,88	67,88	99,1	99,1	98,8	98,8	27,6
Ireland	—	—	—	—	—	—	—	—	—	—	
Italy	—	—	35,89	35,89	34,04	34,04	—	—	33,6	33,6	9,4
Luxembourg	—	—	—	—	—	—	—	—	—	—	
Netherlands	—	—	—	—	—	—	—	—	—	—	
United Kingdom	—	—	—	—	—	—	—	—	—	—	
Total	96,90	96,90	70,26	70,26	152,46	152,46	181,3	181,3	357,6	357,6	100

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

Table 7

ECSC loans, paid out 1970-81

Loans granted by the European Coal and Steel Community (ECSC)

1970-73

(in million ECU) ¹

	1970				1971				1972				1973			
	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total
Belgium	2,90	—	—	2,90	19,93	—	—	19,93	15,33	1,20	—	16,53	—	0,72	0,62	1,34
Denmark	—	—	—	—	—	—	—	—	—	—	—	—	7,81	—	—	7,81
FR of Germany	8,89	1,11	—	10,00	28,84	0,46	9,58	38,88	62,03	2,26	7,61	71,90	108,17	2,37	54,19	164,73
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	6,04	—	1,84	7,88	33,56	—	12,22	45,78	53,52	2,66	7,06	63,24	106,02	0,76	—	106,78
Ireland	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Italy	6,00	—	—	6,00	1,60	—	—	1,60	24,29	1,44	—	25,73	0,76	1,01	—	1,77
Luxembourg	2,00	—	—	2,00	—	—	—	—	—	0,29	—	0,29	—	—	—	—
Netherlands	2,40	0,48	—	2,88	5,95	0,05	—	6,00	10,81	—	—	10,81	3,18	0,80	—	3,98
United Kingdom	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Outside EEC	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	28,23	1,59	1,84	31,66	89,88	0,51	21,80	112,19	185,98	7,85	14,67	188,50	225,04	5,66	54,81	286,41

Loans granted by the European Coal and Steel Community (ECSC)

1974-77

(in million ECU) ¹

	1974				1975				1976				1977			
	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total
Belgium	10,28	—	—	10,28	40,35	1,77	—	42,12	34,58	2,69	—	37,27	15,01	0,86	—	15,87
Denmark	—	0,27	—	0,27	22,58	0,41	—	22,99	—	—	—	—	—	0,50	—	0,50
FR of Germany	108,48	0,56	41,02	150,06	119,32	7,90	23,65	150,87	166,75	9,67	10,49	186,91	27,90	5,86	81,75	115,51
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	82,52	0,39	1,86	84,77	112,14	4,95	—	117,09	101,92	4,28	27,00	133,20	125,27	0,87	48,37	174,51
Ireland	—	—	—	—	—	0,17	—	0,17	0,54	0,15	—	0,69	—	0,19	—	0,19
Italy	64,07	1,11	—	65,18	175,75	0,84	—	176,59	146,83	0,91	—	147,74	170,86	2,69	—	173,55
Luxembourg	—	0,41	—	0,41	0,65	0,48	—	1,13	—	0,06	—	0,08	—	0,56	—	0,56
Netherlands	1,85	—	—	1,85	29,54	0,89	—	30,43	38,16	0,39	—	38,55	—	0,51	—	0,51
United Kingdom	32,76	1,72	30,57	65,05	125,12	1,13	137,22	263,47	376,92	0,04	142,36	519,32	173,59	—	86,73	260,32
Outside EEC	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	299,96	4,46	73,45	377,87	620,45	18,54	160,87	804,86	865,70	18,21	179,85	1063,76	512,63	12,04	216,85	741,52

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

Table 7 (continued)

ECSC loans, paid out 1970-81

Loans granted by the European Coal and Steel Community (ECSC)

1978-81

(in million ECU) ¹

	1978				1979				1980				1981			
	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total
Belgium	—	1,89	—	1,89	30,21	0,44	—	30,65	—	—	29,17	29,17	—	0,5	—	0,5
Denmark	13,07	0,10	—	13,17	—	0,26	—	0,26	4,29	—	—	4,29	—	—	—	—
FR of Germany	115,63	5,60	17,80	139,03	125,40	6,06	17,58	149,06	98,48	0,78	29,79	129,05	53,2	5,9	33,2	92,3
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	89,94	2,77	34,43	127,14	69,26	2,97	26,71	100,94	237,55	0,51	37,41	275,47	85,1	2,3	24,0	111,4
Ireland	—	0,02	—	0,02	13,90	0,03	—	13,93	0,97	0,13	—	1,10	11,0	—	—	11,0
Italy	123,73	2,63	—	126,36	94,25	7,33	—	101,58	138,63	1,13	—	139,76	96,2	5,3	—	101,5
Luxembourg	73,50	0,44	—	73,94	19,46	0,31	—	19,77	68,62	—	—	68,62	—	0,1	—	0,1
Netherlands	42,00	0,82	—	42,82	—	0,55	—	0,55	4,59	0,27	—	4,86	—	0,5	—	0,5
United Kingdom	28,96	3,01	241,34	273,31	26,35	3,62	229,04	259,01	139,37	1,73	226,85	367,95	70,2	0,1	—	70,3
Outside EEC	—	—	—	—	—	—	—	—	6,63	—	—	6,63	—	—	—	—
Total	482,84	17,26	297,56	797,68	378,03	21,61	275,33	675,78	699,13	4,55	323,22	1030,70	315,7	14,7	57,2	387,6

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

Table 8

Loans from EIB own resources contracted in the Community, 1970-81

1970-73

(in million EUA) ³

	1970				1971				1972				1973			
	Prod. sect. ₁	In-fras.	Ener-gy	Total	Prod. sect. ₁	In-fras.	Ener-gy	Total	Prod. sect. ₁	In-fras.	Ener-gy	Total	Prod. sect. ₁	In-fras.	Ener-gy	Total
Belgium	6,0	—	16,0	22,0	—	—	—	—	—	—	14,4	14,4	—	—	—	—
Denmark	—	—	—	—	—	—	—	—	—	—	—	—	—	3,5	3,3	6,8
FR of Germany	46,1	—	—	46,1	29,7	26,8	5,4	61,9	44,6	—	85,8	130,4	79,0	—	125,5	204,5
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	20,0	18,0	23,4	61,4	54,9	53,6	16,0	124,5	4,5	80,4	60,0	144,9	53,8	85,6	31,2	170,6
Ireland	—	—	—	—	—	—	—	—	—	—	—	—	7,3	15,3	—	22,6
Italy	100,8	104,5	—	205,2	157,9	111,7	5,0	274,6	113,2	103,0	—	216,2	70,7	86,8	24,4	181,9
Luxembourg	—	1,0	—	1,0	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	2,8	—	—	2,8	8,0	—	—	8,0	—	—	—	—	—	—	—	—
United Kingdom	—	—	—	—	—	—	—	—	—	—	—	—	67,1	—	—	67,1
Outside EEC	—	—	—	—	—	—	—	—	—	—	—	—	—	—	43,3 ²	43,3
Total	175,7	123,5	39,4	338,6	250,4	192,1	26,4	469,0	162,3	183,4	160,2	505,9	277,9	191,2	227,7	696,8

¹ Industry, agriculture and services.

² Austria

³ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

Table 8 (continued)

Loans from EIB own resources contracted in the Community, 1970-81

1974-77 (in million EUA)

	1974				1975				1976				1977			
	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total
Belgium	—	—	16,1	16,1	—	—	10,8	10,8	17,9	—	—	17,9	—	—	—	—
Denmark	6,4	5,4	7,8	10,6	11,6	—	6,1	17,7	9,1	—	—	9,1	12,8	7,1	12,8	32,7
FR of Germany	26,5	—	69,6	96,1	—	—	—	—	9,2	—	101,6	110,8	—	—	28,4	28,4
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	45,5	56,8	91,4	193,7	8,2	128,9	20,9	158,0	—	60,1	—	60,1	19,6	119,5	157,4	296,5
Ireland	21,2	25,2	—	46,4	7,7	30,0	—	37,7	29,9	24,2	3,3	57,4	18,3	61,4	—	79,7
Italy	136,1	38,5	103,4	278,0	52,9	208,2	97,7	358,8	137,5	195,1	50,0	382,6	197,1	189,3	39,3	425,7
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	31,9	31,9	—	—	—	—	—	—	30,4	30,4	—	—	—	—
United Kingdom	68,3	13,1	68,1	149,5	57,8	84,3	192,4	334,5	94,1	132,3	191,2	417,6	178,4	218,4	92,8	489,5
Outside EEC	—	—	18,4 ³	18,4	—	—	—	—	—	—	—	—	—	—	48,8 ²	48,8
Total	304,0	139,0	406,7	849,7	138,2	451,4	327,9	917,5	297,8	411,7	376,5	1086,0	426,2	595,7	379,5	1401,3

¹ Industry, agriculture and services.
² Austria and Norway.
³ Norway.

1978-81 (in million ECU)

	1978				1979				1980				1981			
	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total	Prod. sect.	In-fras.	Ener-gy	Total
Belgium	—	—	62,2	62,2	8,7	—	49,7	58,4	6,2	—	147	153,2	12,3	—	170,2	182,5
Denmark	12,4	51,4	42,5	106,3	5,4	3,9	6,3	15,6	9,6	25,1	46,4	81,1	13,3	10,6	119,0	142,9
FR of Germany	2,3	—	43,2	45,5	4,0	—	43,8	47,8	—	—	14,2	14,2	—	—	292,0	292,0 ²
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	61,2	98,0	159,2
France	23,6	237,6	98,1	359,3	1,7	122,1	98,9	222,7	1,7	63,4	213,9	279,0	—	67,7	159,0	226,7
Ireland	14,8	72,6	30,0	117,4	49,2	124,4	79,3	252,9	177,2	114,0	43,1	334,3	81,9	113,7	129,7	325,3
Italy	142,2	374,0	328,9	845,1	244,6	356,3	304,5	905,4	223,8	578,5	350,2	1152,5	277,7	524,8	448,8	1251,3
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	67,3	247,0	116,4	430,7	64,0	299,9	375,1	739,0	166,8	329,6	191,6	688,0	25,8	193,0	—	218,8
Outside EEC	—	—	—	—	—	—	39,4 ¹	39,4	—	—	50,9	50,9 ³	—	—	22,8	22,8 ⁴
Total	262,6	982,6	721,3	1966,5	377,6	906,6	997,0	2281,2	585,3	1110,6	1057,3	2753,2	472,2	1007,8	1341,5	2821,5

¹ Austria and Norway.
² Of which 282,1 million ECU in the form of guarantees.
³ Austria and Tunisia.
⁴ Tunisia.

Table 9
List of NCI loans contracted in 1981

<i>(in million ECU)¹</i>						
Title of project	Italy	France	United Kingdom	Ireland	Total	%
1. Ordinary loans						
<i>A. Infrastructure</i>						
1. Telephones - Campania	15,8					
2. Telephones - Sardinia	39,8					
3. Industrial estates - Mezzogiorno	11,9					
4.5. Paris-Bordeaux motorway		12,0				
		28,3				
6. Water supplies in the north			33,9			
7. Telecommunications - Ireland				8,1		
Total	67,5	40,3	33,9	8,1	149,8	61,5
<i>B. Energy</i>						
8. Coal-fired power stations - Brindisi and Sulcis	11,8					
9. Hydroelectric power station - Edolo	32,9					
10. Heating network - Brescia	11,9					
11. Gas storage - Minerbo	4,0					
12. Algeria-Italy gas pipeline	7,9					
13. Northern gas pipelines	15,9					
14. Peat production				9,2		
Total	84,4			9,2	93,6	38,5
Total A + B	151,9	40,3	33,9	17,3	243,4	100,0
%	62,4	16,6	13,9	7,1		100,0
2. Reconstruction loans						
15. Railway network	28,4					
16. Road network	30,8					
17. Water supply	26,1					
18. Basic infrastructure	155,2					
19. Repair of schools	55,7					
Total	296,4					
Total NCI	448,3	40,3	33,9	17,3	539,8	
%	83,0	7,5	6,3	3,2	100,0	

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

Table 10

List of Euratom loans contracted in 1981

	Title of project	Country	Amount (in million ECU) ¹
19. 1.81	EBES Doel III (3rd tranche)	Belgium	28,35
12. 2.81	EBES Doel III (4th tranche)	Belgium	7,26
25. 2.81	NERSA XII	France	18,84
25. 2.81	NERSA XIII	France	14,33
3. 4.81	INTERCOM Tihange II (4th tranche)	Belgium	14,43
6. 4.81	INTERCOM Tihange II (5th tranche)	Belgium	15,77
11. 5.81	EBES Doel III (5th tranche)/ INTERCOM Tihange II (6th tranche)	Belgium	53,35
22. 5.81	EBES Doel III (6th tranche)/ INTERCOM Tihange (7th tranche)	Belgium	12,02
22. 5.81	EBES Doel III (7th tranche)	Belgium	12,02
24. 7.81	EBES Doel III (8th tranche)	Belgium	10,87
27. 7.81	INTERCOM Tihange III (1st tranche)/ EBES Doel IV (1st tranche)	Belgium	19,80
11. 9.81	INTERCOM Tihange III (2nd tranche)/ EBES Doel IV (2nd tranche)	Belgium	26,71
25.11.81	NERSA XIV	France	37,50
11.12.81	EBES Doel III (9th tranche)/ Doel IV (3th tranche)	Belgium	24,62
17.12.81	NERSA XV	France	20,16
17.12.81	NERSA XIV	France	8,00
22.12.81	ENEL Montalto di Castro	Italy	33,56
	Total		357,59

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

Table 11

Breakdown by sector of ECSC loans paid out in 1981

Sector	(in million ECU) ¹										
	Bel- gium	Den- mark	FR of Ger- many	Greece	France	Ire- land	Italy	Luxem- bourg	Nether- lands	United King- dom	EUR 10
1. Coal industry			30,57								30,57
Steel industry			45,65		76,93	10,96	90,07				223,61
Thermal power stations			2,66		23,96						26,62
Other projects							6,15				6,15
Total			78,88		100,89	10,96	96,22				286,95
2. Industrial conversion			7,57		8,22					70,20	85,99
3. Workers' housing	0,48		5,88		2,33		5,25	0,11	0,54	0,11	14,70
Overall total	0,48	—	92,33	—	111,44	10,96	101,47	0,11	0,54	70,31	387,64

¹ The conversion rates used were those obtaining on 31.12.1981.

Table 12

Loans outside the Community from borrowings, 1977-81

Country	<i>(in million ECU) ¹</i>				
	1977	1978	1979	1980	1981
ACP	67	91	73	124	158
Algeria	—	—	—	20	10
Morocco	—	—	26	—	30
Tunisia	—	—	24	5	12
Egypt	—	—	65	—	—
Jordan	—	—	11	4	3
Lebanon	—	3	17	3	12
Syria	—	—	16	—	—
Israel	—	—	—	—	30
Malta	—	—	3	—	—
Cyprus	—	—	—	—	12
Portugal	60	35	46	70	79
Turkey	—	—	36	44	10
Yugoslavia	25	25	—	—	—
Greece	—	20	104	101	—
Spain	—	—	—	—	40
Total	152	174	421	371	396

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

Source: European Investment Bank reports.

Table 13

Interest subsidies granted in the Community by the various Community mechanisms (1970-81)

Year	ECSC ¹		EMS ²	ERDF ²	Reconstruction Italian and earthquakes Greek
	Article 54 ³	Article 56 ⁴			
1970	1	6,8			
1971	2,2	2,2			
1972	4	3			
1973	0,6	3			
1974	6,1	5,4			
1975	6,4	6,6			
1976	3,4	6,7			
1977	2,5	17,3			
1978	12,2	18,1			
1979	21,7	25,5	200	12,1	
1980	25,6	28,5	197		
1981	5,2	26,2	193,2		5

¹ Non-discounted interest subsidies, paid in annual tranches.

² Discounted interest subsidies, charged to the general budget as a single capitalized sum when paid out.

³ Restructuring.

⁴ Conversion.

⁵ Interest subsidies in respect of subsidized loans granted in 1981 will not be paid out until 1982 or later.

Table 14

EMS interest subsidies, 1981 financial year: Italy

		<i>(in million ECU)</i>	
Borrower	Project	Loan ¹	Interest subsidy ²
NCI loans			
Ente Nazionale per l'Energia Elettrica (ENEL)	Pumped storage station at Edolo	33,0	5,4
ENEL	Thermal power stations at Brindisi and Sulcis	11,7	1,8
Municipality of Brescia	District heating Brescia	11,9	1,8
AGIP SpA	Underground reservoirs for storing natural gas	4,0	0,6
Ente Nazionale Idrocarburi (ENI)	Gas pipeline Algeria/Italy IV	7,8	1,2
SNAM SpA	Gas pipeline Minerbio-Zimella and Ripalta-Cortemaggiore	15,8	2,5
Cassa per il Mezzogiorno	Industrial estates at Chieti, Frosinone, Naples, Salerno and Catania	12,0	1,8
	NCI total	96,2	15,1
EIB loans			
AGIP	Hydrocarbon:		
	- Lavinia	2,8	0,3
	- Perla	26,7	3,7
	- Emma	3,8	0,5
	- Cavone	25,2	2,9
ENEL	Nuclear power station:		
	- Alto Lazio: IB	30,8	5,9
	IIA	48,8	9,8
	IIB	7,7	1,5
ENEL	Hydroelectric power stations:		
	- Presenzano	23,0	4,3
	- Calusia	4,8	0,8
ENEL	Brindisi thermal power station	11,5	1,8
AGIP	Natural gas storage at Minerbio	11,9	1,7
ENEL	North-south links: A	43,6	8,2
	B	30,7	5,9
	Electricity Sicily/Calabria	31,7	4,9
	Electricity Sardinia	4,8	0,7
SNAM SpA	Gas pipeline Algeria-Italy: VA	79,4	14,5
	VB	38,2	7,3
	Gas pipeline Chieti-San Salvo	9,5	1,7
	Gas pipeline Ripalta-Cortemaggiore	8,7	1,5
Cassa per il Mezzogiorno	Irrigation:		
	- Gela	15,9	2,5
	- Campidano: C	8,8	1,6
	D	7,6	1,4
	- Oristano B	9,2	1,7
	- Foggia (Ofanto) B	11,9	2,1
	- Agro Pontino A	9,5	2,0
Cassa per il Mezzogiorno	Aqueducts:		
	- Basilicata IB	7,9	1,2
	- Calabria II	14,3	2,6
	- Aurunci	19,9	3,5
	- Latium/Abruzzi	21,5	4,4
	- Ruzzo B	3,8	0,6
Cassa per il Mezzogiorno	Industrial estates:		
	- Syracuse III C	23,1	4,1
	- Frosinone, Cassino, Anagni, Sangro-Aventino	8,0	1,2
Cassa per il Mezzogiorno	Transport:		
	- Palermo motorway bypass	6,4	1,2
Azienda Nazionale Autonoma della Strada	- road improvements in Lazio	18,7	3,5
	EIB total	630,1	111,5
Grand total		726,3	126,6

¹ See footnote 1 to table on page 24.² Actually charged to the budget.

Table 15

EMS interest subsidies, 1981 financial year: Ireland

<i>(in million ECU)</i>			
Borrower	Project	Loan ¹	Interest subsidy ²
NCI loans			
Bord na Móna	Peat production IB	9,3	1,6
Irish Government	Telephone network VIIB	8,1	1,5
	NCI total	17,4	3,1
EIB loans			
Bord na Móna	Peat production IIB	4,3	0,8
Electricity Supply Board (ESB)	Peat power stations: Shannonbridge and Lanesborough B	24,6	6,2
ESB	Coal-fired power station at Moneymoint: B	43,3	10,0
	C	32,0	7,9
ESB	Electricity grid IIA	26,4	5,7
Irish Government	Water engineering:		
	- South-West B	8,7	2,3
	- Mayo/Sligo C	5,8	1,5
	- East/South-East C	4,4	1,0
	- Midlands/North-East C	9,8	2,6
Irish Government	Land drainage C	4,3	1,1
Irish Government	Vocational training centres for industry and agriculture	29,4	5,6
Irish Government	Telephone network:		
	- VIIC	35,9	9,0
	- VIID	11,2	2,8
British and Irish Steam Packet Co.	Roll- on/roll-off vessel	7,2	1,4
Coras Iompair Éireann (CIE)	Dublin suburban railway network A	26,5	5,6
	EIB total	273,8	63,5
Grand total		291,2	66,6

¹ See footnote 1 to table on page 24.
² Actually charged to the budget.