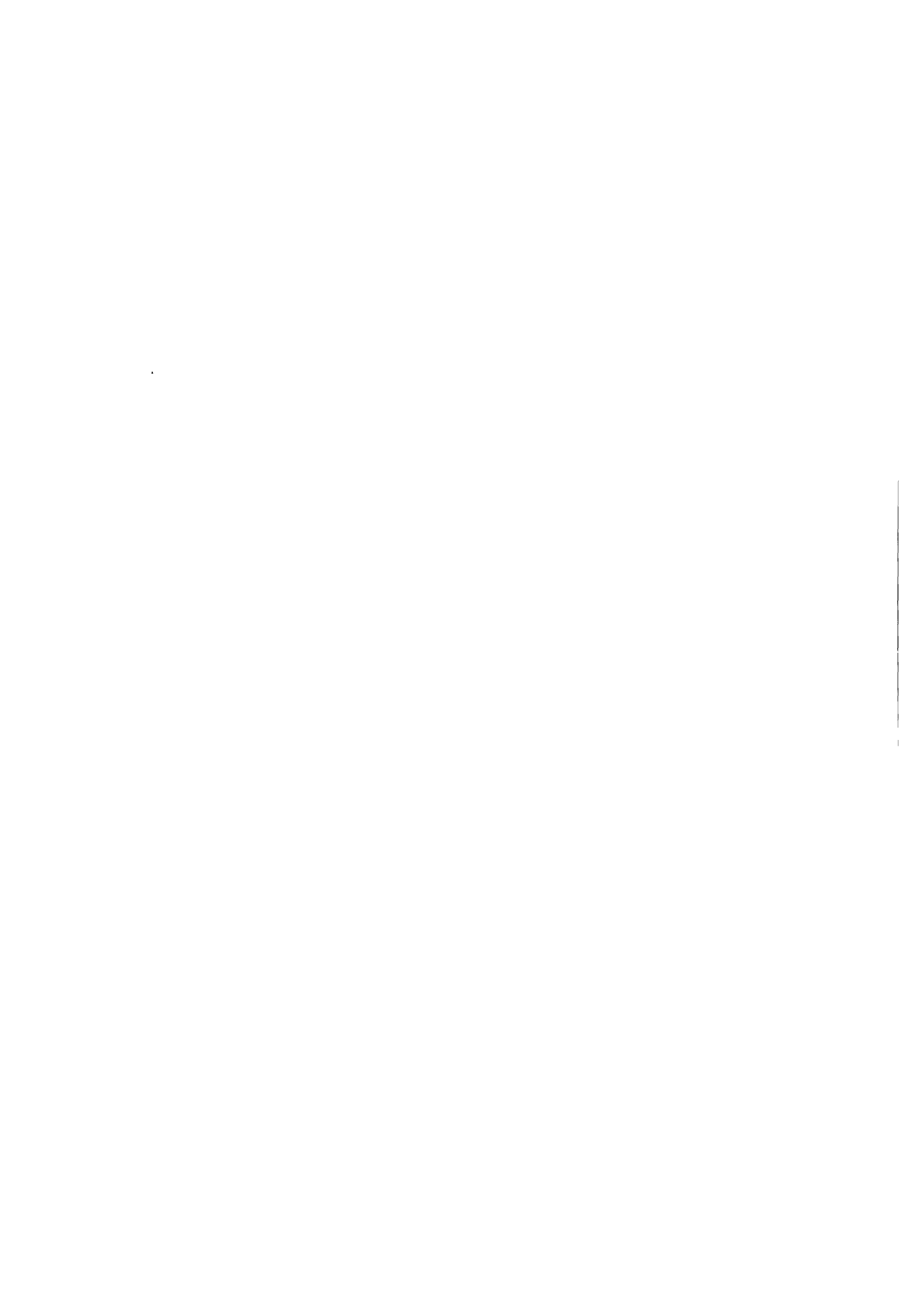


**European  
Investment  
Bank**

**Research Department**

**The  
European  
Investment Bank  
and the problems  
of the  
Mezzogiorno**



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## PREFACE

The idea behind this study was to try to place the Bank's operations in the Mezzogiorno, the focal point of a large part of its activities, in the overall context of the steps taken by the Bank over the past twenty years and more to accelerate the economic development of this region.

The study <sup>(1)</sup>, prepared for informational purposes, comprises :

- an analysis of the problems of the Mezzogiorno, action taken and results obtained since 1950;
- an analysis of the Bank's contribution to the development of the Mezzogiorno;  
and
- a consideration of further opportunities open to the Bank.

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<sup>(1)</sup> Completed in September 1972 and also published in French, German and Italian.



# THE MEZZOGIORNO : ITS PROBLEMS, ACTION TAKEN AND ECONOMIC DEVELOPMENT FROM 1950 TO 1971

Although it is true that the underdevelopment of Southern Italy and the gulf existing between this vast region and the North are partly attributable to fundamental causes of a physical and geographical nature, the main explanation lies in certain economic, social and political forces traceable to the political and economic unification of the country dating from 1860.

## 1.1. THE SITUATION AT THE BEGINNING OF THE 1950's

At the beginning of the 1950's <sup>(1)</sup>, there were serious discrepancies between the economic and social structures of the various Italian regions.

The South <sup>(2)</sup> (123,000 sq.km) had 17.6 million inhabitants, or 37 % of the total population, but its contribution to the national product was only 24 %. The per capita income (128,000 lire, or 205 u.a.) corresponded to 51 % of that in the Centre and North of Italy. The employable work force represented only 39 % of its total population, against 46 % in the Centre and North.

<sup>(1)</sup> All the figures quoted are for 1951, the year of the population and industry census.

<sup>(2)</sup> South : Abruzzi, Molise, Campania, Apulia, Calabria, Basilicata, Sicily, Sardinia. The Mezzogiorno is the centre of the Cassa's activities and includes the South as such plus part of the regions of Lazio, The Marches and the Tuscan archipelago.

Agriculture provided jobs for 57 % of the employable work force in the South, against 38 % in the Centre and North. In every sector of activity, productivity was lower in the South.

Consequently labour productivity <sup>(3)</sup> in the South was markedly lower than in the Centre and North : 361,000 lire (578 u.a.) against 559,000 lire (894 u.a.).

Tables 1 and 2 (pages 5 and 6) illustrate these factors.

The 1951 census showed that there were 225,000 industrial concerns in the South, or about 32 % of the total for the whole country. On average, each industrial concern in the South had 3.27 employees, against 7.51 in the Centre and North. Only 18 % of the concerns in the South were power equipped, against 37 % in the other regions, and the installed capacity in these establishments was only 12.5 % of the overall installed capacity for the whole of Italian industry. These factors highlight the importance of handicrafts in industry in the South and explain the differences in productivity.

At the end of the postwar reconstruction period, the particular problems of the South were intensified by the general problems besetting the Italian economy. The number of unemployed was put at over two and a half million, but was considerably higher

<sup>(3)</sup> Gross domestic product in relation to number of employed.

Table 1 — Gross domestic product, employment and productivity per sector (1951)

Sectors	Centre and North			South		
	GDP <sup>(1)</sup> (thousand million lire)	Jobs (thousands)	Productivity (thousand lire)	GDP <sup>(1)</sup> (thousand million lire)	Jobs (thousands)	Productivity (thousand lire)
Agriculture	1,425.5	4,961.0	287	796.5	3,679.0	216
Industry	3,007.4	4,497.5	669	556.6	1,305.5	426
Other activities	2,941.4	3,743.4	786	990.6	1,506.5	657
Total	7,374.3	13,201.9	559	2,343.7	6,491.0	361

<sup>(1)</sup> Gross domestic product at factor cost.

Sources : GDP : ISTAT, *Annuario di Contabilità Nazionale*, 1971.

Employment : ISTAT, *Annuario Statistico Italiano*, 1953.

Table 2 — Economic structure of the two regions (1951)

Sectors	Centre and North		South		
	GDP	Employment	GDP	Employment	Productivity (Centre and North = 100)
Agriculture	19	38	34	57	75
Industry	41	34	24	20	64
Other activities	40	28	42	23	84
Total	100	100	100	100	65

Sources : Cf. Table 1.

in view of a great deal of underemployment, particularly in the South. Investment possibilities were limited by misgivings as to the balance of payments trend.

The need to stabilise the balance of payments led to the introduction of customs barriers and a strict control over all external operations.

In order to reduce the imbalance between North and South without excessive migration, the authorities felt that it was essential to apply a series of measures geared to channelling resources from the other regions into Southern Italy and directing them towards productive uses. The thinking was that this transfer of capital and the improved efficiency of the productive system would speed up the growth of the entire Southern economy, until such time as the latter could continue under its own steam. But the general infrastructure and the productive structures were altogether ill-suited to more advanced economic activities, and the scale and potential of the market were definitely inadequate.

Obviously these handicaps had to be eliminated before undertaking any action aimed at funnelling capital towards directly productive investments.

## 1.2. ACTION TAKEN FROM 1950 TO 1965 AND RESULTS

### 1.2.1. 1950-1960 ten-year plan

Law 646 of 10 August 1950 made provision, for the first time, for the establishment of a general plan

for special projects geared specifically to the economic and social progress of Southern Italy. The tasks of financing and executing this plan were entrusted to a new public body, the Cassa per il Mezzogiorno (<sup>1</sup>). Its operations were to supplement the ordinary activities of the public departments, particularly with regard to land and agricultural development, transport infrastructures and aqueducts. The bulk of the Cassa's resources was to consist of budgetary appropriations. The Cassa was also authorised to contract loans, even abroad, provided that these only constituted advances in respect of some of its appropriations.

The Cassa's first plan, covering the 1950-1960 period, was initially conceived as a "pre-industrialisation" plan, centred mainly on the implementation of a complex of infrastructures, the major objective of which was to increase the agricultural yield and improve general infrastructure, failing which it seemed impossible to carry a genuine development policy to a successful conclusion.

One billion lire (1,600 million u.a.), or about 0.6% of the Italian GNP at that time, were allocated to the Cassa for putting the plan into operation: 89% of the funds was earmarked for setting up the infrastructures and the balance for direct aid to farmers. The Cassa's direct investments related mainly to the

(<sup>1</sup>) Cassa per opere straordinarie di pubblico interesse nell'Italia Meridionale (Bank for special projects of public interest in the South of Italy).



accomplishment of agricultural projects (development of mountain areas, irrigation, drainage, land reform), while 230 thousand million lire (368 million u.a.) were assigned to water supply, the construction of sewer systems, road building, and various projects of tourist interest.

The agricultural projects and infrastructure investments were meant to promote market growth. It was thought that the resultant additional demand would stimulate investment in the secondary sector, without necessitating direct public authority aid. The end result of this programme was to be the spontaneous development of industry. The advantages accruing from this development and from labour costs considerably lower than those in the industrialised regions would attract outside ventures towards the South and step up development.

In fact, the special disbursements in favour of the South were also, directly and indirectly, a stimulus to production in the North, which was far better suited to meeting this additional demand, mainly because of a higher rate of saving, an adequate supply of skilled labour and the possibility of economising on a wider scale.

The sums allocated and the different types of special operation soon proved to be insufficient and ill-equipped for solving the underdevelopment problem in a reasonable period of time. It was seen that, failing emigration, this aid would not wipe out backwardness in the South. The scheme adopted turned out to be better suited for application to a uniformly underdeveloped country than to backward regions within a more advanced economic system.

The special aid plan underwent its first modification two years after its launching. Its term was extended to 12 years, additional sums (280 thousand million lire, or 448 million u.a.) were appropriated to the Cassa and there was added special aid for general infrastructure (roads, railways, water supply). However, the Cassa's assistance towards infrastructures was partly offset by a substantial curtailment in direct investment expenditure on the part of the ordinary administrative authorities in the Mezzogiorno.

As regards industry, the three Southern banks (Banco di Napoli, Banco di Sicilia, Banco di Sardegna) had been granted 10 thousand million lire (16 million u.a.) as early as 1947 for loans to industry, with provision for an interest rebate borne by the State. In 1950, this grant was increased to 50 thousand million lire (80 million u.a.). Then, from

1952-1953 onwards, a new industrial credit system was introduced :

- the Cassa was authorised to borrow abroad, with the State's guarantee and even beyond the amount of its grant, for the purpose of financing industrial projects;
- three special credit institutions (ISVEIMER, IRFIS, CIS) were set up, the Cassa contributing to their funds. With their appropriations, other special resources and their opportunities for floating bond issues on the domestic market <sup>(1)</sup>, these institutions had at their disposal a wider body of means for financing Southern industry and could benefit from loans contracted by the Cassa abroad.

Despite these measures, the system was still inadequate to bring about a significant development in industrial investment.

#### **1.2.2. Prolongation of the first plan into 1957 and reinforcement of aid to industry**

In 1957, the entire system was considerably overhauled. The Cassa's first plan was extended, for the second time, from 12 to 15 years (to come to a definite end in June 1965) and there was an increase in the resources available to the Cassa.

Arrangements were then made to increase the investment expenditure of the ordinary administrative authorities in the South to at least 40 % of the national expenditure; this 40 % floor was also applied to investments on the part of enterprises in which the State owned an interest. Part of the Cassa's resources (244 thousand million lire - 390 million u.a.) was reserved for aid to small- and medium-scale industrial ventures, up to a unit investment amount of 1.5 thousand million lire (2.4 million u.a.) and a maximum of 500 jobs. This aid comprised, inter alia, subsidies, an interest rebate on the loans made by the institutions and implementation of the necessary industrial infrastructures. The subsidies could amount to 10 % of the cost of equipment and 20 % of the cost of real estate; the rebate could reduce the interest rate to 5.5 %. The interest rebates on industrial loans granted from the proceeds of foreign loans were borne directly by the Treasury, which also assumed the exchange risk on all the Cassa's loans.

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<sup>(1)</sup> These institutions are not authorised to borrow directly abroad.

The industrial project direct aid scheme was extended on several occasions between 1957 and 1965. The size of projects qualifying for aid was stepped up from 1.5 to 3 thousand million lire, then to 6 thousand million and finally aid was extended to projects irrespective of size for that portion of the project not exceeding 6 thousand million lire. The rate of the subsidy was raised uniformly to 20% of the cost of the investment and interest rebates were increased, the rate of interest on loans being reduced to 4% and possibly even to 3% in certain cases.

All these measures were designed to accelerate industrialisation and to stimulate structural changes. The incentives were meant to attract a sufficient number of ventures to the Mezzogiorno to modify the territorial distribution of Italian industry and to reduce the dualism in the economy.

For the period covered by the 15-year plan (1950-1965), the Cassa finally had at its disposal 2,216 thousand million lire (3,546 million u.a.), i.e. the equivalent of 0.62% of the Italian GNP for the same period. In fact, about 600 thousand million lire (960 million u.a.) of the Cassa's special aid replaced the contributions by the ordinary public authorities, so that the additional charge actually borne by the national authority for the development of the Mezzogiorno can be put at 0.45% of the GNP.

Aid-granted industrial fixed investments totalled 3,000 thousand million lire (4,800 million u.a.), or nearly 11 times the amount of direct aid to industry <sup>(1)</sup> and represented 62% of industrial investment in the region during this period. Due to the gradual bolstering of the aid scheme, the percentage of annual public aid-backed investments soared from about 15% in 1951 to 73% in 1965.

The build-up of aid for industrialisation was of considerable help in developing investments. From 1951 to 1965, the average volume growth rate of investments reached 9%, compared with only 3.1% <sup>(2)</sup> for the rest of Italy. Taking account of public investments, the overall investment rate for the whole of the period was higher in the South than in the rest of Italy: 19% against 17.8%. However, owing to the sectoral distribution of investments (importance

of infrastructures, agricultural development and basic industries), the regional product developed in the South at a rate (5%) slightly lower than that for the rest of Italy (5.6%), so that the gap does not seem to have been reduced during this period, notwithstanding definite structural improvements.

Despite the lower yield of investments in the South, direct aid for industrialisation attracted fairly substantial amounts of capital to the region. In all, 33% of the gross fixed capital formation was financed by capital from outside the South, although this contribution was definitely greater during the early part of the period than in the subsequent years.

External contributions not only helped to bridge the inadequacy of savings for financing investments, but also stimulated the development of consumer expenditure by very sizeable current transfers. In the main, the total resources available in the South were about 18% higher than the regional product and they increased more rapidly than the resources utilised in the rest of the country (+ 5.45% per annum against + 5.1%).

Because of population redistribution as a result of migration, demographic growth was lower in the Mezzogiorno than in the North, thus favouring a reduction in the incomes gap: the average per capita income in the South was put at 53% of that in the Centre and North in 1965, against 51% in 1951.

Despite the efforts aimed at containing emigration, while reducing unemployment, the balance of migratory drifts to the other regions [1,690,000 <sup>(3)</sup>] and abroad [688,000 <sup>(3)</sup>] remained high throughout the period. The drop in employment in agriculture (— 1,400,000 jobs) led to a perceptible fall in total employment (— 530,000 jobs, or 18% of the 1951 employment total), notwithstanding the creation of jobs in industry (+ 560,000).

Despite the definite structural improvement in employment at both the qualifications and sectoral level, creating new jobs was not a sufficient answer to the large-scale agricultural exodus and the growth in the numbers of those employable. Whatever its drawbacks, emigration corrected the imbalance, holding the unemployment rate in the South at only 3.7% in 1965 <sup>(4)</sup> (approximately 230,000 unemployed).

<sup>(1)</sup> This calculation does not take account of the interest rebate on foreign loans borne directly by the Treasury.

<sup>(2)</sup> These rates were greatly influenced by the economic crisis subsequent to 1963; the rates for just the 1950-1963 period are appreciably higher: 14% in the South and 7.9% in the Centre and North.

<sup>(3)</sup> 1952-1965 period, excluding temporary workers.

<sup>(4)</sup> Calculated as the ratio between the total unemployed and young workers seeking their first job, and the total number of those employable.

The means adopted over the first 15 years of the special policy for the Mezzogiorno fostered economic development and channelled a substantial volume of capital to the South, particularly by stimulating considerable industrial investment. However, they made little progress towards eliminating dualism: there was a far greater movement of labour than of capital, factor productivity, in respect of labour particularly, remained relatively unpronounced and the net regional product was not sufficient to cover public and private consumer expenditure. A degree of saving was, however, achieved, principally due to the relatively large transfers made to the South and for the most part consisting of remittances from emigrant workers in the North and abroad.

### 1.3. 1965-1971 PROGRAMME AND RESULTS

In 1965, the special plan was extended by 15 years, i.e. until 1980. More substantial resources were allocated to the Cassa for a new 5-year programme (July 1965-December 1970) and all ordinary and extraordinary public authority activity in the South was placed under the authority of the CIPE<sup>(1)</sup>, which was made responsible for establishing general directives and ensuring coordination.

For the implementation of the 1965-1970 programme, the Cassa had at its disposal approximately 2,961 thousand million lire<sup>(2)</sup> (4,738 million u.a.). This amount corresponds to 0.95% of the GNP for the period. Steps were taken to reinforce the action of the ordinary public authorities, so that the nature of the Cassa's operations could be wholly supplementary.

The development policy was no longer so widely focused on the establishment of basic infrastructures and on agricultural operations, although operations in favour of these sectors remained substantial. Some 45% of the resources available at that period went towards encouraging industry to set up in the region. Aid (interest rebates and subsidies) amounted to 1,123 thousand million lire (1,797 million u.a.), against 227 thousand million lire (363 million u.a.) from 1957 to 1965. 198 thousand million lire (317 mil-

lion u.a.) went towards the direct establishment of infrastructures in the industrial sectors against 48 thousand million lire (77 million u.a.) under the previous plan<sup>(3)</sup>.

Fairly strict criteria were applied to the aid so as to direct investments towards key sectors and specific zones (development centres, zones and nuclei). "Concerted planning" was introduced to ensure coordination of ventures between sectors and implementation of "investment blocks" with the assistance of major public and private industrial groups.

Industrial investments, which received aid from the Cassa over the 1966-1970 period, exceeded 3,400 thousand million lire (5,440 million u.a.), or totalled more than the investments stimulated by public aid in the course of the previous 15 years. The average size of projects increased from 0.38 million to 1.6 million u.a., investment per job created from 10,700 u.a. to 25,000 u.a., and the ratio of investment to turnover from 0.74 to 0.81. The pattern of these parameters seems to indicate that the changes in the aid scheme, and probably also the development of the economy of the Mezzogiorno, encouraged concerns to take root in this region that were representative of a more advanced economic system. However, these overall figures mask certain less favourable aspects of this type of industrial growth, viz.: the coexistence of an industry producing traditional regional consumer articles together with a modern basic commodity industry, geared mainly to the domestic market and to exports, and a concentration of projects in the sectors with greater capital intensity and generally low labour utilisation.

From 1966 to 1970, public aid played a crucial part in the achievement of industrial projects by assisting them in overcoming the drawbacks of establishment in the South. During this period, 28% of aggregate industrial investment was carried out in the South, against 20% over the previous 15 years. The value of investment was 3,585 thousand million lire (5,736 million u.a.), nearly 90% of which was made possible through public aid.

Over this as over the previous period, the growth in industrial production was much the same in the South (8.0%) as in the Centre and North (7.9%).

As regards the financing of overall investments, the contribution of private capital from outside the region

(1) Comitato Interministeriale per la Programmazione Economica.

(2) This amount was supplemented by foreign loans totalling 462 million u.a.

(3) Tables I and II of the Appendix (page 38) give the principal data on the activities of the Cassa.

is reported to have fallen considerably by comparison with the previous 15 years (from 30 % to 8 %) (1).

On the other hand, current transfers originating from outside the region continued to develop rapidly. Net capital imports for the period raised the South's available resources to 20 % above the regional product. Hence the overall contribution from outside the region was definitely higher than that of the previous period, although the influx of funds from the other regions caused an immediate improvement in peoples' standard of living rather than solving the South's structural problems.

The jobs engendered as a result of the new industrial ventures were barely sufficient to maintain industrial employment at its 1965 level. As for the cutback in jobs, due to the termination of low productivity ventures which could offer no competition faced with the new conditions brought about by the general regional development, this partly cancelled out the effects of the new ventures. Unemployment could be kept at a level below 5 % solely because of emigration to the other regions (622,000) or abroad (386,000) and the creation of jobs (260,000) in tertiary activities.

#### 1.4. OVERALL SURVEY OF DEVELOPMENTS BETWEEN 1951 AND 1971

At the end of twenty year's endeavour to develop Southern Italy, the balance sheet is, on the whole, quite positive. Making good the very serious economic leeway of the Mezzogiorno is necessarily a very long-term undertaking.

The gross product of the Mezzogiorno, estimated at 1963 prices, increased between 1951 and 1970 at the annual rate of 5.0 %, a vigorous growth by international standards. It was, nonetheless, slightly below that recorded for the Centre and North (5.8 %) and for Italy as a whole. But when allowance is made for the fact that the number of people employable in the South decreased by more than 10 % over the same period, while the number in the Centre and North remained practically stable, it can be seen that the South succeeded in maintaining a very appreciable level of growth. Despite large-scale emigration — which always affects the volatile

sectors of the population — the South's contribution to the national product remained virtually stable (19 % in 1970 compared with 20.1 % in 1951); for the industrial sector alone, the South's contribution even increased from 15.5 % in 1951 to 17.3 % in 1970. Because of its trade with the outside world and its influx of transfers, the Mezzogiorno experienced a more rapid growth in available resources than the Centre and North (+ 5.8 % per annum against + 5.4 %), and its consumption rate rose to the average for Italy. Even more significant, especially in the long term, gross investments increased at a very high rate (8.6 % per annum) to surpass the rate achieved in the Centre and North (6.6 %) and in the country as a whole (7.1 %).

In 1971, the Mezzogiorno was less affected by poor economic conditions than the rest of the country; the regional product increased by 3.4 % against 0.8 % in the other regions, due mainly to a good agricultural season (+ 7.5 % against 3.7 % in the Centre and North). Total gross investments, including a steep fall in housing construction in 1971, slackened by only 1.6 % against 6 % in the other regions. Investments in capital goods increased by 7.2 %, whereas they fell by 6.3 % in the other regions. The fact that the slump in the Italian economy only slightly affected productive investments in the Mezzogiorno is mainly because of public authority action: industrial enterprises in which the State owned an interest invested 691.5 thousand million lire (1,106 million u.a.) in this region, or 57 % more than in 1970, whereas public contributions to industrial projects should make for fixed investments amounting to 850 thousand million lire (1,360 million u.a.), or 20 % more than in 1970.

What has brought about quite radical changes in the economic structure of the Mezzogiorno, has been the sustained level of investment, financed in part by resources from outside the region, and the fact of bringing the region into contact with the industrial world through migrant population drifts, public and private transfers of funds leading to higher consumption, and the modernisation and development of infrastructures or the setting up of industrial concerns. The domestic product has yet to reflect these structural changes.

Too much importance should not be attached to the fact that per capita income increased between 1951 and 1970 at a slightly lower rate than for the Centre and North (4.3 % against 4.9 % per annum). The difference can be partly explained by the decrease

(1) According to the ISTAT figures for national income and expenditure.

Figure 1

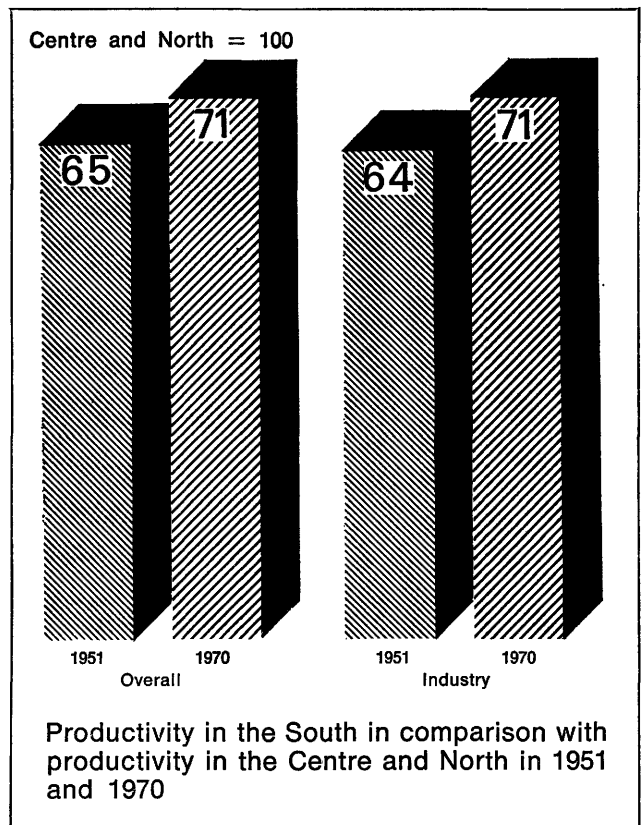
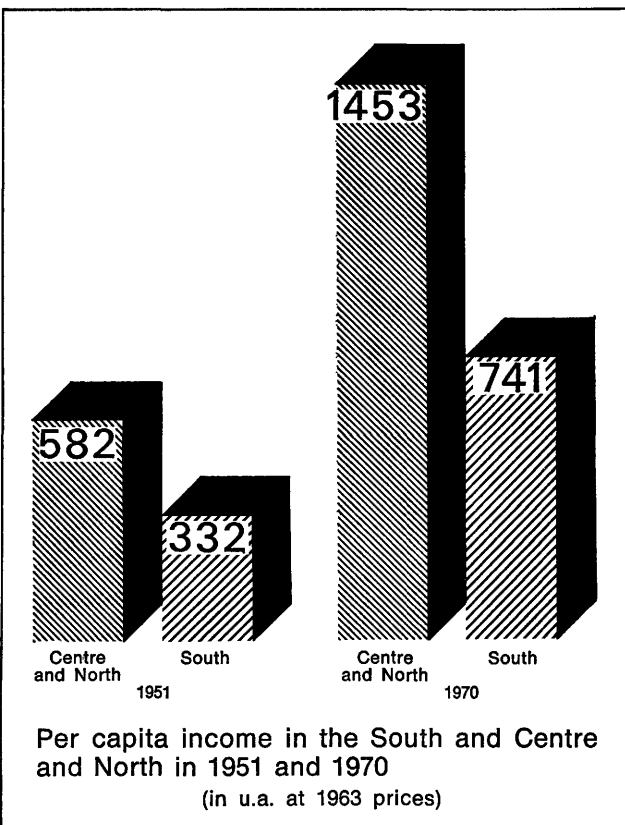
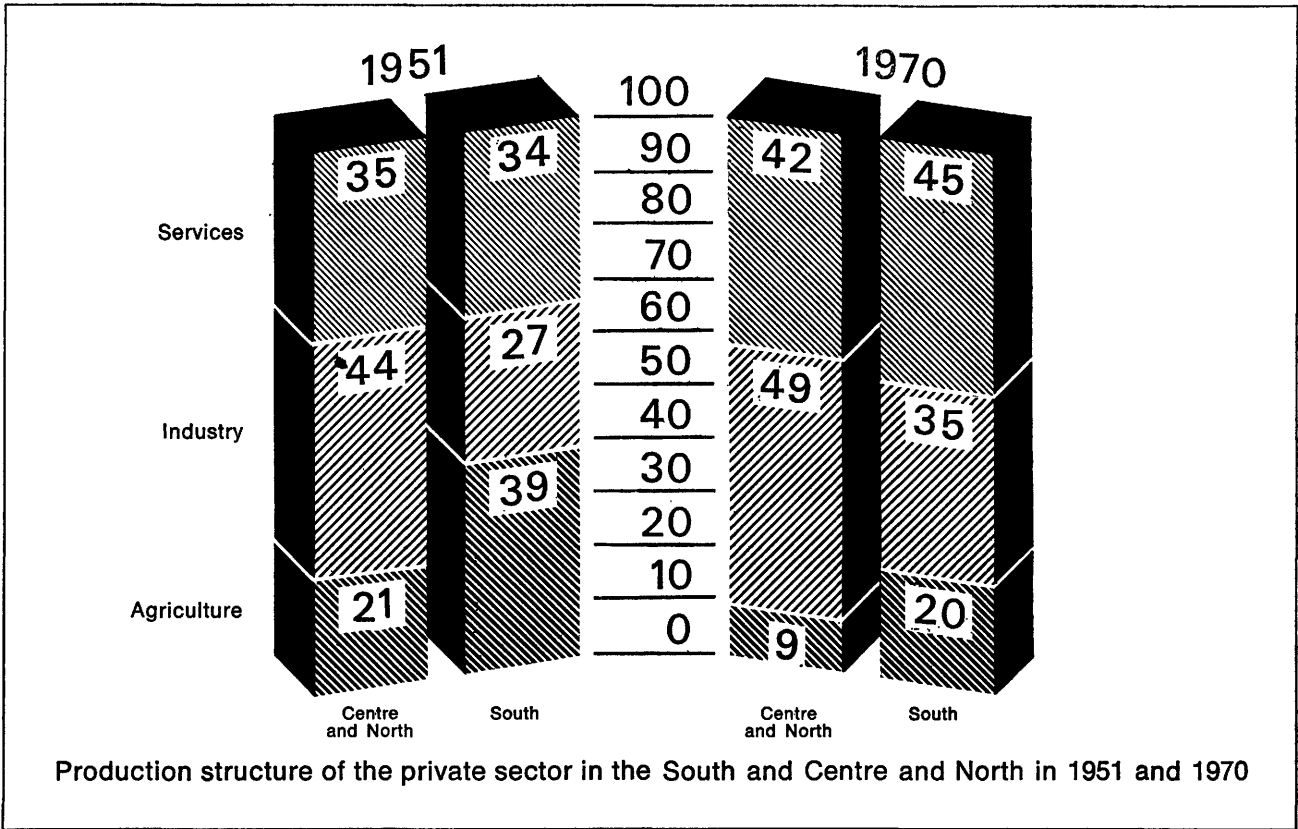


Table 3 — Gross domestic product, employment and productivity per sector (1970)

Sectors	Centre and North			South		
	GDP (1) (thousand million lire)	Jobs (thousands)	Productivity (thousand lire)	GDP (1) (thousand million lire)	Jobs (thousands)	Productivity (thousand lire)
Agriculture	3,108	1,855	1,675	2,222	1,828	1,215
Industry	17,350	6,350	2,732	3,634	1,859	1,955
Other activities	18,950	4,950	3,828	6,585	2,114	3,115
Total	39,408	13,155	2,996	12,441	5,801	2,145

(1) Gross domestic product at factor cost.

Sources : GDP : ISTAT, op. cit.

Employment : ISTAT, *Annuario di Statistiche del lavoro e dell'emigrazione*, 1971.

in the proportion of the number of those employable to the total population, a decrease which, higher than in the Centre and North, is all the more serious in the South, where it is now at an extremely low level.

What has to be underscored is the fact that important structural changes have occurred over the past two decades. As it is impossible here to go into a detailed analysis of the different categories of activities, this study will take just two salient features into consideration : the distribution trend in the number of employable among the three principal sectors of the economy, and productivity in these sectors.

The distribution trend in the number of employable among the three principal sectors — agriculture, industry, services — and the pattern of these sectors' contribution to the national product has considerably improved the economic structure of the South.

Nevertheless, this structure remains definitely less favourable than in the Centre and North of Italy, which also underwent a profound change in the course of the period under review. In absolute figures, agriculture lost about 1,800,000 jobs, industry gained just over 500,000 and the tertiary sector some 600,000, whereas the employed population decreased

Table 4 — Economic structure of the two regions (1970)

(%)

Sectors	Centre and North		South		
	GDP	Employment	GDP	Employment	Productivity (Centre and North = 100)
Agriculture	7.9	14.1	17.9	31.5	73
Industry	44.0	48.3	29.2	32.0	71
Other activities	48.1	37.6	52.9	36.5	81
Total	100	100	100	100	71

Source : Cf. Table 3.

on the whole by nearly 700,000. The services sector occupies a considerable place in the economy of the South; this seems to be partly due to the importance of the transfers of funds (public and private) from the North, and the fact that the traditional tertiary sector often acts as a haven for a number of people released from the declining sectors (agriculture, old-established industries), is probably also not unconnected with the rapid growth in the number of people employed in the tertiary sector.

Productivity <sup>(1)</sup> in the three sectors which in 1951 was, by comparison with that in the Centre and North, 75 % for agriculture, 64 % for industry and 84 % for the tertiary sector, moved to 73 %, 71 % and 81 % respectively in 1970. From this point of view, industry, which compared with the other regions was the most backward sector, showed considerable improvement. In 1970, the productivity lag is of the same order for the three productive sectors, and by comparison with the 1951 situation, the overall productivity gap between the two regions has narrowed from 35 to 29 %. The differences in produc-

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<sup>(1)</sup> Gross domestic product in proportion to the number of employed.

tivity have therefore diminished and, while remaining one of the basic features of Italy, economic dualism has thereby become somewhat less marked.

On the whole, public authority action and the natural reactions to the market forces have had a better impact on the productive structures than on production growth or curbing emigration. The need to solve the problems of the Mezzogiorno is all the more pressing, since they have been appreciably aggravated in recent years by the destabilisation of the whole of the national economy, itself brought about or amplified by dualism. Aware of this need, at the end of 1971 the public authorities undertook a complete overhaul and expansion of the measures aimed at developing the South, particularly in respect of industrialisation <sup>(2)</sup>.

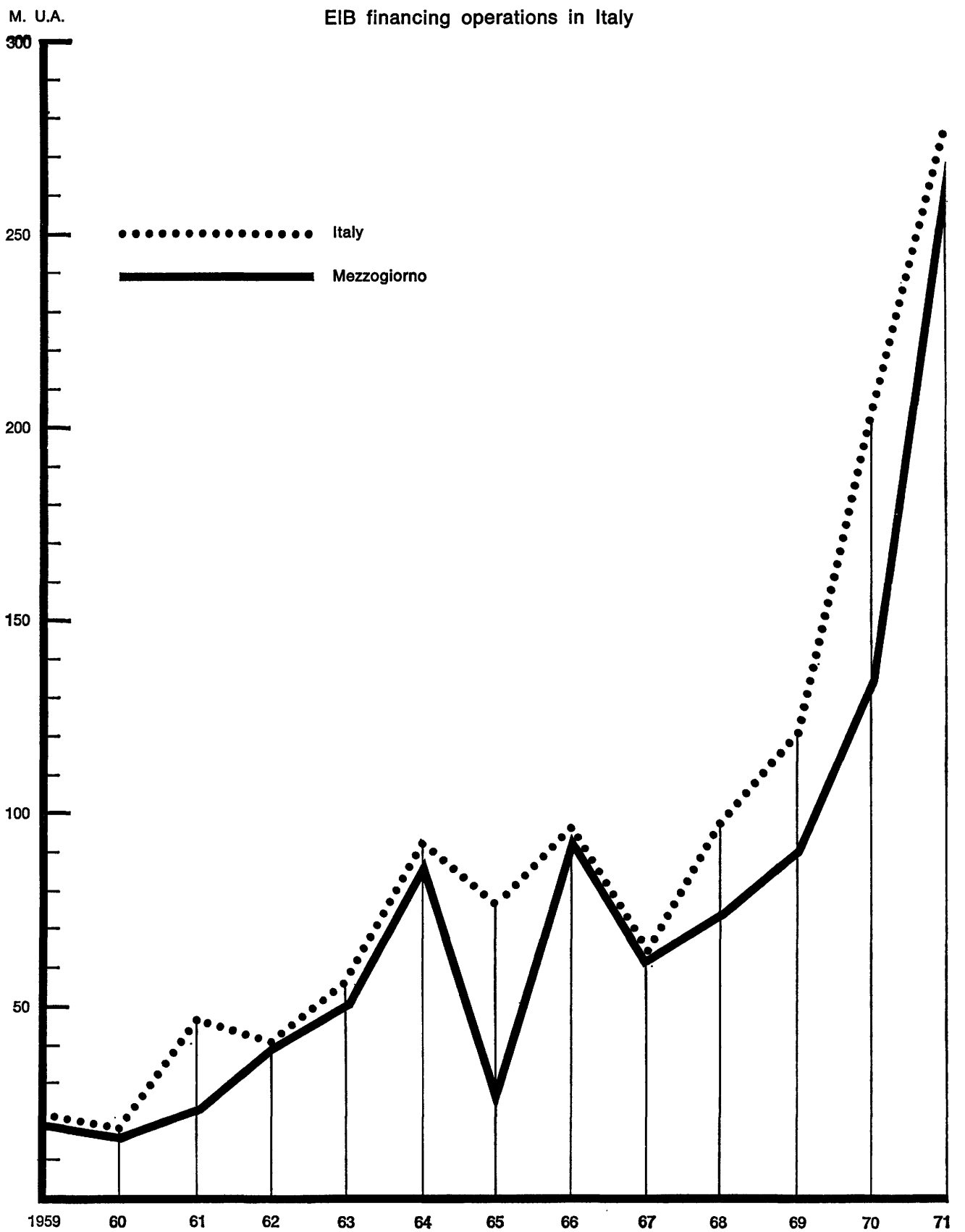
The growth achieved in the past <sup>(3)</sup> and the changes which have already taken place in the economic structure give cause to think that the present policy instruments for the Mezzogiorno will achieve further corrections to its leeway compared with the other regions, and especially speed up its industrialisation.

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<sup>(2)</sup> Cf. Chapter 3.

<sup>(3)</sup> Cf. Table III of the Appendix.

Figure 2





## THE CONTRIBUTION OF THE EIB TO THE DEVELOPMENT OF THE MEZZOGIORNO

### 2.1. OVERALL SURVEY OF THE BANK'S OPERATIONS

#### 2.1.1. In Italy

More than 60 % of the Bank's financing arrangements in the member countries have been granted in Italy in favour of directly productive ventures and general infrastructures, pursuant to a policy defined from the outset by the Treaty of Rome, the Protocol on Italy and the 1958 directives of the Board of Governors of the Bank, under which the Bank was invited "to devote a substantial part of its resources to financing projects likely to contribute to the rehabilitation of the less developed regions, this now constituting one of the principal objectives of the European Economic Community". In point of fact, the regions of Southern Italy and the Islands group 35 % of the population of the country and share the following common features: a per capita income well below the Community average, a very high emigration rate and rather limited job opportunities, especially in industry.

#### 2.1.2. In the Mezzogiorno

By granting its assistance to financing investments in the Mezzogiorno, the Bank has contributed to

increasing the financial means available for investment in the development of this region. Its steady flow of assistance has also gone some way towards solving Italy's regional development problems, although a real solution can only come from substantial long-term assistance.

The Bank has taken over this twofold task from the IBRD since 1959 in parallel with the ECSC's mission for the sectors within its ambit. From 1951 to 1959, the IBRD had granted seven loans totalling 298 million u.a., and in 1965 it made another for 100 million u.a. At 30 June 1972 the Bank had granted 172 loans and guarantees for a total 1,002.7 million u.a. earmarked for ventures located in the Mezzogiorno. This represented 83 % of its operations in Italy or 50 % of its operations in the whole of the member countries and makes the Bank the foremost international financing institution contributing to the development of the Mezzogiorno.

The projects financed and already completed or still under way, comprise 3,640 million u.a. worth of fixed investments, 27 % of which are covered by the Bank's financing arrangements.

The number of jobs directly created by the implementation of projects financed by the Bank is 56,800; financing granted and investment per job directly created amount to some 17,500 u.a. and 64,000 u.a.

Table 5 — EIB financing operations in Italy  
Loans and guarantees

(million u.a.)

Year	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	Total
Amount	20.0	17.0	45.0	40.3	55.3	91.3	75.4	93.2	61.2	98.0	119.6	205.2	274.9	1,196.4

Table 6 — Foreign loans to Italy

(million u.a.)

Year	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	Total
Amount (1)	211.2	109.2	233.0	184.2	423.4	729.7	513.3	473.8	324.5	439.1	441.7	1,909.1 (2)	1,794.0 (2)	7,786.2

(1) Loans to the private and public sectors (not including local authorities), excluding commercial credits.

(2) To a large extent, these amounts concern variable-rate loans the bulk of which were repaid in the second half of 1971 and the first half of 1972.

Sources: Banca d'Italia, Bilancia dei pagamenti dell'Italia (1944-1967) and Relazioni Annuali, 1969-1971.

NOTE: The data in tables 5 and 6 are not strictly comparable: for the EIB the figures relate to loans signed, whereas the foreign loan figures relate to disbursements. The sole point of this juxtaposition of rather heterogeneous statistical data is to indicate orders of magnitude.

Table 7 — EIB financing operations in the Mezzogiorno  
Loans and guarantees

Year	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Number	3	2	1	7	17	23	9	18	12	20	10	22	26
Amount (million u.a.)	20.0	17.0	24.0	40.3	50.5	86.3	27.4	93.3	61.2	72.0	90.6	135.2	268.1

respectively. These figures are particularly high owing to the allowance made for major infrastructure projects which, although giving direct rise to very few jobs, produce considerable indirect effects, which are difficult to evaluate in a hard and fast way.

A more precise evaluation of the impact of the projects financed by the Bank would require consideration of the job spin-off resulting from the creation of an industrial job, the families dependent on the wage-earners and the possible indirect effects of infrastructure projects on employment over the longer term.

Some approximate comparisons help to give an idea of the order of magnitude of the Bank's overall contribution to capital accumulation in the Mezzogiorno: fixed investments assisted by the Bank during the 1959-1970 period correspond to about 9% of fixed investments <sup>(1)</sup> effected in Southern Italy during this same period, and to about 16% of investments effected in the Mezzogiorno by the Cassa and other promoters backed by the Cassa, including those investments still being put into effect <sup>(2)</sup>.

## 2.2. SECTORAL ANALYSIS OF THE CONTRIBUTIONS MADE BY THE EIB

Table 8 gives the sectoral breakdown of the Bank's operations in the Mezzogiorno.

a) 43% of the total aid went to infrastructure projects, mainly communications (29%), but also energy production and conveyance (6%), agricultural development (5%), water supply installations (2%)

<sup>(1)</sup> Excluding housing.

<sup>(2)</sup> The basic figures used to determine these ratios are not perfectly uniform, but the results reflect the order of magnitude of the Bank's contribution to the development of the Mezzogiorno.

and tourist infrastructures (1%). The economic effects of the majority of these projects cannot be strictly assessed in direct terms of employment, production, value added, etc..., because these effects are generally diffuse, indirect and of scattered occurrence. This is not to say that they are inconsiderable: such basic infrastructures are major cogs in the development process, which would rapidly grind to a halt without them or would certainly suffer serious hold-ups and limitations in the event of their inadequacy.

b) Some 200 industrial projects <sup>(3)</sup> have benefited from 57% of the total amount of the Bank's contribution in the Mezzogiorno and led to the creation of large modern industrial complexes and the gradual development of a network of small- and medium-sized concerns. The proliferation of these concerns is essential to the radical redevelopment of the region and is bound to help pass on and generate the impact effects of the principal industrial development centres. Two main sectors, the iron and steel and chemicals industries, total 54% of the overall amount of the Bank's loans to industrial projects in the Mezzogiorno; three other sectors, metal working and engineering, motor cars and building materials (cement works) bring this percentage to nearly 80%. These are the activities which have so far developed most rapidly in the Mezzogiorno, where they are the driving industrial forces.

### 2.2.1. Contributions to the Implementation of Infrastructures

#### a) Transport Infrastructures

The Bank has devoted a large part of its aid to the improvement of the transport system. The moun-

<sup>(3)</sup> Including appropriations on overall loans.

Table 8 — EIB financing operations in the Mezzogiorno (at 30 June 1972) <sup>(1)</sup>  
Breakdown by sector

Sectors	Number of operations		Amount of financing operations (million u.a.)		Fixed investments in million u.a.	Jobs directly created
	Loans and guarantees	Appropriations on global loans	Loans and guarantees	Appropriations on global loans		
<b>I. Infrastructure projects</b>	<b>25</b>		<b>428.4</b>		<b>1,762.3</b>	<b>2,630</b>
Agricultural development	2		48.0		168.4	—
Energy (electricity production and conveyance)	5		57.0		186.7	583
Water supply and distribution	1		24.0		68.8	—
Transport	10		183.0		939.8	—
comprising : — Railways	2		36.0		120.8	—
— Roads and bridges	7		142.0		783.0	—
— Gas pipelines	1		5.0		36.0	—
Telecommunications	6		106.4		364.8	2,047
Tourist infrastructures	1		10.0		33.8	—
<b>II. Industry</b>	<b>141</b>	<b>60</b>	<b>528.9</b>	<b>28.1</b>	<b>1,856.1</b>	<b>53,162</b>
comprising :						
— Extractive industries	2	5	0.6	2.0	7.3	340
— Iron and steel and first-stage processing of metals	11	3	129.3	1.3	692.6	8,123
— Building materials	15	8	44.2	4.6	124.8	2,017
— Timber		3		0.6	1.3	97
— Glass and pottery	6	1	7.0	0.7	22.2	1,035
— Chemicals	37	3	163.3	1.3	418.1	8,258
— Metal working and engineering	16	9	56.4	4.0	186.3	10,481
— Motor cars, transport equipment	3		32.2		121.9	4,400
— Electrical engineering, electronics	8	2	24.8	1.0	57.3	5,593
— Food products	22	10	29.1	5.8	90.1	2,781
— Textiles and leathers	12	4	14.1	1.4	35.0	4,694
— Paper pulp - paper	3	4	10.9	1.9	29.4	787
— Rubber and plastics processing	3	5	14.0	2.3	57.6	2,700
— Other	3	3	3.0	1.2	12.2	1,856
<b>III. Trade and Services</b>						
— Tourism	1		6.8		20.8	1,000
<b>IV. Global loans</b>	<b>5</b>		<b>10.5</b> <sup>(2)</sup>		—	—
<b>Sum total</b>	<b>172</b>	<b>60</b>	<b>974.6</b>	<b>28.1</b>	<b>3,639.2</b>	<b>56,792</b>

<sup>(1)</sup> During the period under consideration the Bank granted the Mezzogiorno :

— 163 ordinary loans amounting to 910.7 million u.a.;

— 4 guarantee contracts, for loans on mandate, amounting to 53.3 million u.a.;

— 5 global loans, intended for financing small- and medium-scale industrial ventures, totalling 38.6 million u.a. 60 appropriations have been effected to date on these loans, for an amount of 28.1 million u.a.

<sup>(2)</sup> As yet unappropriated.

tainous nature of the Mezzogiorno is a hurdle to traffic, accentuating the seclusion of the region and the consequences of its remoteness from the major European industrial centres. Regional development requires a considerable improvement in communication links. The Bank has contributed to financing important rail and motorway projects devised by the national authorities.

Two loans totalling 36 million u.a. were employed for modernising the Tyrrhenian railway line (altering the alignment, doubling the track and electrification) between Battipaglia and Reggio Calabria, i.e. 257 km out of a total 375 km; the finished project has appreciably reduced the time needed to cover the distance and has boosted traffic capacity considerably.

Seven loans, amounting to 142 million u.a., went to motorway construction: the Adriatic motorway, the Naples by-pass, the fast link-road between the Tyrrhenian and the Adriatic coasts over the Apennines and two motorways in Sicily. All these communication links are still under construction and are so far only partially open to traffic, except for the Messina-Catania motorway in Sicily, the entire length of which has been open to traffic for some months now.

The Bank has contributed to the construction of a total 475 km of motorway, i.e. approximately 30% of all the motorways in service or under construction in the Mezzogiorno. The traffic will generally be rather sparse on these motorways in the first few years, but their economic potential is great because they will considerably cut down on travelling time and transport costs compared with the previously existing roads.

The motorways will have a direct or an indirect effect on those industrial centres which are bound to expand because of them (the focal points of Campania, Apulia and Eastern Sicily) as well as on other areas, where they will serve to encourage industrialisation. Their full influence on the growth of the economy of the regions concerned will not be clear until after completion of the network. As soon as work gets under way on them, the new links may constitute an incentive to industrial investment and help decentralise certain sitings.

#### b) *Telecommunications*

The Bank has participated in the financing of the SIP's <sup>(1)</sup> programme in all the Southern regions for

<sup>(1)</sup> Società Italiana per l'Esercizio Telefonico.

a total 106.4 million u.a., corresponding to 29% of the planned fixed investments (364.8 million u.a.).

The extension and modernisation of the telecommunications network in the South will help rid the region of one of the factors which deters industrial concerns and services from settling there.

#### c) *Energy*

The Bank has assisted the construction of 5 electric power stations with loans amounting to 57 million u.a., corresponding to 30% of fixed investments (186.7 million u.a.). These five power stations have a total installed capacity of 985 MW, or approximately 10% of the whole of the requirements of the Mezzogiorno forecast by the ENEL plan for 1977.

Under the SNAM <sup>(2)</sup> programme the Bank contributed a loan of 5.0 million u.a. to finance a gas pipeline which helped link the Northern Italian network with that of the South.

#### d) *Agricultural development, water supply and tourist infrastructures*

The substantial work carried out directly by the Cassa in these sectors is financed from its budget. Recourse to borrowing is merely complementary, the main purpose being to speed up project completion. The Bank has participated in two major irrigation projects (Metaponto and Ogliastro), one water supply project (Pertusillo) and one tourist infrastructure project in Calabria, with loans totalling 82 million u.a., corresponding to about 30% of the estimated cost of these investments (269.4 million u.a.).

There can be no doubt that these various communications infrastructures in the energy and other sectors have, on the whole, helped improve conditions for the industrialisation of the Mezzogiorno and attracted industrial ventures, which the Bank has also had a share in assisting, towards this region.

### 2.2.2. **Operations in the Industrial sector**

#### a) *General*

At 30 June 1972, 141 individual loans had been signed for industrial projects in the Mezzogiorno,

<sup>(2)</sup> Società Nazionale Metanodotti.

together with 5 global loans which at that date had given rise to 60 appropriations. These contributions total 567 million u.a. and the end fixed investments amount to approximately 1,860 million u.a., including those financed under the global loan system. The direct upshot of these investments will be the creation of about 53,000 industrial jobs.

For the 1959-1971 period, the Bank's contributions can be gauged in relation to the activities of the national institutions.

Over the whole of this period, the Bank's financing of industrial ventures in the Mezzogiorno corresponds to approximately 7.5 % of that provided by the institutions, but this percentage shows considerable variations from one year to the next. Until 1964, disregarding 1960, which was the second year of operations, the Bank's contribution represented about 10 % of that of the institutions. Over the next five years it kept to a lower level, about 3 % to 5%, topped 10 % again in 1970 and then in 1971, owing to the exceptional level of activity by the national institutions, fell to less than 9 % despite a very substantial increase in the Bank's operations.

This development can be explained by the increased activities of the specialised and national institutions in favour of industry in Southern Italy and, of course, also by their different possibilities for tapping funds from the domestic market. Allowance must be made for the fact that the Cassa obtained a loan of 100 million u.a. from the IBRD in 1965 for financing industrial ventures through the three specialised institutions.

The development of the Bank's contribution to financing industrial ventures in the Mezzogiorno has

been considerably influenced by economic and institutional factors.

The loans granted by the Bank covered, on average over the 1959-70 period, 30 % of the corresponding fixed investments, i.e. a rate which is lower than the 52 %<sup>(1)</sup> recorded for total financing by the Italian institutions. The ventures financed by the Bank were definitely larger in scale than those assisted by the institutions, 9.2 million u.a., against 1 million u.a., calling for more substantial capital per job created: 35,000 u.a. per job, against 25,000 u.a.

The institutions financed a great many small-scale projects with low capital intensity which the Bank could hardly have taken an interest in. As from 1968 the Bank extended its aid to small- and medium-scale enterprises through the introduction of global loans, which helped provide a certain corrective to the overall situation described here for the whole of the 1959-1970 period.

*b) Contribution to the development of the different industrial sectors*

In terms of value, a large part of the Bank's contribution to the industrialisation of the Mezzogiorno goes to large-scale projects in the most forward-looking sectors, chiefly because its operations complement the loans granted by the Italian institutions for financing major projects in sectors chosen by the authorities for their probably considerable long-term impact potential.

<sup>(1)</sup> Ratio between loans and fixed investments. Part of these loans covers stock financing.

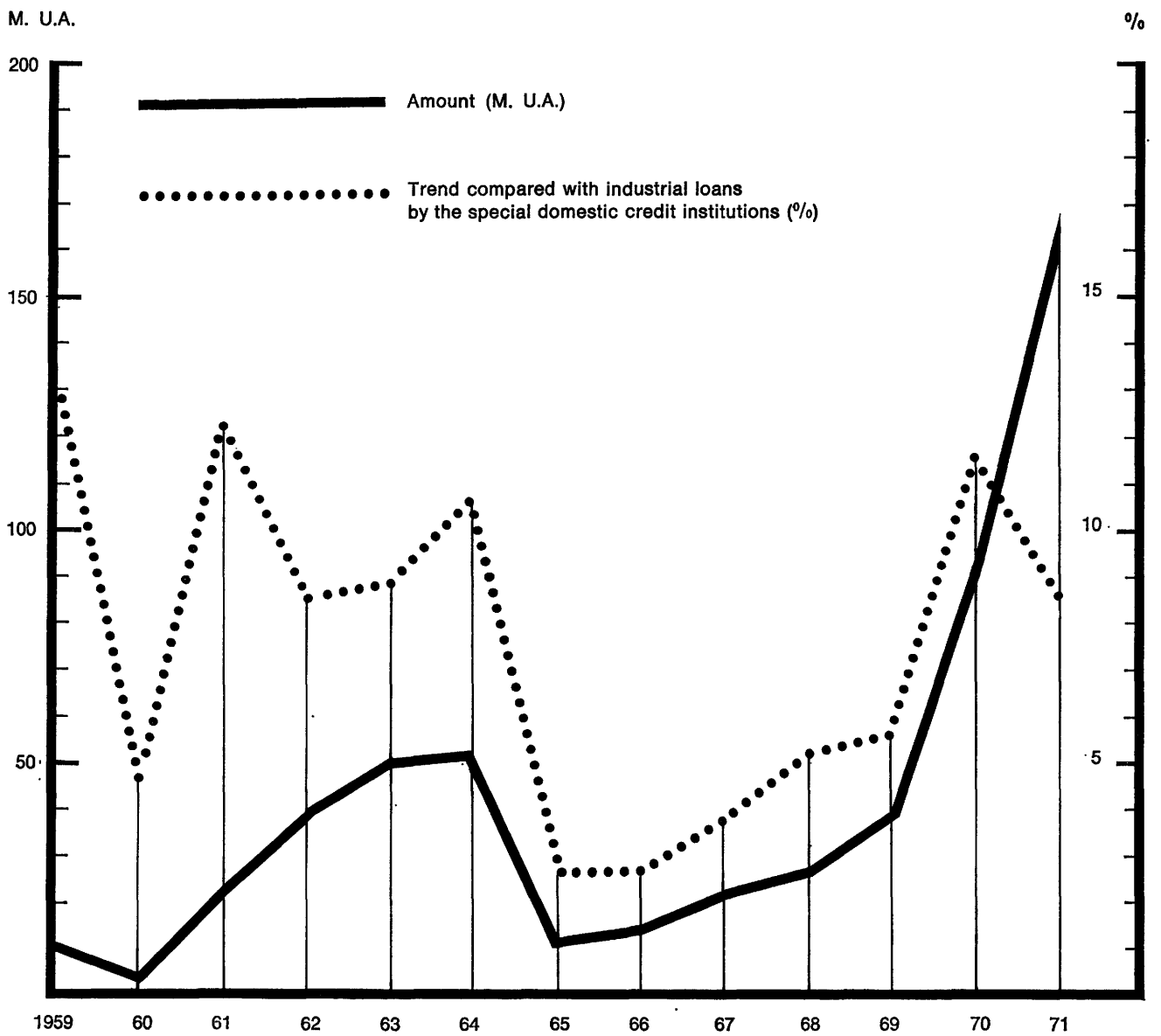
Table 9 — Financing operations by the EIB and the Italian institutions for industrial ventures in the Mezzogiorno

Year	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
EIB (million u.a.)	11.1	5.0	24.0	40.3	50.5	51.3	11.4	14.3	23.2	28.0	40.6	93.9	168.1
Institutions (million u.a.)	83.7	114.3	196.0	464.2	545.5	472.5	411.7	484.8	584.5	539.4	748.7	799.6	1,935.3
$\frac{\text{EIB}}{\text{Institutions}}$ %	13.3	4.4	12.2	8.7	9.2	10.8	2.8	2.9	4.0	5.2	5.4	11.7	8.7

Sources: Comitato dei Ministri per il Mezzogiorno, Relazione sull'attività di coordinamento (1965) and revised data, not yet published.

Figure 3

EIB financial assistance to industrial ventures in the Mezzogiorno



In fact, 20 factories alone in the chemicals (including textile fibres), iron and steel, engineering and motor car sectors have been granted one or more loans each by the Bank totalling 321 million u.a., i.e. 57 % of industrial loans to Southern Italy.

### *Chemicals*

The Bank has contributed to the financing of major production centres, in the basic and primary chemistry sectors, set up in the Mezzogiorno (SINCAT, Celene, SIR, Rumianca, ISAF, Chimica Dauna), as well as in the chemical textile fibres sector, where it has financed several SNIA production plants. Loans to these key projects account for about 120 million u.a. of a total 164 million u.a. lent to the chemical industry as a whole, comprising 37 individual loans and three appropriations on a global loan. The chemical industry has absorbed some 30 % of the amount of the Bank's industrial loans in the Mezzogiorno and represents 23 % of the investments and 16 % of the employment aided by these loans.

Direct effects in this sector are less on average than those of investments in the other sectors. Substantial indirect effects, however, are expected, but they will take longer to materialise than originally forecast. The secondary chemical industries are very much behindhand as regards development, even at national level, compared with the basic chemistry sector. It was also hoped that offshoot ventures would spring up in the other industrial sectors, but these have just not developed in the vicinity of the major basic chemistry centres to the extent that had been expected.

### *Iron and steel industry and first-stage processing of metals*

In the metallurgical sector, four loans for 98 million u.a. total 75 % of the aggregate loans to this sector, which itself represents 24 % of the total amount of the Bank's industrial loans in Southern Italy.

Three of these loans went to the iron and steel industry, two for the Taranto complex and the other for the Bagnoli centre, to make for an additional production capacity of 3.34 million metric tons of crude steel and 0.5 million metric tons of cold-rolled steel. These immense projects have completely transformed the productive and regional structure of this sector.

Their direct effect on employment is considerable: the Taranto plant will increase its staff from 11,000 wage-earners in 1971 to 20,000 in 1975, and in Bagnoli, the personnel will number about 5,400. What is more, since the installation of ITALSIDER the province of Taranto has recorded a gross domestic product growth which is some 20 % higher than the average trend for Italy as a whole (1963-1970).

The fourth loan concerns the construction of an alumina plant by Eurallumina tying in with the establishment of a large aluminium production centre in Sardinia. Although this centre has not yet come into operation, its effects are already making themselves felt. Engineering, iron and steel constructional work (Metallotecnica) and aluminium processing (COMSAL) industries have already become established in the key area of Portovesme.

### *Engineering and transport media*

The Bank has financed 28 projects in these sectors for 93 million u.a., or 17 % of its loans to industry in the Mezzogiorno. The planned investment amounts to 308 million u.a. and the number of jobs created is put at 14,900. The direct effects on employment and economic growth are much more significant in these sectors than in the basic sectors (chemicals and metallurgy), but the implementation of projects, in their case, calls for environmental conditions, which are more complex and difficult to achieve in underdeveloped regions. This is why the engineering and transport media industries have hesitated about large-scale settlement in the Mezzogiorno. It is only now that Southern Italy is beginning to attract major projects of this type, chiefly because of the outcome of the round of negotiations between the Government and the principal enterprises.

The four largest projects which the Bank has financed in this sector are therefore very recent (<sup>1</sup>). They have received loans totalling 62.6 million u.a., or over 67 % of the whole of the Bank's loans in this sector. The corresponding investments amount to 241.7 million u.a., or 78 % of the investments assisted by the Bank in this sector.

The motor industry, concentrated until recently in Northern Italy (the Turin and Milan regions, in particular), has started to get a foothold in the South

(<sup>1</sup>) The Olivetti-Marcianise and Fiat-Bari projects date from 1970 and Fiat-Lecce and Fiat-Cassino from 1971.

and Sicily over the past years with Government backing. The "upstream" and "downstream" industries will undoubtedly follow, as has been the case for some of the Bank's other projects.

#### *Other sectors*

The other industrial sectors appear to have less impact potential than the three sectors examined above, but they are still very interesting from the point of view of job opportunities and the uniform expansion of the regions concerned.

The building materials sector, especially cement works, plays an important part in the development process and any setback to the advancement of this industry threatens to check other investment in infrastructures and housing in particular. Until recently this sector was still underdeveloped in the Mezzogiorno, being represented by low-capacity production units badly distributed over the territory. Hence the need to increase the overall and unit production capacity of the cement works. The Bank has helped by granting 9 loans totalling 38.7 million u.a. designed to increase production capacities by about 4.6 million metric tons; three cement works have received loans of 31.2 million u.a.

The Bank's overall loans to the building materials sector represent over 8 % of loans to industry.

As for the 100 or so other projects financed by the Bank for a total amount of 120 million u.a. and 37 of which come within the context of global loans, although they represent 48 % of the number of its industrial operations in the Mezzogiorno, they represent scarcely more than 20 % of the amounts granted. They often relate to industries, boosted by increased activity in the aforementioned sectors, which are driving forces in industrial growth. Their commodities are very close to final consumer demand, which means that their expansion is linked to the general incomes growth. They include the food, clothing, timber and plastics processing industries.

Added to which there are the electrical engineering and electronics, rubber, paper, glass and pottery industries, as well as certain textile and leather industries, all of which depend both on orders from the master industries and on consumer demand.

So this group of very diverse industries has, in the main, developed more slowly than the others in the Mezzogiorno. As it happens, they were already widely represented in the Mezzogiorno apart from

the rubber processing <sup>(1)</sup> and electrical and electronics industries <sup>(1)</sup>, but their productive structures often needed streamlining.

The following table reclassifies the foregoing data.

### 2.3. REGIONAL ANALYSIS OF THE BANK'S ASSISTANCE

Table 11 gives some basic data on the various regions of the Mezzogiorno, as well as the percentage breakdown by region of total industrial loans made by the Italian institutions and total loans and guarantees granted by the Bank.

Note that the operations effected by both the institutions and the Bank were generally more heavily focused on the most populated regions, where the employment problems gave most cause for concern.

Two regions were relatively favoured from this point of view: Lazio because of the appeal to the industrial investor of the proximity of Rome, and Sardinia, which has considerably more public aid at its disposal. These are also the regions which developed most rapidly: their regional product doubled from 1963 to 1970.

On the other hand, Calabria, Molise, Basilicata and Sicily received less assistance from the Bank, bearing in mind the size of their population. This is due to the scarcity of projects, which in turn is explained by a less favourable geographical position and, as regards Calabria, Molise and Basilicata, by the special difficulties stemming from their lesser degree of development (per capita income between 11 and 23 % below the average for the Mezzogiorno). The 3 last are also the regions which experienced a slower economic growth rate from 1963 to 1970.

These few points serve to illustrate the particular difficulties which have to be overcome in the most underprivileged regions, and the ambiguous relationship, because it is at once cause and effect, between the size of the financing operations and economic development. The financing institutions generally have most scope for action in areas that are already better developed or in contact with vigorous growth areas.

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<sup>(1)</sup> These activities are partly boosted by the motor industry.



Table 10 — EIB financing assistance to industry in the Mezzogiorno (at 30 June 1972)  
Breakdown by sector

	Number of projects		Amount (million u.a.)		% total	
	Loans and guarantees	Loans, guarantees and appropriations	Loans and guarantees	Loans, guarantees and appropriations	Loans and guarantees	Loans, guarantees and appropriations
<b>I. INDUSTRY</b>						
Chemicals	37	40	163.2	164.5	30.5	29.2
Iron and steel and first-stage processing of metals	11	14	129.3	130.6	24.1	23.2
Metal working and engineering	16	25	56.4	60.4	10.5	10.7
Building materials	15	23	44.2	48.8	8.3	8.6
Motor cars and transport equipment	3	3	32.2	32.2	6.0	5.7
<b>Total for the principal sectors financed by the EIB</b>	<b>82</b>	<b>105</b>	<b>425.3</b>	<b>436.5</b>	<b>79.4</b>	<b>77.4</b>
Food products	22	32	29.1	34.9	5.4	6.2
Electrical engineering and electronics	8	10	24.8	25.8	4.6	4.6
Rubber and plastics processing	3	8	14.0	16.3	2.6	2.9
Textiles and leather	12	16	14.1	15.5	2.6	2.7
Paper pulp - paper	3	7	10.9	12.8	2.0	2.3
Glass and pottery	6	7	7.0	7.7	1.3	1.4
Other	3	6	3.0	4.2	0.6	0.7
Extractive industries	2	7	0.6	2.6	0.1	0.5
Timber	—	3	—	0.6	—	0.1
<b>Total for the other industrial sectors</b>	<b>59</b>	<b>96</b>	<b>103.5</b>	<b>120.4</b>	<b>19.3</b>	<b>21.4</b>
<b>"INDUSTRY" TOTAL</b>	<b>141</b>	<b>201</b>	<b>528.8</b>	<b>556.9</b>	<b>98.7</b>	<b>98.8</b>
<b>II. TRADE AND SERVICES</b>						
Tourism	1	1	6.8	6.8	1.3	1.2
<b>SUM TOTAL</b>	<b>142</b>	<b>202</b>	<b>535.6</b>	<b>563.7</b>	<b>100.0</b>	<b>100.0</b>

Table 11 — Mezzogiorno : some basic data and breakdown of financing operations by region

Region	Population (% of the total population of the Mezzogiorno)	Per capita income (Mezzogiorno index = 100)	Growth of regional product 1963-1970 (%)	Financing operations (%) (1959-1971)		
				Italian institutions	EIB	
					Total	Industrial
The Marches	0.9 (a)	115 (a)	88.2 (a)	0.7	1.9	1.9
Lazio	4.6 (a)	109 (a)	100.0 (a)	9.3	5.9	10.7
Abruzzi	5.8	106	86.0	3.7	6.6	4.2
Molise	1.6	83	53.7	0.3	2.1	—
Campania	25.5	99	79.8	18.4	19.9	19.8
Apulia	17.7	103	86.4	19.1	21.9	27.1
Basilicata	3.0	89	84.2	3.1	4.6	0.4
Calabria	9.8	77	72.1	3.3	9.6	5.9
Sicily	23.9	102	90.3	18.7	14.2	11.0
Sardinia	7.2	110	100.1	23.4	13.3	19.0
Mezzogiorno	100	100	85.0	100	100	100

(a) Approximate figures relating solely to the Cassa's sphere of operations.

Sources : G. Tagliacarne, *Il reddito prodotto nelle province italiane 1963-1970*, Rome, 1972; Cassa per il Mezzogiorno, *Balance Sheets 1958-1959 and 1970*.

The breakdown of the Bank's contributions between infrastructures and industry, given in Tables 12 and 13 and the maps on pages 26 and 27, proves, for the most part, to be relatively balanced among the different regions, with the exception of Lazio, where no infrastructures were financed, and Basilicata and Molise, where the Bank has hardly granted any assistance to industry.

Yet it is clear that financing infrastructures in the regions with a lower level of development (Calabria, Molise, Basilicata) constitutes a necessary stage towards achieving the conditions for subsequent industrialisation. It should also be pointed out that Calabria is the only region where the Bank has granted financing for tourist infrastructures and hotel projects (16.8 million u.a.). The Bank has therefore contributed to the development of a sector in this region, where industrialisation is particularly difficult, which, firmly based on natural resources, offers

scope for creating jobs and improving living conditions.

The Bank's largest loans to industry have been in Apulia. This contribution accords with the recommendations formulated by the EEC Commission in its report on Apulia's focal industrial development point.

More than 15,000 jobs have sprung up from the industrial ventures financed by the Bank in this region and this represents some 29 % of the total jobs produced by the industrial ventures financed by the Bank throughout the Mezzogiorno. Hence, the Bank's contribution was particularly significant in Apulia in terms of employment as well (cf. Table 12).

Disregarding the breakdown of loans per administrative region, and turning to whether there has been a concentration of operations in certain pri-

Table 12 — EIB financing operations in the Mezzogiorno (at 30 June 1972)  
Breakdown by regions and principal sectors

Regions	Principal sectors	Number of operations of which: relating to other regions (1)		Amount financed (2) (million u.a.)	Fixed investments (2) (million u.a.)	Jobs created
A. Individual loans, guarantees and appropriations on global loans						
The Marches	Infrastructure	1	1	8.2	53.6	—
	Industry	5	—	10.4	23.7	1,509
	<i>Total</i>	6	1	18.6	77.3	1,509
Lazio	Infrastructure	—	—	—	—	—
	Industry	34	—	63.0	200.4	7,316
	<i>Total</i>	34	—	63.0	200.4	7,316
Campania	Infrastructure	6	2	79.7	379.6	310
	Industry	48	1	118.8	372.7	9,991
	<i>Total</i>	54	3	198.5	752.3	10,301
Abruzzi	Infrastructure	4	3	42.9	189.1	100
	Industry	20	1	22.5	54.0	6,682
	<i>Total</i>	24	4	55.4	243.1	6,782
Molise	Infrastructure	2	2	20.7	96.3	100
	Industry	—	—	—	—	—
	<i>Total</i>	2	2	20.7	96.3	100
Apulia	Infrastructure	5	3	69.5	261.2	433
	Industry	27	1	146.2	679.6	15,500
	<i>Total</i>	32	4	215.7	940.8	15,933
Basilicata	Infrastructure	4	3	43.0	152.7	560
	Industry	2	—	2.2	4.8	70
	<i>Total</i>	6	3	45.2	157.5	630
Calabria	Infrastructure	6	4	56.5	216.0	435
	Industry	8	1	31.7	72.1	587
	Tourism	1	—	6.8	20.8	1,000
	<i>Total</i>	15	5	95.0	308.9	2,022
Sicily	Infrastructure	5	2	80.0	348.6	435
	Industry	26	—	59.2	175.1	6,935
	<i>Total</i>	31	2	139.2	523.7	7,370
Sardinia	Infrastructure	2	—	28.0	65.2	257
	Industry	33	—	102.8	273.7	3,213
	<i>Total</i>	35	—	130.8	338.9	3,470
B. Unappropriated portions of global loans to industry (3)						
Mainland Mezzogiorno		2	2	9,8	—	—
Sicily		1	—	—	—	—
Sardinia		2	—	0,7	—	—
Whole of the Mezzogiorno	Infrastructure	25 (4)	10 (4)	428.4	1,762.3	2,630
	Industry	206 (4) (5)	2 (4)	567.5	1,856.1	53,162
	Tourism	1	—	6.8	20.8	1,000
	<i>Total</i>	232	12	1,002.7	3,639.2	56,792

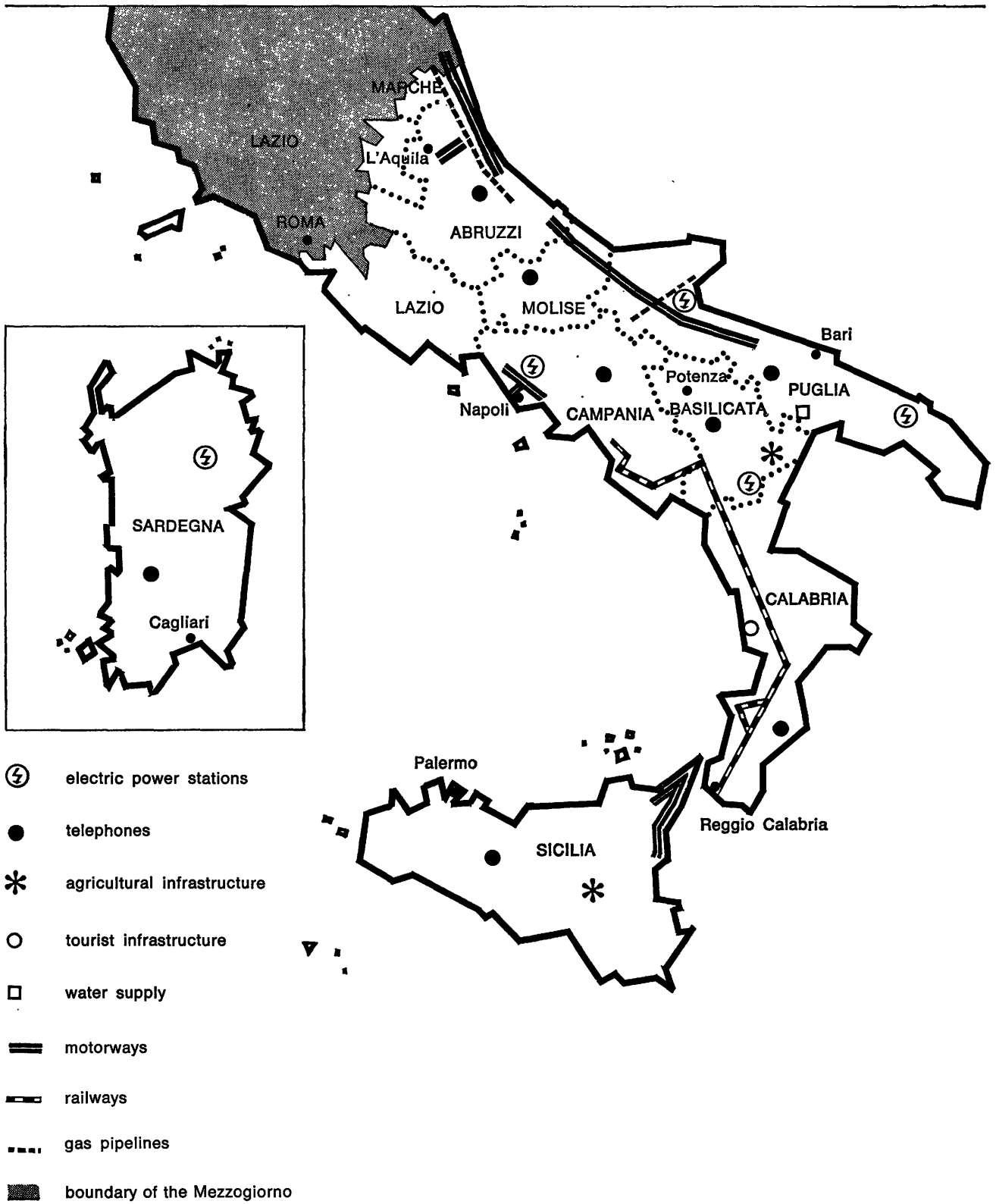
(1) Operations covered in the previous column which relate to another region besides that indicated (multi-regional projects).  
(2) For multi-regional projects the amount of the operation and the fixed investment are appropriated on a fifty-fifty basis for each of the two regions concerned in the case of infrastructure projects, and according to the breakdown of fixed investments actually effected in each of the two regions in the case of industrial projects.

(3) — Two loans in the mainland South for 25 million u.a., 15.2 million u.a. of which appropriated for financing 32 projects;  
— one loan in Sicily for 5 million u.a. fully appropriated for financing 10 projects;  
— two loans in Sardinia for 8.6 million u.a., 7.9 million of which appropriated for financing 18 projects.

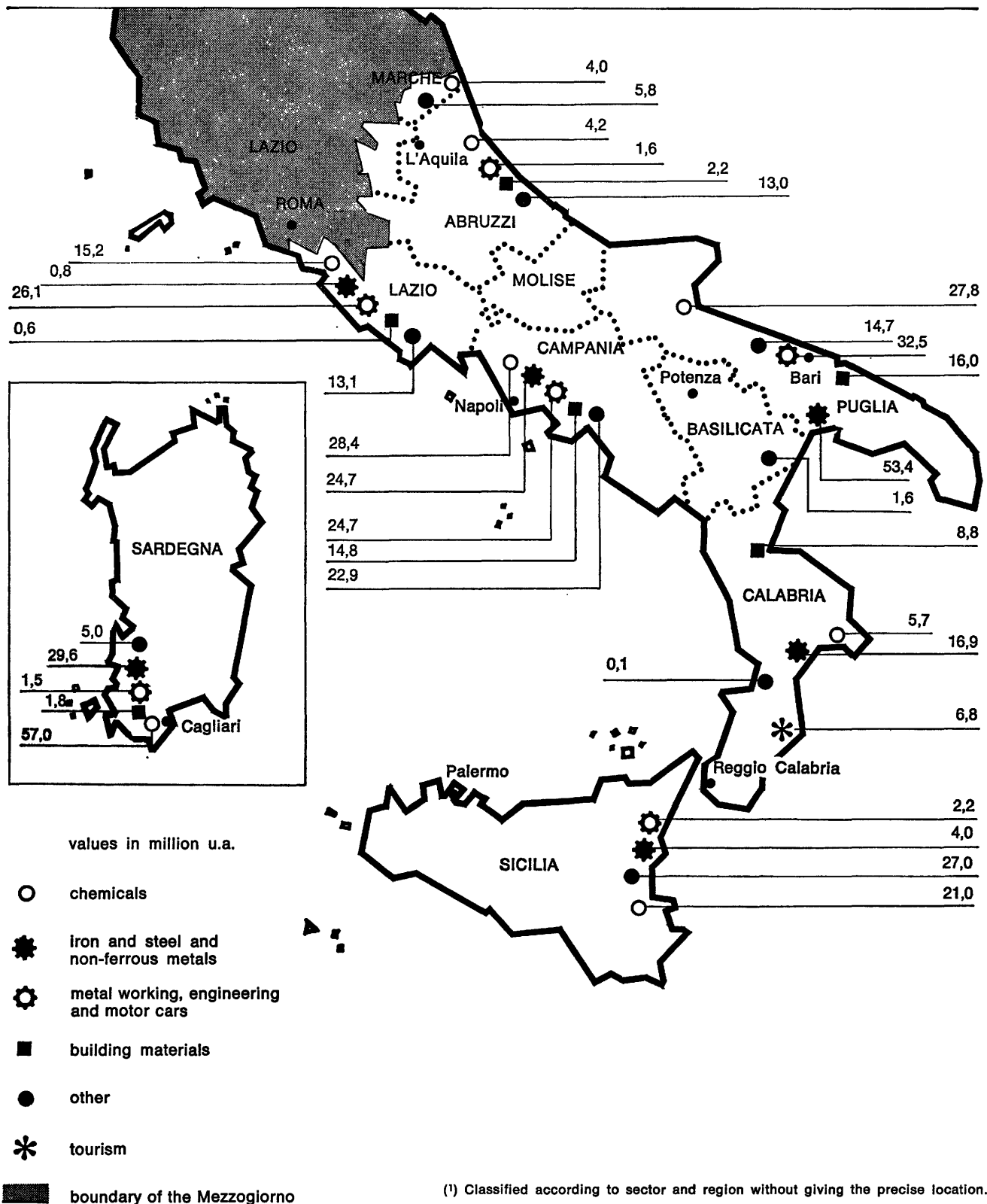
(4) Excluding double entries.

(5) 141 individual loans, 5 global loans and 60 appropriations on global loans.

INFRASTRUCTURES FINANCED IN THE MEZZOGIORNO WITH THE ASSISTANCE OF THE EIB  
(at 30 June 1972)



EIB FINANCIAL ASSISTANCE (1) TO THE INDUSTRIAL SECTOR IN THE MEZZOGIORNO  
(at 30 June 1972)



(1) Classified according to sector and region without giving the precise location.

Table 13 — EIB financing operations in the Mezzogiorno (at 30 June 1972)  
Breakdown by regions and principal sectors

Regions	Principal sectors	Amount (million u.a.)	% by principal sectors and by regions	% of each region
The Marches	Infrastructure	8.2	44.1	—
	Industry	10.4	55.9	—
	<i>Total</i>	<i>18.6</i>	<i>100.0</i>	<i>1.9</i>
Lazio	Industry	63.0	100.0	6.3
Campania	Infrastructure	79.7	40.2	—
	Industry	118.8	59.8	—
	<i>Total</i>	<i>198.5</i>	<i>100.0</i>	<i>19.8</i>
Abruzzi	Infrastructure	42.9	65.6	—
	Industry	22.5	34.4	—
	<i>Total</i>	<i>65.4</i>	<i>100.0</i>	<i>6.5</i>
Molise	Infrastructure	20.7	100.0	2.1
Apulia	Infrastructure	69.5	32.2	—
	Industry	146.2	67.8	—
	<i>Total</i>	<i>215.7</i>	<i>100.0</i>	<i>21.5</i>
Basilicata	Infrastructure	43.0	95.1	—
	Industry	2.2	4.9	—
	<i>Total</i>	<i>45.2</i>	<i>100.0</i>	<i>4.5</i>
Calabria	Infrastructure	56.5	59.5	—
	Industry	31.7	33.4	—
	Trade, Services	6.8	7.1	—
	<i>Total</i>	<i>95.0</i>	<i>100.0</i>	<i>9.5</i>
Sicily	Infrastructure	80.0	57.5	—
	Industry	59.2	42.5	—
	<i>Total</i>	<i>139.2</i>	<i>100.0</i>	<i>13.9</i>
Sardinia	Infrastructure	28.0	21.4	—
	Industry	102.8	78.6	—
	<i>Total</i>	<i>130.8</i>	<i>100.0</i>	<i>13.0</i>
Unappropriated portion of global loans	Industry	10.5	—	1.0
SUM TOTAL		1,002.7	—	100.0

vileged places, the evidence is that a great deal of the most substantial financing was earmarked for large-scale ventures, located at a few focal development points along the coast.

In the key Augusta-Priolo-Melilli area (Eastern Sicily's focal development point), the Bank has financed the major basic and primary chemistry projects launched by SINCAT and CELENE. Industrial activity in this centre has developed fairly well. Industrialisation first started along the coasts of the Augusta roadstead with the introduction of the Rasiom refinery in 1949.

Since then a whole range of concerns operating in different sectors (electricity, cement, building materials, petrochemicals, engineering, paint, industrial gases and various manufacturing industries, both downstream from and in support of the requirements of the major production plants) have taken root in this area. Small enterprises attracted by SINCAT are reckoned to have invested over 24 million u.a. <sup>(1)</sup> and to have created more than 3,800 jobs, and handicraft concerns working in conjunction with SINCAT, which itself employs about 5,300 persons, are estimated to have given rise to three thousand additional jobs.

This focal point, the oldest of those established in the Mezzogiorno, is a clear example of the fact that the full stimulus of major production units takes some time to make itself felt.

The other focal points where the Bank has financed leading industries, are Taranto (iron and steel, in particular), which is part of Apulia's key development area, and Sardinia with its chemical industry (Cagliari and Porto Torres) and aluminium metallurgy centre (Portovesme), the latter under completion.

The development of industrialisation in the Mezzogiorno on a key area basis has been the fundamental option for public aid since 1957, and the Bank has made its own contribution. Although the full expected stimulus has yet to be experienced, it is too early to pass judgment on the choice made. Effects take much longer to materialise in a generally underdeveloped region, even in those areas offering optimum potentialities, than is the case in a region with an established industrial and social structure.

Under the new legislative provisions for the Mezzogiorno (Law 853 of 6 October 1971), the purpose of public aid is to step up the supply of jobs in industry by accelerating development of the Southern economy and to lessen the delayed action of important stimuli by implementing "special organic aid projects" aimed at developing specific regions by providing their total complementary investment requirements <sup>(2)</sup>.

#### 2.4. ANALYSIS OF TYPES OF ASSISTANCE

In view of the importance of the Mezzogiorno in the context of the Bank's activities and bearing in mind the system of financing applicable in this region with regard to industrial enterprises, the Bank was obliged, from the outset, to have recourse to the Cassa in respect of loans effected through the three regional institutions — ISVEIMER, IRFIS, CIS — and, subsequently, to the national financial institutions able to borrow directly abroad. Under this procedure, the promoters of the projects financed indirectly by the Bank continue to enjoy the interest rebates granted to them on the loans made by the institutions.

The following table gives the breakdown of the Bank's assistance according to type of operation for the whole of Italy and for the Mezzogiorno :

- the direct loans, granted directly to the promoters of the project, are relatively few in number but nevertheless represent a high proportion of the Bank's activity in terms of amounts; with the exception of two industrial ventures, they relate to important infrastructure projects carried out by various motorway companies, the S.I.P. (telephones), the FF-SS (railways) and the CASSA in respect of those projects effected by it as promoter;
- the indirect loans, granted for a specific project through the intermediary of a financing institution, represent numerically over four fifths of the Bank's operations in Italy, this proportion being even higher in the Mezzogiorno (88 %); they were granted either through the CASSA (137, of which 12 were directly oriented and 125 redisbursed through the three regional financing institutions), or through the I.M.I. (15);

<sup>(1)</sup> 1969 figure.

<sup>(2)</sup> Chapter 3.

Table 14 — EIB financing operations in Italy (at 30 June 1972)  
Breakdown by type of operation

(million u.a.)

Type of operation	Contracts signed				Outstanding appropriations			
	Italy		of which Mezzogiorno		Italy		of which Mezzogiorno	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
— Direct loans	23	449.79	12	249.99	22	404.01	11	224.26
— Indirect loans	152	664.80	151	660.80	145	522.49	144	518.81
— Global loans	5	38.60	5	38.60	5	37.42	5	37.42
— Guarantees (1)	7	90.17	4	53.29	7	90.16	4	53.28
<b>Total</b>	<b>187</b>	<b>1,243.36</b>	<b>172</b>	<b>1,002.68</b>	<b>179</b>	<b>1,054.08</b>	<b>164</b>	<b>833.77</b>
— of which undisbursed:						<i>111.12</i>		<i>111.12</i>

(1) Including 3 granted for direct operations.

Table 15 — EIB financing operations in Italy (at 30 June 1972)  
Breakdown by borrower

Borrower	Contracts signed			
	Italy		of which Mezzogiorno	
	Number	Amount (million u.a.)	Number	Amount (million u.a.)
<b>CASSA</b>	<b>148</b>	<b>681.62</b>	<b>148</b>	<b>681.62</b>
of which: — ISVEIMER	98	242.72	98	242.72
— CIS	16	78.48	16	78.48
— IRFIS	16	55.20	16	55.20
— Direct beneficiaries	13	216.39	13	216.39
— CASSA (promoter)	5	88.83	5	88.83
IMI	15	127.00	14	123.00
CREDIOP and ICIPU	3	36.89	1	13.67
<b>Total Financial Institutions</b>	<b>166</b>	<b>845.51</b>	<b>163</b>	<b>818.29</b>
Various motorway companies	13	276.05	6	128.39
F.S. (railways)	4	62.00	2	36.00
SIP (telephones)	2	45.00	1	20.00
CMF and ITALCANTIERI	2	14.80	—	—
<b>SUM TOTAL</b>	<b>187</b>	<b>1,243.36</b>	<b>172</b>	<b>1,002.68</b>



- since 1968 the Bank has been granting global loans to financing institutions so as to expand its activities with regard to small- and medium-scale industrial ventures. Within the limit of the amount granted under the global loan, the Bank takes appropriation decisions on a project by project basis in accordance with a simplified procedure. 5 global loans were made through the CASSA to the ISVEIMER (2), CIS (2) and IRFIS (1); out of the total 38.6 million u.a., 28.06 million has already been appropriated for 60 small- and medium-scale industrial projects;
- since 1970, as a result of the acute hardening on the capital markets that year, the Bank has been guaranteeing loans to projects in Italy on mandate from and for the account of German financial institutions and has thereby helped fun-

nel additional financing resources available in Germany towards projects located in Italy — 4 in 1970, 3 in 1971.

## 2.5. ANALYSIS BY BORROWER

As is confirmed by the foregoing table, the Bank's operations have so far for the most part been conducted through the CASSA, which has received about 86 % of the number of loans distributed in the Mezzogiorno, amounting to some 68 % of the funds made available in this region.

Although the number of loans in Southern Italy not channelled through a financial institution remain few (9), they account for a by no means negligible amount of 184.39 million u.a.

## SCOPE FOR ACTION FOR THE BANK IN THE MEZZOGIORNO

### 3.1. OUTSTANDING PROBLEMS AND EXTENT OF REQUISITE RESOURCES

As pointed out in Chapter 1, the effort expended on the Mezzogiorno and the structural adjustments effected over the past twenty years have still not helped significantly lessen this region's handicap in comparison with the rest of the country, nor sparked off an autonomous growth trend. The jobs initiated by the new projects have not sufficed to absorb the labour released from the land and the other lower productivity activities; this holds true even at national level.

In his statement to the Inter-Regional Consultative Committee on 9 December 1970, the Minister for Budgetary Affairs and Economic Planning put an initial estimate of the aggregate investments required for remedying the problems of the Mezzogiorno by 1980, at 45 billion 1963 lire (1), or an annual average of 6.6 billion lire at present day value (10 thousand million u.a.). In fact, the maximum annual level reached in 1970 was 3,874 thousand million lire (6.2 thousand million u.a.). This means that an immense effort is needed and a marked acceleration can be expected in investment in Southern Italy.

The extent of the investment requirements shows the vastness of the field of action open to the Bank. But the concrete possibilities for developing this action will depend both upon the drift of the economic situation and of Italian economic policy, particularly with regard to the Mezzogiorno, and upon the possible implementation of Community measures for the priority regions.

If, once the present serious difficulties are removed, the Italian economy concentrates on a more rapid increase in investment so as to eliminate the general development handicap built up by it compared with the other Community countries (2), there is reason to believe that overall domestic demand could be greater than the gross national product. On the national planning front, the authorities might consider promoting the growth of investment demand at the cost of a certain balance of payments deficit on current account. This would need to be offset by larger capital inflows than in the past, particularly medium- and long-term loans.

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(1) i.e., the equivalent of 66 billion lire at present day value, or some 100,000 million u.a.

(2) Between 1955 and 1971, the Italian GNP increased at the average annual rate of 5.3 %, against 5.5 % for that of the Community as a whole.

### 3.2. THE NEW 1971 LAW FOR THE MEZZOGIORNO

Public aid to the Mezzogiorno has been gradually reinforced and adapted. At first its main purpose was to establish the principal infrastructures and improve the productive structures in the agricultural and industrial sectors; then it turned towards organising industrial development centres underpinned by the introduction of important basic industries. Now the endeavour is to extend public aid operations to medium-scale industrial activities, the wish being to see the latter rapidly increasing in number.

Following expiry of the 1965-1970 financing law, and pending approval of a new law programme, supplementary resources of 100,000 million lire (160 million u.a.) have been allocated to the Cassa for continuing and completing, the 1965-1970 programme during 1971.

In October 1971 a new law was adopted, which included provision for :

1. *Tying the regional development policy for the Mezzogiorno in with the national economic programme*

2. *Handing over to the regional institutions some of the powers previously assigned the Cassa, but which normally come under the regional authority. Nevertheless, if the regions so request, the Cassa may continue to grant its technical assistance in those sectors handed over to the regions and finance project study and implementation until the end of 1973.*

Even in these sectors the Cassa is still responsible for effecting inter-sectoral or inter-regional special aid projects geared to implementing large-scale general infrastructures or ventures designed to encourage the development of productive activities.

3. *Redefinition of the directives governing special aid*

In the light of the transfer of certain powers to the regions, the Cassa's operations are now focused on the implementation of special projects and aid to industrialisation.

Industrial ventures are divided into three categories, according to the value of the fixed investments engendered by them : small-scale (from 0.1 thousand million to 1.5 thousand million lire); medium-scale (from 1.5 thousand million to 5.0 thousand million lire); large-scale (over 5.0 thousand million lire).

The principal difference compared with the previous system is with regard to aid to small-scale ventures :

the subsidy is established at 35 % of the investment costs, against a previous 20 % maximum, so as to reduce capital borrowing requirements, and the promoter has to contribute at least 30 % of the fixed investment from his equity; the interest rebate-bearing loan is fixed at 35 % of the cost of the fixed assets, whereas previously it could, if need be, cover up to 70 % of this cost.

For medium-scale ventures, the present system is tailored to adjusting the level of aid in terms of the extent of the project's compliance with the CIPE directives, particularly having regard to the sector of activity and location : the subsidy may vary from 15 % to 20 % of the fixed investment (previously, it had a 20 % ceiling) and the interest rebate-bearing loan may vary between 35 % and 50 % of the fixed assets (compared with a previous 70 % ceiling).

For large-scale ventures, the CIPE considers each project individually on the strength of its contribution to the planning objectives, when deciding the subsidy, which may vary from 7 % to 12 % of the fixed investment costs, and the interest rebate-bearing loan, which may cover 30 % to 50 % of the fixed assets.

The proportion of own investments which enterprises with State equity participation are required to set aside for the Mezzogiorno is increased from 40 to 60 %. The siting of industrial investments exceeding 7 thousand million lire is now subject to stricter control, involving declaration of intention and prior authorisation.

Lastly, the CIPE will be able to authorise the incorporation of a large Southern financial company, with a capital of at least 200 thousand million lire (320 million u.a.), which would be empowered to take equity interest in the Southern Italian enterprises.

*4. Financing of the Cassa's 1971-75 programme :* the Cassa has been authorised to commit over this period a total 7,125 thousand million lire (11.4 thousand million u.a.), of which 3,125 thousand million lire (5 thousand million u.a.) under the heading of the 1971-1975 appropriation fund, 1,450 thousand million lire (2.32 thousand million u.a.) on account of the 1976-1980 grants and 2,550 thousand million lire (4.08 thousand million u.a.) for covering the charges relating to the subsidies and interest rebates incurred during the period but not to be paid until after 1975.

Despite the volume of the planned resources, it is generally considered that they are likely to prove insufficient for supplying the aid contemplated for industrial investments liable to be implemented between now and 1975. There is, nevertheless, reason to think that, as in the course of the previous programmes, supplementary financial resources will be made available to the Cassa.

### 3.3. FORMULATION OF A COMMUNITY POLICY FOR THE PRIORITY REGIONS

Obviously if the Italian economy and particularly the Mezzogiorno were backward in comparison with the other Community countries, this would threaten to slow down progress towards the accomplishment of the Economic and Monetary Union. Hence, the Community is examining various forms of aid to the most underprivileged regions.

In March 1972, the Council of the Communities recorded its agreement in principle to the implementation of new measures concerning regional development, comprising :

1. the utilisation of the EAGGF from 1972 onwards for regional development projects; and
2. the creation of a Regional Development Fund or, failing this, the introduction of any other system of Community resources suited for appropriation to regional development.

The Commission was invited to submit its proposals to the Council, which was to take the necessary decisions before 1 October 1972.

This deadline was subsequently postponed to a date after the " Summit " meeting of 19-20 October 1972.

At the latter meeting, the Heads of State or of Government agreed that a " high priority should be given to the aim of correcting, in the Community, the structural and regional imbalances which might affect the realisation of the Economic and Monetary Union "; they pledged themselves to the implementation of a Community regional policy, and, in particular, to the creation of a " Regional Development Fund ", which will be set up before 31 December 1973 and financed, from the beginning of the second stage of Economic and Monetary Union, by the Community's own resources.

The Commission's proposed draft regulation on financing through the EAGGF provides for assistance (1,500 u.a. per job created) to new projects in the priority agricultural regions. The Fund's endowment for this assistance would be 50 million u.a. per year. But since the panel of economic experts has not yet completed its work, the draft regulation might undergo considerable amendments.

As regards the Regional Development Fund, several proposals have been formulated, but no decision has yet been adopted concerning them. One of these proposals provides for the grant of interest rebates or premiums having equivalent effect for projects located in priority regions.

Naturally, the regions of Southern Italy should benefit most from Community aid. Insofar as this aid was directly linked to the implementation of investments and constituted a contribution of resources supplementary to the national aid effort, it would be likely to exert a very positive influence on the development of investments in the Mezzogiorno and, consequently, on medium- and long-term capital demand. The prospects for developing Community operations in the backward regions should normally be matched by a reinforcement of the Bank's operations in the Mezzogiorno.

### 3.4. OPERATIONAL ASPECTS

The expansion of the Bank's activities in the Mezzogiorno has been greatly facilitated by the co-operation of the Italian Treasury. For most of the operations effected in the South, it has been the Treasury which has granted the State guarantee, borne the exchange risk and commissions due to the intermediate institutions and granted an interest rebate to the ultimate beneficiaries.

The Bank's operations have taken some of the load off the Cassa inasmuch as the interest rebates have been borne directly by the Treasury from additional budgetary funds. They have also enabled the specialised institutions to limit their calls on the capital market for the funds required for their lending operations, especially when the market conditions were not altogether favourable. This close co-operation between the Bank, the Cassa and the Treasury paved the way for the accomplishment of a larger number of projects than would have been the case solely with the aid of the resources available in the country.

The new legislative provisions for the development of the Mezzogiorno are bound to bring about an increased call for borrowings for financing industrial investments and infrastructures. Given an economic policy geared to expanding demand, a substantial part of these borrowing requirements should normally be met by the foreign markets.

For some time now, especially since the end of 1971, conditions and monetary uncertainties in particular have been such as to deter Italian borrowers from tapping long-term funds from the foreign markets.

These are, nevertheless, grounds for thinking that, once the recovery of the economy is under way and the capital market reverts to normalcy, the Bank will again be called upon to play a commanding part in supporting public aid to Southern Italy. The Bank's contribution will become all the more telling and effective as and when national planning throws a clearer light on sectoral objectives, the policy as regards the location of investments requiring promotion, and measures for rationalising industrial sectors fraught with structural instabilities.

Meanwhile, the Bank is endeavouring to strengthen its ties as much as possible with the authorities, particularly the CIPE and the various public bodies and departments, so as to become better acquainted with the priorities and to be in a position to intervene with the maximum efficacy at all times.

The future seems to offer greater scope than the past as regards :

- the industrial sector, depending upon the stimulus actually given this sector;
- the energy and major communications infrastructures, because a great many of them will not be able to receive aid from the Cassa;
- the " special projects " — the cornerstone of the new programme for the Mezzogiorno —, which probably cannot be entirely financed by the appropriations at present assigned the Cassa;
- those investments to be borne henceforth by the regions, which have been authorised to supplement their resources by borrowings;
- possible co-operation in the lending operations conducted by the projected new financial company.

In the case of the national authorities, the above opportunities depend largely upon the establishment of a suitable administrative framework, and in the

case of the Bank upon continued unremitting endeavours to tailor its means of assistance as far as possible to the scale and diversity of the outstanding problems. Clearly the results will hinge to a considerable degree on the extent to which Com-

munity moves towards regional development can be relatively concentrated on the Mezzogiorno and also on the extent to which the Bank is singled out to serve as a mainstay for some of the planned new forms of regional aid.



## APPENDIX

Table I — Commitments and payments by the Cassa at 31 December 1971

Sectors	Commitments		Payments	
	Million u.a.	%	Million u.a.	% (¹)
<b>General infrastructures</b>	<b>2,265</b>	<b>21.7</b>	<b>1,739</b>	<b>76.8</b>
Water supply	1,194	11.5	918	76.9
Roads and Railways	976	9.3	754	77.7
Hospitals	95	0.9	67	70.5
<b>Agriculture</b>	<b>2,836</b>	<b>27.1</b>	<b>2,334</b>	<b>82.3</b>
Infrastructures	2,253	21.6	1,890	83.9
Aid	583	5.5	445	76.3
<b>Industry</b>	<b>2,661</b>	<b>25.5</b>	<b>1,365</b>	<b>51.3</b>
Infrastructures	445	4.3	214	48.1
Aid	2,216	21.2	1,150	51.9
<b>Tourism</b>	<b>194</b>	<b>1.9</b>	<b>141</b>	<b>72.7</b>
Infrastructures	181	1.8	130	71.8
Aid	13	0.1	11	84.6
<b>Handicrafts and fisheries</b>	<b>158</b>	<b>1.5</b>	<b>141</b>	<b>89.2</b>
<b>Technical progress and social development</b>	<b>250</b>	<b>2.4</b>	<b>198</b>	<b>79.2</b>
<b>Particularly underdeveloped zones</b>	<b>157</b>	<b>1.5</b>	<b>29</b>	<b>18.5</b>
<b>Loans - Equity participations - Advances</b>	<b>1,651</b>	<b>15.7</b>	<b>1,560</b>	<b>94.5</b>
<b>Other operations</b>	<b>282</b>	<b>2.7</b>	<b>255</b>	<b>90.4</b>
<b>Total</b>	<b>10,454</b>	<b>100.0</b>	<b>7,762</b>	<b>74.2</b>

(¹) % of the commitments.

Source : Cassa per il Mezzogiorno, 1971 balance sheet.

Table II — Investments made directly by the Cassa or with its assistance at 31 December 1971

Sectors	Million u.a.
<b>Infrastructures</b>	<b>4,221.1</b>
Soil drainage and conservation	1,509.1
Roads	592.3
Water supply	1,110.0
Tourism	129.6
Railways	178.2
Industrial zones	209.0
Hospitals	64.5
Land reform	428.3
<b>Aid</b>	<b>9,912.8</b>
Land development	933.0
Industrial projects	8,105.3
Hotel and tourist projects	373.4
Handicrafts and Fisheries	501.1
<b>Other operations</b>	<b>330.6</b>
Technical progress and social development	300.2
Underdeveloped zones	30.4
<b>Total</b>	<b>14,465.5</b>

Source : Cassa per il Mezzogiorno, 1971 balance sheet.



Table III — Mezzogiorno : economic indicator

	1951	1955	1960	1965	1970	Mean % variations 1951-1970
<b>1. Population</b>	<b>17,696.6</b>	<b>18,185.0</b>	<b>18,536.3</b>	<b>19,189.3</b>	<b>19,420.5</b>	<b>0.5</b>
<b>2. Employees</b>	<b>6,491.0</b>	<b>6,560.4</b>	<b>6,472.3</b>	<b>6,033.2</b>	<b>5,945.0</b>	<b>- 0.5</b>
Agriculture	3,679.0	3,287.1	2,865.0	2,266.0	1,828.0	- 3.6
Industry	1,305.5	1,591.6	1,740.4	1,851.4	1,904.0	2.0
Other	1,506.5	1,681.7	1,866.9	1,915.8	2,213.0	2.0
<b>3. Individual income (thousand lire)</b>	<b>274.8</b>	<b>311.3</b>	<b>377.0</b>	<b>483.6</b>	<b>612.4</b>	<b>4.3</b>
<b>4. Gross product at factor cost</b>	<b>4,970.7</b>	<b>5,808.5</b>	<b>7,276.5</b>	<b>9,549.2</b>	<b>12,441.1</b>	<b>4.9</b>
Agriculture	1,371.2	1,328.8	1,542.8	2,002.1	2,221.8	2.6
Industry	928.0	1,331.7	1,737.8	2,461.5	3,633.8	7.4
Other	2,671.5	3,148.0	3,995.9	5,085.6	6,585.5	4.9
<b>5. Gross fixed capital formation</b>	<b>722.4</b>	<b>1,365.0</b>	<b>1,849.6</b>	<b>2,416.6</b>	<b>3,683.1</b>	<b>9.0</b>
Agriculture	120.5	279.6	368.7	302.0	379.1	6.2
Industry	175.0	306.4	398.8	585.4	1,137.0	10.4
Transport and communications	66.1	138.0	166.6	212.6	422.2	10.3
Housing construction	164.3	374.4	539.3	846.0	983.1	9.9
Commerce, credit and insurance	56.6	102.0	150.5	225.4	346.8	10.0
Public administration	139.9	164.6	225.7	245.2	414.9	5.9
<b>6. Consumer expenditure</b>	<b>3,698.8</b>	<b>4,437.2</b>	<b>5,694.4</b>	<b>7,456.8</b>	<b>10,138.5</b>	<b>5.5</b>
Foodstuffs, beverages and tobacco	1,953.7	2,290.1	2,899.8	3,537.8	4,542.2	4.5
Clothing and footwear	331.7	410.8	495.5	680.3	986.0	5.9
Rents	560.4	631.2	785.4	1,009.0	1,233.0	4.2
Transport and communications	145.7	202.3	304.7	527.1	958.6	10.4
Consumer durables	156.3	190.9	251.1	396.2	574.3	7.1
Hygiene and health	205.2	283.1	366.4	543.7	812.3	7.5
Other goods and services	345.8	428.8	591.5	761.7	1,032.1	5.9

N.B. : Population and employment figures in thousands. The monetary values are calculated in thousand million lire at 1970 prices.

Source : IASM Notizie - Nouvelles du Mezzogiorno, No. 7 - 1972.

Table IV — Mezzogiorno : recent pattern of principal economic indicators

	1968	1969	1970	1970 Index (1968 = 100)
<b>1. Individual income</b> (thousand lire)	559.0	596.9	612.4	109.6
<b>2. Employees</b>				
— In the agricultural sector (thousands)	2,024.5	1,974.3	1,828.0	90.3
— In the industrial sector (thousands)	1,855.8	1,829.7	1,904.0	102.6
— In the services sector (thousands)	2,146.3	2,076.0	2,213.0	103.1
<b>3. Unemployment</b> (thousands)	299.0	307.0	298.0	99.7
<b>4. Work force</b> (thousands)	6,325.6	6,179.0	6,243.0	98.7
<b>5. Gross product</b>				
— In the agricultural sector (thousand million lire)	2,136.2	2,322.3	2,221.8	104.0
— In the industrial sector (thousand million lire)	3,170.9	3,403.7	3,633.8	114.6
— In the services sector (thousand million lire)	5,945.9	6,253.1	6,585.5	110.8
<b>6. Investments in industry</b> (thousand million lire)	709.4	882.5	1,137.0	160.3
<b>7. Investments in plant and equipment</b> (thousand million lire)	797.5	951.0	1,216.7	152.6
<b>8. Consumer expenditure</b> (thousand million lire)	8,934.7	9,499.7	10,138.5	113.5
<b>9. Gross average hourly wages in industry - Annual average</b> (lire)	567	626	770	135.8
<b>10. Registration of private cars</b> (units)	270,337	274,916	308,919	114.3
<b>11. Electricity consumption</b> (million kWh)	18,625	20,324	—	—
<b>12. Privileged financing schemes decided for industry from 1961 onwards</b> (thousand million lire)	2,213.4	2,595.6	3,225.8	—

N.B. : The monetary values are calculated at 1970 prices.

Source : IASM NOTIZIE - Nouvelles du Mezzogiorno, No. 7 - 1972.





