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During the Treaty of Rome negotiations a point of cardinal importance to Italy was how the creation of a European Economic Community might affect the future of poorer and less advanced areas.

Not only were regional disparities in Italy the most pronounced among all the original «Six», but there also came to mind the risk that European unification might repeat on a larger scale the experience of the 19th century when the uniting of Italy was followed by a polarisation of economic activity in the North, with a consequent decline in the fortunes of the Mezzogiorno and a widening of the gap already existing between North and South.

At the beginning of the Fifties the Government recognised the need for major public intervention and launched a drive for development of the South, which amongst different measures included the creation of the Cassa per il Mezzogiorno; the concern that this should in no way be jeopardised was well understood by Italy's negotiating partners.

A special protocol was therefore annexed to the Treaty of Rome recognizing «particular problems relating to Italy». It specifically underlined the part which the European Investment Bank could play in providing finance to strengthen the structure of the Italian economy, in particular in the mainland Mezzogiorno and the islands.

From its beginning the Bank has accordingly directed a large volume of its operations towards supporting investments in Italy, primarily in the Mezzogiorno.

The degree of priority which the EIB has given to this action is evident from the fact that of all the finance provided by the Bank within the Community up to end 1976, no less than 43.5% — 2613.6 million units of account — went to investments in Italy, and 80% of this to projects in the Mezzogiorno.

Notwithstanding enlargement of the Community in 1973, from six to nine Member Countries, and despite the increasing calls on EIB resources to assist the development of the Third

World and countries associated to the EEC, financing operations in Italy have continued to grow substantially.

The growth has been in real value and has well outpaced inflation. At 1976 prices, the yearly average of operations in Italy has risen from 100 million u.a. in the 1959-64 period, to 200 million u.a. in the period 1965-70 to 350 million u.a. from 1971 to 1976.

At a recent meeting of the EIB's Board of Directors, Dr. Giorgio Ruffolo, today President of FIME — Finanziaria Meridionale, gave an exposé of some of the successes and problems of the economic development of the Mezzogiorno.

The text of his speech is given overleaf; it is based on long experience, theoretical as well as practical, Dr. Ruffolo having previously held, amongst other positions, that of head of the Secretariat for Economic Planning. There follows a review of the EIB's own operations in the Mezzogiorno.

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The Mezzogiorno: its problems and prospects

by Dr. Giorgio Ruffolo, President of Finanziaria Meridionale (1)

A common link between the problems of the Mezzogiorno and the creation of a new Europe can be seen in the Treaty of Rome. It recognizes special circumstances in Italy calling for action to assist and develop the South.

Where the link between the two is even more apparent is in the contribution made by the EIB which has mounted a substantial proportion of its operations in Italy. I stress this point at a time when the value of cooperation and European solidarity — both essential for Italy and the Mezzogiorno — is being severely tested.

For many years, the success of assistance for the Mezzogiorno was measured in terms of reducing inequalities between northern and southern Italy. As usual, comparisons were based on gross domestic product or per capita income.

From this viewpoint, support for the Mezzogiorno would appear to have made little impact: between 1951 and 1975, the Mezzogiorno's gross domestic product remained steady at 24.1% of gross national product, while per capita GDP rose from 64.6% to 68.8% of the national average.

However, any such comparisons or vague targets may well be considered dubious; an assessment based on income is hardly a measure of all the factors reflecting a society's level of development.

There is also the risk that a development objective aimed at restoring a balance could be considered merely a question of **justice**, i.e. a refusal to accept marked inequalities between the standards of living of different sections of the population. While this is obviously an important aspect and one of the factors underlying support for the Mezzogiorno, it is by no means the only consideration. Taken in isolation, it also has a negative side, as supporting aid and compensation for the Mezzogiorno can be looked upon as a **due**, an act of **reparation**, a right acquired by people who have always been at the receiving end of inimical policies.

In fact, the main objective of support for the Mezzogiorno is to

exploit the area's potential within the context of a unified national policy. The cost of failure to restore the right balance is mirrored by wastage of untapped resources (labour force, natural assets, brain power) and depletion of over-exploited resources (congestion of major cities), causing acute economic and social tensions.

Yet again, this illustrates that the problems of the Mezzogiorno concern Italy as a whole.

In the early 1950s, there were more than 3.5 million farmers in the Mezzogiorno, which was accounting for two thirds of Italy's population growth, while industry, which had just begun to enjoy a long period of rapid expansion, was centred in north-west Italy where there was a stable labour market.

At this time, there was a lot to be said for transferring the hub of industrial activity to the South. To what extent has support for the Mezzogiorno helped in this respect? How has the area's economic and social structure changed in the meantime? Above all, with the Italian economy currently overshadowed by redevelopment problems, do conditions still bode well for continued industrial growth in the Mezzogiorno?

After the war, the first measure in support of the Mezzogiorno was Law N° 646 of 10 August 1950, setting up the Cassa per gli Interventi Straordinari nel Mezzogiorno (Fund for Special Operations in the Mezzogiorno). The Cassa was given the task of mounting infrastructure projects over and above those implemented by the usual authorities, using streamlined financing facilities.

Other laws followed, providing additional funds for special operations, covering new spheres and introducing new financing formulae. Law N° 634 of 29 July 1957 extended special operations to embrace sectors other than infrastructure and set down guidelines for coordinating special and ordinary aid, according industry prior claim to special aid.

Law N° 17 of 26 July 1965 required that this special aid be dovetailed into overall planning policy with the aim of programming development of the Mezzogiorno over a number of years.

Law N° 853 of 6 October 1971 dealt with the question of ties between special aid and the recently established Regioni. It introduced the concept of «Special Projects» spanning different regions and sectors and offered new ways of promoting industrial expansion by, for example, taking up stakes in new ventures in the South.

At the end of its last session Parliament approved Law N° 183 of 2 May 1976, extending special aid until 1980 and initiating several new developments. This law highlights the role of the Regioni, by introducing regional development plans; it modifies the incentives to industry, offers «soft leasing» facilities and provides for reorganising agencies directly responsible for promoting industrial growth.

Thus between 1950 and 1977, a range of complex, interconnected financing formulae was introduced in support of both the productive and infrastructure sectors.

Aid provided over the period 1951-1975, based on direct or related investment, stands at around Lit 20 000 000 m (at current prices for each year).

This is indeed a substantial sum, particularly since total capital investment over the same period in the Mezzogiorno in both the productive and infrastructure sectors amounted to Lit 60 000 000 m. In practical terms, around one third of investment in the Mezzogiorno was implemented directly or indirectly as a result of special aid.

The ratio of infrastructural to productive sector investment has changed appreciably over the years:

(1) This text is based on a speech given by Dr. Ruffolo at a recent meeting of the Board of Directors of the EIB.

during the first five years of special aid, infrastructure attracted 80% of total investment, but only 20% between 1970 and 1975.

Aid was provided either directly, usually for infrastructural works, or as indirect support, mainly for productive projects. In the infrastructure sector, particular importance was attached to transport ventures which helped to integrate the Mezzogiorno into the Italian and European markets.

The Cassa constructed a total of 36 500 km of roads, while aid for the railways financed a second track on the Tyrrhenian line, the southern section of the Adriatic line and electrification of almost 1 000 km of the Adriatic and Ionian lines. Funds were also earmarked for 21 sea ports and for ferries between Sardinia and the mainland.

The scale of infrastructural investment in modernising the agricultural sector was equally as important: 37 large dams were built with a capacity of 3 000 million m³; 429 000 ha were provided with irrigation facilities; 14 298 km of channels were dug for irrigation purposes; 1 023 factories were constructed for preserving and processing agricultural produce and 141 000 ha were reafforested.

Investment in the various productive sectors (including infrastructural works directly connected with productive sectors and investments induced by incentives) focussed very largely on industry, both over the period as a whole (more than 70% compared with less than 20% for agriculture) and the five years 1971-1975 (more than 80% as against 10% for agriculture).

For the years 1976-1980, the new law on the Mezzogiorno provides for the allocation of credit totalling some Lit 18 000 000 m. More than 8 000 000 m is earmarked for industry to go towards loan subsidies and specific industrial infrastructure works and Lit 3 000 000 m for Special Projects.

Aid for the Mezzogiorno is a subject of impassioned debate in Italy, concerning the scale and terms of support, the effectiveness of the support and the value of the objectives.

One problem which occurs time and again in the Mezzogiorno controversy is the matter of keeping special aid in the South strictly «supplementary».

Many hold the view that the Cassa per il Mezzogiorno has partly taken over from the usual authorities.

Although there is no way of verifying this, the Cassa, in implementing its programmes, has found itself taking initiatives which fell more within the scope of other authorities' programmes.

This situation shows up the main shortcomings of special aid, apparent since its inception, i.e. the difficulty of coordinating aid with the ordinary authorities and the Regioni as required by all the laws but never achieved in practice, the absence of an overall national economic plan and the means for implementing it.

There are differing views on the scale of aid for the Mezzogiorno.

According to the expenditure figures for the Cassa per il Mezzogiorno, funds available for capital formation average 0.7% of the national income, only 0.5% of which may be deemed supplementary or special aid.

However, the direct cost of special aid does not in itself give a true picture of Italy's support for the Mezzogiorno. Account also has to be taken of the value of tax exemptions, public investment (or at least capital projects implemented by government decision in line with its policy for the Mezzogiorno) and transfers, mainly in redistributing income through the social security system.

Even if it were possible to equate and quantify the various components, this would still not provide an answer to the question as to whether sufficient resources are available.

It is important to assess the quality of the aid rather than its quantity. This depends largely on the allocation of resources and the purposes for which they are used.

The various laws on the Mezzogiorno since 1950 have always

sought to improve the «quality» of aid through, among other things, the decision to change the bias from aid mainly for infrastructure to incentives for the productive sectors; attempts to coordinate the various types of aid and the different agencies; the establishment of industrial zones and nuclei to accelerate industrial growth via a policy providing for industrial centres; efforts to make the incentives system more flexible and more varied in order to turn it into an effective instrument of industrial policy, and, more recently, the promotion of coordinated infrastructure and productive ventures («Special Projects»), the transfer of powers to the Regioni and the introduction of new means of directly promoting ventures.

These attempts to modulate aid have not always met with success.

Viewed very summarily the main problems lie rooted in:

- too wide a scatter of infrastructure projects implemented without a precise regional development plan;
- inadequate coordination between industrial ventures and related infrastructural works;
- the failure of incentives to promote sufficient industrial growth, because of lack of selectivity and too much emphasis being placed on sectors and large firms ill-matched to the South's social needs.

The Mezzogiorno from 1950 to 1975

I mentioned earlier that the disparity between the Mezzogiorno and central and northern Italy has not changed fundamentally in terms of income. More marked changes are apparent, however, if, instead of taking «income» as the yardstick for economic accounting, a series of indices is used which also takes account of the general state of society.

A wider assessment of the development of Mezzogiorno society reveals a marked change in its economic and social structure, i.e. in the face of society, over the past twenty years. This can be attributed only to a minimal extent to

deliberate planning, and far more to external factors (I am thinking of the attraction of manpower to the «stronger» expanding regions of Italy and Europe) and the transformation of an old-fashioned social structure suddenly thrown into contact with the patterns of consumer societies typical of more advanced countries emerging at this time. The Mezzogiorno policy accompanied, rather than shaped, this movement. Its efforts to counter the negative effects of these developments have not always provided satisfactory results and have not so far succeeded in triggering really autonomous expansion.

The most radical changes in the Mezzogiorno since 1950 have been in the size of its population. Between the 1951 and the 1971 censuses, more than 4 million people emigrated from southern Italy, while the net inflow of southern migrants to central northern Italy totalled 2.7 million.

This mass exodus was not uniform: it concerned mainly the mountainous regions and, to a lesser extent, hilly areas; in contrast, the plains, accounting for less than 20% of the total area of the Mezzogiorno, recorded a sharp increase in population.

In addition to the exodus from the Mezzogiorno, there was also very steady internal migration: apart from the move from the mountains to the plains, there has been a drift from small villages to towns with more than 50 000 inhabitants. In communes with populations of between 100 000 and 250 000, the number of inhabitants doubled between 1961 and 1971.

In spite of migration, the Mezzogiorno's population rose from 17.7 to 18.8 million between 1951 and 1971, mainly as a result of natural population growth; this was twice the figure for central northern Italy. As migration has been diminishing sharply since the early 1970s and infant mortality, although still more than 20% higher than in central northern Italy, dropped from 82 per 1 000 in 1951 to 27 per 1 000 in 1974 and will continue falling, it is evident that the population of the Mezzogiorno is still growing strongly.

Emigration, involving mainly the adult population, has had a marked

impact on the age structure, resulting in a higher percentage of young and elderly people. This and other factors (higher school attendance, reduction in retirement age, changes in the production structure) have produced a drop in the working population from 37.1% in 1951 to 31.5% in 1975.

In absolute terms, the Mezzogiorno's working population fell by nearly one million between 1951 and 1971. The number of farm workers fell by almost two million whereas the numbers employed in industry and services each rose by around 500 000.

The increase in school attendance is of fundamental social importance for the Mezzogiorno. About 10% of the population was illiterate in 1971 as opposed to 25% in 1951. In 1973, 95% of children in the 6-13 age group and 44% in the 14-17 age group were attending school.

The breakdown of pupils in secondary education according to type of school showed a shift from the traditional emphasis on the humanities towards industrial and business studies.

This vast training potential has now outstripped the productive sector's capacity to absorb school leavers and schools risk becoming vast «parking lots» for young people who are unable to find productive employment.

It is vital to integrate women into the productive sector. Although they still play a role in farming, where job security has improved compared with the old precarious system of working on a day-to-day basis, few women are working in the new modern industries.

Per capita income has risen threefold over the past 25 years. The fact that it has kept pace with trends in the rest of the country, far from reflecting the failure of government aid in the Mezzogiorno, serves to prove its success. Before the war, the rate of development in northern regions was almost double that in the south. Support for the Mezzogiorno has thus contributed towards narrowing the development gap between the two areas, a factor which can be attributed to a considerable extent to external assistance from the more developed

northern area. An examination of income in the southern regions shows that more than 20% of disposable income is made up of transfers from outside the Mezzogiorno, mainly government transfers and migrant workers' remittances.

A regional comparison of contributions and payments made under the social security system in respect of disability and old age pensions reveals an important shift in favour of the Mezzogiorno. Whereas payments only slightly exceed contributions in Italy as a whole, the southern regions paid out more than double the amount of contributions received in 1975 with some areas, such as Molise, Basilicata and Calabria, paying out almost three times as much.

The increase in income in the Mezzogiorno can be assessed from a number of concrete examples, some of which are particularly significant: between 1958 and 1973, the number of cars rose from 300 000 to 3 200 000; between 1951 and 1974, the number of telephones increased from 140 000 to 3 100 000, while between 1951 and 1971 the number of dwellings without drinking water or sanitary facilities dropped from 1.2m to 85 000.

Until the 1970s, it was housing that headed the list of sectors attracting investment, followed closely by manufacturing industry, while the scale of investment in agriculture, which had formerly been on a par with the amount invested in industry, was showing a steady decline. In the period 1966-1970, farming investment amounted to the equivalent of only one-third of investment of industry, although it still accounted for close on 45% of agricultural investment nationwide.

The 1970s have seen industry take the lead, absorbing almost half of all the capital invested in the Mezzogiorno.

However, the rate of job creation failed to keep pace with this expansion in industrial investment: in 1951-1955, industry in the South had employed 23.7% of the national workforce but absorbed only 16.2% of gross national investment, whereas in 1971-1973, with its share of the workforce risen to only 25%, it was attracting 45% of all investment in the country.

To draw obvious, immediate conclusions from this would be ill-advised, if only because of the faltering rate of industrial investment in the North, which at least goes some way towards explaining the increase in the proportion of domestic investment claimed by the South during the latter period.

A further consideration is that the advent of new industries in the Mezzogiorno has been allied with the gradual disappearance of numerous very small, undercapitalised businesses. In other words, industrial development has been closely bound up with structural change, with both blue and white-collar workers steadily assimilated from fringe activities.

It is nevertheless obvious that investment has been channelled mainly into sectors and undertakings of the least labour-intensive kind.

Taken overall, there has been a relatively modest increase in the role of manufacturing industry in the Mezzogiorno, as compared with the country at large, although a fairly consistent pattern of proportional increases emerges for the capital-intensive sectors. These are headed by metallurgy, with a share rising from 5.3% of the total to 16.2% between 1961 and 1972, followed by chemicals (increasing from 10.2% to 15.2%), rubber (0.7% to 6.5%) and paper (6.5% to 10.6%). Appreciable increases were also achieved by the mechanical engineering industry (6.8% to 8.1%), transport equipment (7.9% to 11.1%) and non-metallic minerals (16.0% to 19.4%).

The metallurgical sectors and chemicals have accounted for the largest share of aids for industry in the Mezzogiorno, claiming 60% of credit advanced up to 1975, and something like 70% over the period 1971-1975.

As industrialisation failed to keep abreast of labour fallout in agriculture — wage-earners and smallholders were the hardest hit — there was a drift towards urban centres, which triggered the growth of a «hybrid tertiary sector», currently the most worrying aspect of the social structure in the Mezzogiorno.

The traditional rural image of the Mezzogiorno has become progressively more blurred with administration and commerce to the fore and assisted economic activities assuming increasing importance. This is the negative feature of a region which, according to accepted economic criteria, has ceased to be an underdeveloped area but continues to be an assisted one, as yet unable from within to generate the motive power required for its own development.

It would however only be fair to temper this sobering thought by highlighting the elements underlying the process of development at the present time:

- a nucleus of modern industry is in the making, which is beginning to produce and train a young and skilled working class, as yet of only modest size;
- agriculture is being modernised as a result of increased know-how;
- a growing number of young people are finding their way into higher education and people as a whole are becoming more socially aware;
- the Regioni have had a catalytic effect on the emergence of a more modern and responsible class of civil servants.

The Mezzogiorno and the changing economic scene

The surging price of oil and other raw materials in 1974 sparked off a structural crisis in Italy that had still more deep-rooted origins and which, during the 1970s, took the form of endemic inflation, falling investment and public finances thrown off balance.

In the wake of international upheavals, the Italian economy found itself in straitened circumstances when it came to endeavouring to tackle the urgent problems of sectoral and territorial reorganisation.

This period saw a rapid downturn in outward migration, while of late there has even been a reversal of

the flow, with a net influx of workers weighing heavily on the labour supply situation.

For the Mezzogiorno, these changing economic circumstances made for grave new problems, such as:

- the risk that, as investment slackened, outside finance for the Mezzogiorno, still a key factor in its economy, might suffer a sudden collapse;
- the possibility that a drying-up of funds would affect not only private investment but also, because of the increasing difficulties besetting public finances, the inflow of public funds;
- the crisis affecting those sectors which represent the most important structural changes in production in the Mezzogiorno (chiefly iron and steel and petrochemicals);
- the fact that the process of assimilating and transforming backward segments of the production sector in the Mezzogiorno — a host of minute, cottage industry concerns — was still very much under way: almost 40% of those employed in manufacturing industry work in firms occupying less than 10 people;
- the fact that imbalances between supply and demand in the labour market were largely confined to the Mezzogiorno.

The problem of the Mezzogiorno is becoming increasingly identified with the more general reconversion problem facing the economy and industry in Italy. There has never before been such clear evidence of the region's «centrality», i.e. the close affinity between the need, on the one hand, to pursue sectoral diversification of industry nationwide and, on the other, to seek a more balanced geographical distribution of economic activity. What an industrial reconversion policy calls for is:

- in the North, measures to improve the efficiency and competitiveness of existing production structures, so as to ensure

that the capacity to compete at international level is achieved without recourse to successive devaluations;

- in the South, measures to modify and diversify the structure of production which, as things stand at the present, offers no significant development prospects.

This approach answers the respective labour market conditions and needs of the two areas.

Restructuring in the North may proceed on the basis of maintaining current employment levels in industry. The labour supply more or less matches demand and there are also quite solid prospects for employment in the services sector.

In the South, there is a large and growing supply of surplus labour, of which productive use can only be made in industry. The limited scope for expanding capacity at existing plants is such that for labour of this kind to be soaked up industry must be expanded along new fronts and the process of economic integration within the Mezzogiorno accelerated.

The basic need therefore is for a single industrial policy to be instituted to cope with the various structural and territorial problems surrounding industrial reconversion.

Such a «grand design» is alas by no means forthcoming: the country has been having to make do instead with a law on the Mezzogiorno good as far as it goes but lacking the essential base of an integrated national industry policy, and a bill for restructuring industry which, in its present form, would appear to consist of a package of supporting facilities for industry more or less matching those provided for the Mezzogiorno.

This anomaly has admittedly been noted in political quarters, and a real effort is now being made to come to grips with the problem; but it must be said that the anomaly is rooted in the stubborn refusal in some quarters, even in Italy, to acknowledge the objective need to shift the country's industrial centre of gravity towards the South.

Hence the main problem is to determine whether the social and economic structure of the Mezzogiorno, against the changing world economic background, invites renewed industrialisation.

Since the post-war era the Mezzogiorno has undergone a profound change, and the old rural society has become urbanised. There is however something tenuous about this new urban society, based as it is on a somewhat fragile productive infrastructure and lacking full autonomy. There has been rapid development of a debased tertiary sector: not a complex network of all those services proper to post-industrial societies so much as a web of commercial middle-men and a still backward administrative structure.

Even more than an agricultural society, these parasitic incrustations form a greater resistance to industrialisation although, in fact, there are resources (such as skilled labour) which can be quickly called upon.

The central task is to transform what is a fundamentally passive society — because its organisation is largely a response to a policy of aids and subsidies — into an active society, calling on outside resources to give effect to initiatives of a kind that will subsequently flourish independently.

In industrial terms, this means that the move must be made from the construction of new plant to a phase of establishing new, modern, efficient undertakings, not only geared to external factors (credit facilities and cheaper labour) but capable of responding to the challenge of the market and tailoring both production and technology accordingly.

Such a radical change of direction calls for specific, nationwide industrial policy objectives, new modes of support for the Mezzogiorno and the mobilisation of society within the Regioni, which are now the centres for local democracy and decision making.

When it comes to industrial policy, the best approach might be to evolve a development strategy

taking a single view of the whole production structure but adopting a range of instruments to be used in its pursuit.

Any new industrial policy guidelines are today largely determined by the problems within Italian society (employment, the satisfaction of certain basic needs, territorial equilibrium) and shaped by the problems arising out of Italy's position in international relations. The current structure of production does not lend itself to an adequate solution of these problems.

In the short term, the balance of payments problem compels Italy to seek to recover former levels of efficiency and competitiveness by restoring mobility of labour, putting a rein on the cost of labour and modernising the means of production.

Worthwhile, lasting results are not likely to be achieved by action aimed purely and simply at restoring efficiency without changing or expanding the structure of production.

A glance at the balance of trade shows that the country imports more and more high value-added goods and exports what are relatively poor wares: semi-processed goods. Of all industrial countries, Italy shows the lowest incidence of value added on turnover in manufacturing industry: barely 34%, compared with 47% in the United States, 53% in France and 58% in West Germany. Consequently any increase in gross domestic product means an increase in imports without any countervailing rise in exports.

Moreover basic production activities and semi-processing in general are the affair of highly capital-intensive undertakings offering little scope to the ever-increasing number of those seeking employment. Therefore, broadening the structure of industrial production to embrace more complex and varied activities will not only answer the need to restore the balance of trade, but, above all, satisfy the labour market. There is however a critical limiting factor: the cost of labour in Italy is such as to preclude development in labour-intensive traditional pursuits, pre-

cisely the fields of activity in which products from the developing countries enjoy a cost advantage.

The answer is to improve qualifications and technological innovation, widen the product range and above all improve the marketing structure and organisation of business enterprises.

Such a challenging approach to industrial reconversion, embracing a number of complex factors (for example the scope for exploiting more fully agricultural resources and «social» needs such as health and housing) calls for a flexible, varied range of solutions.

So far, the major instrument of industrial policy — not only in the Mezzogiorno — has been the financial one, notably in the form of credit facilities. Nevertheless, despite attempts to make more effective use of this instrument, it is not only an inappropriate device when used in isolation but can even prove detrimental, in that it tends to result in «political compromise», narrowing considerably the chances of fostering the rise of a class of active and productive entrepreneurs.

If the reconversion of industry is to be steered more towards new sectors and production processes, a more thrusting approach is required, which must seek a solution to the problems impeding the development of these sectors.

There are general policies as regards credit, taxation, labour mobility and the cost structure of labour — which in turn should be tailored to such specific needs as those of small and medium-scale undertakings — but these need to be accompanied by a whole range of auxiliary services, for research, marketing, training, management etc., designed to give a promotional boost to the aims of industrial strategy. Although production capacity must be expanded in the Mezzogiorno, management resources are lacking — which is why these new forms of industrial promotion must be developed as far as possible. The new law on the Mezzogiorno gives pride of place to this aim in its package of measures to boost industrialisation.

For about a year now Finanziaria Meridionale has been active in this field. This is a private limited company of which I have the honour to be President. It was formed in 1975 with the financial backing of the Cassa per il Mezzogiorno and the principal national banks. The period has been one of intense activity, with the Finanziaria promoting the formation of and taking minority holdings in 25 new ventures. It has also been engaged in furthering the establishment and location of new undertakings, validly linking its own interests to those of the private entrepreneurs concerned. Finanziaria Meridionale is not alone in this activity. Other assistance agencies such as IASM and management training bodies like FORMEZ have for a long time been developing aid and support measures for entrepreneurs, while other financing bodies like INSUD, FINAM and the regional finance companies mount allied operations.

Finally the Regioni, or administrative regions, which, as a new element in the structure of government could play a key part in any new industrial development strategy for the Mezzogiorno, because they control what is a critical factor for industry, the land. They are also the mouthpiece of local public opinion. Above all, the Regioni offer a means of transforming the way in which development of the Mezzogiorno is fostered, by replacing what is an externally controlled operation (which on the assistance side is thus liable to go somewhat awry) by a form of action and a system of options and initiatives that are pursued with the participation and acquiescence of local interests.

If this is to be realised, however, the Regioni will have to put themselves forward as a new mode of administration, a viable alternative to the old, bureaucratic, formalistic type that exemplified state administration. There will also have to be effective programming rather than delegating responsibility for seeing projects through to a number of bodies operating at different levels.

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I have attempted to show how the Mezzogiorno problem is part and parcel of the problems of Italy as a whole and how the long-term effect of a structurally dualistic economy

is to erode not only the weaker part of the system but also its stronger side.

The most recent events in the country's economic development highlight the ossifying effect that the situation exerts throughout the system and the increasingly grave difficulties encountered by the more advanced part of the country in endeavouring to maintain its efficiency, in the absence of any single reconversion plan for the country at large. This in fact means that it is not merely the Mezzogiorno but Italy as a whole that risks becoming an «assisted» area.

A century ago, Giuseppe Mazzini observed that the future of Italy lay in the future of the Mezzogiorno ... but what about Europe?

Europe itself shows a strongly dualistic trend in its development — one might even say, an Italian-style dualism. For decades past, the development of the stronger regions within the European system has been furthered by their pull on resources — labour in particular — from the most handicapped areas. The resulting pattern of market organisation and social values has been characterised by growth and development devoid of objectives.

Such a process could not and cannot go on indefinitely, its ultimate fate being to erode its own foundations.

Europe, like Italy, is thus constrained to search for a more balanced development model.

From this stems the present and future importance of the role of the EIB which, as an instrument of regional policy, simultaneously deployed in the reconversion of production in the cause of European unity, has since its inception striven ever more vigorously for the reduction of regional imbalances.

Our future action must be invested with such an attitude, with increased decisiveness and improved continuity, if we are to pursue the process of integration in its fullest sense, that is, to transform what is a Community of markets into an economic and political Community.

The operations of the EIB in the Italian Mezzogiorno

The largest single share of the European Investment Bank's financing operations to date concerns projects in Italy, a direct reflection of the serious nature of the country's regional development problems.

Of all the funds which the Bank provided in the original six Member States, from 1959 to end 1972, 58% went to investments in Italy. Since enlargement of the Community in 1973, with the accession of Denmark, Ireland and the United Kingdom (the last two with particularly acute regional problems of their own), Italy has accounted for approximately 35% of operations. Nevertheless, as the EIB's total volume of activities has grown substantially the amount it has provided in Italy, in absolute terms, has continued to rise at a steady rate, well outpacing inflation: at 1976 prices the Bank's operations have passed from an annual average of about 100 million u.a. for the period 1959-64, to 200 million u.a. during the years 1965-70 to 350 million u.a. from 1971-76.

Policies adopted by the Italian Government have facilitated the growth in EIB operations: where loans are made to public bodies in the Mezzogiorno it provides guarantees and cover against exchange rate fluctuations (EIB loans are made partly, or sometimes wholly, in foreign currencies). This applies also to loans made to public credit institutions in order to contribute to the financing of private sector projects: these are then passed on to the project promoter, very often at reduced rates where the investments concerned meet criteria laid down in legislation allowing for interest subsidies to be paid by the Italian Government.

For its part the Bank has sought consistently to cooperate as closely as possible with the national and regional credit institutions and has adapted its operations, where necessary, to meet the requirements of a very wide range of investment. One particular action which it took to broaden the impact of its work — by extending help to small and medium-sized ventures — was to develop a form of operation known as «global loans». Under this system the Bank provides loans to intermediary credit institutions which then select projects from among their own clients, in agreement with the EIB, and parcel out the funds accordingly. Thus the Bank harnesses part of its own resources to the local knowledge and expertise of other institutions to support a large number of worthwhile projects which it would be impossible to deal with directly.

The «global loan» system has been used in most of the Member Countries, but Southern Italy accounts for approximately half of the total

volume of this form of finance provided by the Bank within the Community.

Other factors have had a part in the development of the Bank's operations. The recent shortage of capital on the Italian domestic market, for example, has tended to throw more emphasis on the Bank as a source of finance, although there have been counterbalancing influences, among them the general slow-down in industrial investment, which is bound up with the long-term prospects of some major sectors of industry and the concern of certain large enterprises to reestablish their financial situation before undertaking fresh capital expenditure.

Four-fifths in the south

The total of EIB financing operations in Italy stood, at end 1976, at 2 613.6 million u.a., of which four-fifths (2 070.9 million u.a.) concern investment in the Mezzogiorno.

To see more clearly how the Bank's activities have developed over the years, it is convenient to break them into two periods — 1959-1970 and 1971-1976.

There are two reasons for such a division. The first years were covered more extensively in a previous report published in September 1972 (1). The two periods also correspond to different stages in the evolution of the Bank — the first 12 years, representing one-quarter of total financing, were to a large extent the years of establishment; they provided the foundation for the following six years of considerable expansion accounting for three-quarters of total financing.

In the Mezzogiorno, the value of EIB operations rose from 717.6 million u.a. in the first period (1959-70) to 1 353.3 million u.a. for the next period (1971-76).

The total fixed investments of the projects which the Bank has helped to finance is estimated at 2 529.7 million u.a. for the first period and 4 789.3 million u.a. for the second.

The number of jobs directly created can be calculated at just less than 40 000 for 1959-1970 and a further 49 000 for the following phase. These figures take no account of the favourable repercussions on employment in supply or service industries linked to the projects or the substantial employment which, although difficult to quantify, has been indirectly created through infrastructure investments which the EIB has helped to finance such as motorways, power stations, gas pipelines and aqueducts; these may provide relatively little direct employment after the initial construction period, but they are the base for economic development.

Another measure may be given for the Bank's support for investment: the projects which it has helped to finance in the period 1971-1976 account for approximately one-sixth of entire new fixed investment (2) in the Mezzogiorno during these years.

In most populated regions

Almost 60% of the EIB's total operations in the South to end 1976 relate to investments in three regions, Campania, Apulia and Sicily, which account for almost two-thirds of the Mezzogiorno's population and equally a high degree of underemployment and unemployment.

A relatively large share of Bank finance has gone also to the three regions with the lowest standards of living, Basilicata, Calabria and Molise; here the funds have been provided mainly for building up infrastructure in order to render conditions more conducive to the

(1) The European Investment Bank and the problems of the Mezzogiorno.

(2) Embracing infrastructure development, the establishment and expansion of industry and housing.

setting up of new industrial activities (see table this page for detailed breakdown of financing by region).

The geographical spread of EIB financing between 1971 and 1976 was much in line with 1959-1970 trends with, however, certain exceptions arising from fluctuations in regional economies. In Sardinia, for example, the rate of industrial growth slackened following an initial batch of basic investments in the chemicals and metallurgy sectors.

In Apulia, however, financing requirements remained substantial due to development of the Taranto iron and steel complex, petrochemical complexes at Brindisi and Manfredonia and the Bari industrial centre. In Campania, there was an upturn in activity from one period to the next, due to the start of work on large-scale infrastructure projects in recent years (measures to reduce pollution in the Bay of Naples, motorway schemes, extensions to telecommunications and energy transmission networks).

The Bank has concentrated its support on a fairly limited number of areas which had, in general, already attracted a substantial volume of investment and comprise either old urban centres, such as Naples, or recently established industrial development centres (e.g. Syracuse in Sicily, Taranto and Manfredonia in Apulia). This situation stems from the basic economic policy decision taken in 1957, setting out the Cassa per il Mezzogiorno's role of creating focal points of industrial activity, capable in each case of developing independently and acting as the motor for the local economy.

More than 1 000 million u.a. each for infrastructure and for industry

EIB financing in the Mezzogiorno has been divided more or less equally between infrastructure (1 022.7 million u.a.) and industry (1 048.2 million u.a.)

Over the years, however, there has been a slight tendency for infrastructure to increase its share — from about 45% in the first period to almost 52% in the next — which mirrors the general down-turn in industrial development these last years, but also the undertaking of large-scale public investment programmes with objectives of supporting the economy during the recession and maintaining employment.

The infrastructure projects can be placed under four main headings: telecommunications, transport, water resources/irrigation and energy supplies.

Modern, rapid telecommunications are indispensable to virtually every sphere of economic activity and in this respect the Mezzogiorno was for long doubly handicapped as the

EIB financing in the Mezzogiorno breakdown by region and major sector

		1959-1970		1971-1976	
		Amount (m u.a.)	% for each region	Amount (m u.a.)	% for each region
Marches	Industry	10.4		8.5	
		10.4	1.4	8.5	0.6
Latium	Industry	23.4		64.9	
	Services	—		1.6	
		23.4	3.3	66.5	4.9
Campania	Infrastructure	21.0		149.2	
	Industry	83.2		102.3	
	Agriculture	—		0.6	
		104.2	14.5	252.1	18.6
Abruzzi	Infrastructure	24.0		—	
	Industry	15.4		45.0	
		39.4	5.5	45.0	3.3
Molise	Industry	—		32.5	
		—	—	32.5	2.4
Apulia	Infrastructure	33.0		156.2	
	Industry	101.2		165.7	
		134.2	18.7	321.9	23.8
Basilicata	Infrastructure	9.0		30.1	
	Industry	2.3		14.2	
		11.3	1.6	44.3	3.3
Calabria	Infrastructure	26.0		72.1	
	Industry	17.6		19.2	
	Services	6.8		1.1	
		50.4	7.0	92.4	6.8
Sicily	Infrastructure	62.0		71.9	
	Industry	40.6		78.2	
		102.6	14.3	150.1	11.1
Sardinia	Infrastructure	28.0		49.3	
	Industry	87.9		67.2	
	Agriculture	—		0.3	
		115.9	16.1	116.8	8.6
	Unallocated amount of global loans (*)	5.4	0.7	52.7	3.9
Multiregional infrastructure projects					
Mainland Mezzogiorno		—	—	4.7	0.3
Marches / Abruzzi		—	—	16.4	1.2
Campania / Calabria		20.0	2.9	12.9	1.0
Campania / Basilicata		20.0	2.9	—	—
Abruzzi / Calabria		—	—	5.0	0.4
Abruzzi / Molise		16.4	2.3	18.4	1.4
Molise / Apulia		—	—	25.0	1.9
Apulia / Basilicata		48.0	6.6	30.2	2.2
Calabria / Sicily		16.0	2.2	20.0	1.5
Calabria / Basilicata		—	—	37.9	2.8
		120.4		170.5	
Grand total		717.6	100.0	1353.3	100.0

(*) Difference between the amount of global loans granted and the amount of allocations approved during the period.

less-equipped half of a country which itself was, in this sector, behind many other West European countries.

The Bank has therefore given continued support to the considerable efforts which have been made over the last two decades to create an efficient, largely automatic network in the South of Italy.

A total of 338.4 million u.a. has been provided for works in virtually every area of the Mezzogiorno, involving more than 1 million subscriber connections and substantially improving conditions for the establishment of new industrial ventures. Most of this sum — more than 250 million u.a. — was made available in the period 1971-1976 and it is estimated that this finance covered about 30% of the planned investment cost of the projects concerned.

At the same time the Bank has given major support to improving road, rail and sea links with the Mezzogiorno by providing a total of 302.6 million u.a. (approx. two-thirds of this during 1971-76) for various projects.

In 1971 and 1972, for example, a total of 69 million u.a. was provided for sections of the Adriatic Motorway which links Taranto and Bari in the South with the Central Northern region. The Bank has part-financed improvements to road communications in Campania, in particular the Naples by-pass system, for a total of 55 million u.a.

More recently, support has been given to improving port installations directly serving the industrial zones at Syracuse and at Manfredonia and Taranto, with loans totalling 70 million u.a. granted in 1976.

To overcome water shortages which have long handicapped agriculture and industry in many areas the Bank provided, up to end 1976, 230.8 million u.a. for water resource/irrigation projects in the Mezzogiorno⁽¹⁾.

Again, about two-thirds of this sum — 158.8 million u.a. — was made available in the second period, 1971-1976, explained by the Bank's contribution to financing certain major water resource schemes included by the Cassa per il Mezzogiorno in its programme of «Special Projects».

Such works are, in the nature of things, multiregional, involving the catchment of water in the Appenines for piping to areas of consumption over considerable distances.

Between 1971 and 1976 the Bank advanced 84 million u.a. towards financing Special Projects concerning extension of the Pertusillo Aqueduct to bring water from Basilicata to much of Apulia, a scheme to tap the Sinni River to irrigate farmland in the Alto Metaponto and water supplies to the industrial zone at Syracuse.

In addition the Bank provided 45 million u.a. in support of the initial phases of a huge anti-pollution scheme in the Bay of Naples, another «Special Project» of the Cassa per il Mezzogiorno, which should alleviate a problem that has grown steadily in recent years with the high resident population density, swollen by the influx of tourists, and the concentration of industry and agriculture.

The works are designed to clean up water courses which are at present badly polluted, to reduce the amount and concentration of effluent discharged into the Bay and, by «recycling» part of the used water, to recover extra reserves currently lost.

To reinforce energy supplies in the Mezzogiorno, the Bank provided 151 million u.a. by end 1976. Of this, 94 million u.a. was made available in the period 1971-1976 and among the projects which the EIB helped to finance were hydro-electric schemes on the rivers Neto, Tacina, Alli and Simeri in Calabria and on the Talora river in Sardinia; the erection of heavy load, transmission lines from Rossano (Calabria) to Montecorvino (Campania), an important extension of the Italian 380kv transmission network; development of the Campo di Luna natural gas field in the Ionian Sea and improvements and extensions to the gasline network serving the mainland Mezzogiorno. Many projects go beyond a purely regional importance as they concern development of domestic resources which helps to reduce both Italy's and, by extension, the Community's dependence on imported energy.

Finance for industry

The finance which the EIB has provided for industrial development in the Mezzogiorno may be divided into two categories: loans for individual projects and global loans to intermediary financial institutions⁽²⁾.

A striking feature which results from a comparison of lending in the two periods is the development of the global loan system.

From 1959-1970 EIB finance for industry totalled 394.2 million u.a. in the form of 125 loans; three of these were global loans — the first granted in 1968 — for a total of 18.6 million u.a., from which funds were on-lent to support 34 small and medium-scale ventures.

In the following period, 1971-1976, finance for industry increased to 654 million u.a. in the form of 79 loans; 12 of these were global loans (worth 118.4 million u.a.) from which funds were made available to 206 smaller scale ventures.

Through the global loans the EIB has tried to contribute to a balanced regional development in helping to finance a wide range of industrial activities of smaller dimension to complement the large-scale and basic industries which have set up in the South.

A sectoral breakdown of financing is given in the table opposite; from this certain broad traits can be distinguished, in particular the key role which continues to be played by chemicals and the metallurgical industry in the industrialisation policy for the Mezzogiorno and the growth in lending for the motor and transport equipment industry.

Finance for the chemical industry accounted for a total of 150 million u.a. between 1971-1976, 23% of EIB financing for industry in the Mezzogiorno during the period.

The bulk of funds was advanced for plant producing caprolactam, ethylene derivatives and other «building block» chemicals used in the manufacture of plastics. The Bank also contributed to investment at certain existing synthetic fibre plants to raise productivity up to a satisfactory level.

Metal production and semi-processing attracted 18.5% of the EIB's support for industry during the same period with direct loans and finance provided via global loans worth in total 118.5 million u.a.

⁽¹⁾ See EIB-Information N° 10 «Europe's growing need for water» for a review of the EIB's operations in this sphere, including a detailed breakdown of projects financed in the Italian Mezzogiorno.

⁽²⁾ ISVEIMER — Istituto per lo Sviluppo Economico dell'Italia Meridionale, CIS — Credito Industriale Sardo, IRFIS — Istituto Regionale per il Finanziamento alle Industrie in Sicilia, IMI — Istituto Mobiliare Italiano, Banca Nazionale del Lavoro, ICIPU — Istituto di Credito per le Imprese di Pubblica Utilità.

Several smaller iron and steel projects were assisted by the Bank relating to modernisation and installation of anti-pollution equipment (such as the Italsider works at Bagnoli, Campania), for steel-processing (the Dalmine tube works at Torre Annunziata, Campania) and zinc production (at Crotona, Calabria). However, by far the largest share, at close to 40% of the funds, went to expand production capaci-

ties of cast steel, flat products and welded steel tubes at the Taranto steel complex of Italsider; several downstream ventures, processing products from Taranto, were also supported by the EIB, mainly through allocations from global loans. Adding finance provided in 1961 and a further loan in June this year, the total amount provided by the Bank for development of the Taranto

steel complex — on which directly depend close to 20 000 jobs — reaches 128 million u.a.

Another marked feature of lending in the period 1971-76 is the Bank's contribution to transferring part of the motor vehicle industry to the Mezzogiorno.

With four individual loans and six allocations from global loans, worth in total 75 million u.a., the EIB has

EIB financing in the Mezzogiorno Sectoral breakdown

	1959-1970			1971-1976		
	Amount (m u.a.)	Fixed investments ⁽¹⁾ (m u.a.)	Jobs created ⁽¹⁾	Amount (m u.a.)	Fixed investments ⁽¹⁾ (m u.a.)	Jobs created ⁽¹⁾
Infrastructure	323.4	1 156.4	2 210	699.3	2 650.1	2 770
Agricultural development	48.0	168.4	—	30.1	75.2	—
Water (catchment, distribution and treatment)	24.0	68.8	—	128.7	558.4	—
Transport	108.0	444.8	—	194.6	843.2	—
Railways		36.0	120.8	—	—	—
Roads, bridges and tunnels		72.0	324.0	—	123.6	608.1
Shipping		—	—	—	71.0	235.1
Telecommunications	86.4	287.7	1 627	251.9	847.8	2 730
Energy	57.0	186.7	583	94.0	325.5	40
(Production)	(57.0)	(186.7)	(583)	(62.8)	(218.0)	(40)
Thermal power stations		39.0	134.7	583	—	—
Hydroelectric and pumped storage plant		18.0	52.0	—	53.0	195.9
Development of oil and natural gas deposits		—	—	—	9.8	22.1
(Transport)	—	—	—	(31.2)	(107.5)	—
Transmission lines		—	—	—	12.9	32.4
Gaslines and oil pipelines		—	—	—	18.3	75.1
Agriculture, Industry and Services	394.2	1 373.3	37 179	654.0	2 139.2	46 104
Agriculture, forestry, and fishing	—	—	—	0.9	2.5	47
Industry	387.4	1 352.5	36 179	650.4	2 127.9	45 912
Mining and quarrying		2.3	6.6	299	1.1	3.0
Metal production and semi-processing		108.0	644.8	7 238	118.5	611.3
Construction materials		28.2	75.1	1 544	49.5	131.2
Woodworking		0.2	0.8	57	3.6	8.7
Glass and ceramics		7.7	22.2	1 035	8.0	22.9
Chemicals		113.6	295.3	7 040	149.8	480.3
Metalworking and mechanical engineering		42.7	120.3	7 405	42.7	126.1
Motor vehicles, transport equipment		7.2	13.1	600	75.4	344.4
Electrical engineering, electronics		12.7	28.3	1 358	55.0	136.2
Foodstuffs		26.7	69.0	2 303	55.5	149.2
Textiles and leather		14.4	32.5	4 474	5.7	12.7
Paper and pulp		12.7	29.0	762	2.7	6.7
Rubber and plastics processing		1.7	4.0	308	28.0	90.2
Other		3.3	9.3	756	2.2	5.0
Building - civil engineering		0.6	2.2	1 000	—	—
Global loans (unallocated balance)		5.4 ⁽²⁾	—	—	52.7 ⁽²⁾	—
Services	6.8	20.8	1 000	2.7	8.8	145
Tourism		6.8	20.8	1 000	1.1	5.2
Research & development		—	—	—	1.6	3.6
Grand total	717.6	2 529.7	39 389	1 353.3	4 789.3	48 874

⁽¹⁾ Calculated from data used in establishing the promoters' financing plans when the Bank's Board of Directors approved the operations concerned.

⁽²⁾ Difference between the sum of the global loans granted during this period and the sum of the allocations from current global loans approved during the same.

assisted the setting up and expansion of plant employing some 10 500 people. These include a Fiat car engine plant at Termoli (Molise) and components factory at Sulmona (Abruzzi) and a joint venture high-speed diesel engines factory at Foglia (Apulia) involving Fiat, Alfa Romeo and the French Renault group⁽⁵⁾.

Other main sectors of the Bank's lending in the same six years have been foodstuffs, electrical engineering and electronics, construction materials, metalworking and mechanical engineering and rubber and plastics processing.

For these and other industries a total of 310 million u.a. was provided in 42 direct loans and 167 allocations from global loans.

*
* *

Prospects for future EIB activity in the Mezzogiorno will depend on how the economy develops and notably on conditions governing the launch of major public works programmes and investment projects in the industrial sector.

Rehabilitation of the financial position of certain large groups, linked in part to the restructure of industries, plus a gradual return to a tighter economic management of some public services, should have a positive influence.

Application of the new law on the Mezzogiorno (Law 183) will help to speed up investment in industrial projects and widen the scope of the EIB's activities.

The Bank is ready to continue to support lending for industrial projects at subsidised rates by making funds available to the public credit institutions and to back, if eligible and appropriate, very large-scale projects which, under the new law, are excluded from assisted loans. Further development of the global loan system will be pursued.

As always, a top priority for the EIB's lending for industry in the Mezzogiorno will be the creation of jobs; the importance of this has been reinforced by the decisions taken by the Bank's Board of

⁽⁵⁾ Numerous projects which the Bank has helped to finance in other sectors involve promoters or participation of companies from other Community countries and in some cases non-Community countries (mainly the United States); aside from inflow of capital such projects very often lead to an important transfer of technology.

Governors in June 1977 in the light of current economic problems in the EEC (see EIB-Information N° 10).

As far as infrastructure is concerned, the 1976-1980 programme for special interventions by the Cassa per il Mezzogiorno, approved in June, is now operational. Without doubt the EIB will be asked to continue its support, mainly for the Special Projects, which alone will call for total investment of at least Lire 3 000 billion (approx. 3 billion u.a.) in the period envisaged.

The success of the Special Projects is not only a question of the work being carried out and the installations concerned being managed efficiently; it depends also on many complementary factors, among them new responsibilities given to the Regioni in several fields, especially in the agricultural sector.

Another realm of the Bank's action in the Mezzogiorno, to which attention must be given, is lending to improve the provision of energy supplies, in particular for investments which serve a double purpose in furthering Community objectives of diversifying energy sources and cutting dependence on costly hydro-carbon imports.

New financing opportunities may also present themselves in the course of cooperation with the Regional Development Fund.

At present, there are too many uncertainties to predict the volume of future lending in each of these categories. What can be said, however, is that the considerable expansion of EIB financing in the Mezzogiorno over the past years has been stimulated by active cooperation, at all levels, with Government, financial and industrial circles; whatever the problems over the coming years, and the renewed efforts which may be demanded of the EIB, this cooperation will remain of central importance.

New publication

«Investment in the Community in 1976 and its financing», annual study by the EIB which examines, by country and by sector, the level and impact of investments and the structure of their financing, according to economic data from the Member Countries of the Community.

Published in English, French, German and Italian. Copies available free of charge, on request.

European Unit of Account

Below are the values in national currencies of the European Unit of Account used by the Bank, as at 30 September 1977; these rates are applied for the following quarter in preparing financial statements and operational statistics of the Bank (see Information Bulletin N° 4 for a more detailed description of the application by the EIB of this unit of account):

DM	2.63710	Bfrs	40.8476
£	0.654111	Lfrs	40.8476
Ffrs	5.60368	Dkr	7.03121
Lit	1008.19	£lr	0.654111
Fl	2.80743	US \$	1.14283

Statistics summarising Bank activities in terms of units of account have been based on several different conversion rates applied since 1958. This, coupled with the effects of price trends, would suggest prudence in interpreting the significance of figures which relate to operations extending over many years.

Change of address

From December 1 1977, the new address of the EIB's Representative Office in Brussels will be:

227 rue de la Loi,
B-1040 Brussels

The new telephone no. will be
735 21 38

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