

Information

**European
Investment
Bank**



In this issue

**EIB FINANCING RISES
TO OVER 1 570 MILLION U.A.
IN 1977**

p 1-5

**FINANCE FOR THE
DEVELOPMENT
OF GREENLAND**

p 6-7

**EIB COMPLETES «EMERGENCY
AID» LENDING IN PORTUGAL**

p 7-8

THE STATUTE OF THE EIB

p 8

EIB financing operations rise to over 1 570 million u.a. in 1977

A rise in the annual amount of its financing operations to a total of 1 571.5 million units of account (u.a.) is shown in the European Investment Bank's preliminary figures for 1977, the EIB's 20th year; this is a 23.5% increase over the 1 273.3 million u.a. provided in 1976.

Loans for projects within or of direct interest to EEC Member Countries accounted for 1 401.3 million u.a., a growth of 29% (22% in real purchasing power) (1) against 1 086 million u.a. the previous year. In pursuit of the principal task given to the EIB under the Treaty of Rome, almost 70% of the funds were provided for projects which help the advancement of less-favoured regions in the Community.

The Bank continued to develop its support for investments which are of common interest to several Member Countries or to the Community as a whole — its second priority role — in particular for measures which will help to reduce the EEC's dependence upon oil imports.

It is estimated that close to 20 000 jobs should be directly created or safeguarded by the different investments which the Bank helped to finance within the Community in 1977. This takes no account of the longer-term effects of many infrastructure projects, such as transport, telecommunications and energy supplies, which in themselves may provide relatively little permanent employment but which lay down the base for industrial growth. Against a background of high unemployment, a valuable consideration is that the carrying out of these infrastructure projects with the supply of necessary materials and services will give rise to a very substantial amount of work of a temporary nature, although often for lengthy periods.

These results for last year reflect the EIB's initial response to the

request made by the European Council (heads of EEC Member State governments) in March that the Bank examine ways of accelerating the expansion of its operations to help to counter some of the Community's present economic problems: unemployment, the need to encourage a higher level of investment in Member States and to promote a greater degree of convergence in their economic performance.

In the same context, 1978 should see the pace of the Bank's activities quicken further as a large number of financing operations have already been approved by the Bank's Board of Directors and these now await signature.

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Last year was also an active one for the other sphere of the EIB's activities, the provision of develop-

(1) Constant price evaluations are based on national price indices derived from gross fixed capital formation, adjusted to take account of indexed changes in the rates for converting national currencies into units of account.

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ment finance to countries outside the EEC within the framework of cooperation agreements with the Community.

A total of 170.1 million u.a. was made available, half of which went to investments in Africa and the Caribbean under the terms of the Lomé Convention.

A substantial volume of lending was maintained in Portugal and for the first time the Bank extended operations to Yugoslavia.

In the Community lending to industry ... up by 43%

A 43% increase in lending to industry, despite a generally difficult climate for investment, is one of the main features of the EIB's operations in 1977; this rose to 426.2 million u.a. from 297.8 million u.a. the previous year.

A welcome aspect was the increased amount of finance channelled to small and medium-sized ventures which, as they tend to be relatively labour-intensive, have an important role in generating employment, particularly in the present circumstances. A total of 91.3 million u.a. was made available through eight global loans granted to intermediary bodies for on-lending to support such investments and via an arrangement to the same purpose with the United Kingdom Government. The previous year global loans totalled 61.2 million u.a.

Another feature of the Bank's lending to industry was the amount — 197.5 million u.a. — lent for modernisation and restructuring of steel industry and associated plants (United Kingdom, Italy, France); the problems now facing the European steel industry place a high premium on concentrating production, as far as possible, in modern and efficient installations, which the Bank has tried to encourage.

975 million u.a. for infrastructure development

The amount of finance provided for infrastructure development rose by about a quarter to 975.1 million u.a. (788.2 million in 1976).

Of this, projects concerning improved energy supplies, which appear as infrastructure in EIB statistics, accounted for 379.4 million u.a., of which 291.4 million u.a. related to production and transmission of electricity and 88 million u.a. to exploitation and transport of European oil and gas resources.

This high volume of lending for energy projects is again part of the EIB's response to the European Council's initiative; the Community's situation with regard to costly oil imports — on which it is over 50% dependent for present energy consumption — is a strong contributory factor in its present economic difficulties.

Other main branches of infrastructure for the development of which the Bank provided large sums were water supplies/sewerage (224.6 million u.a.) and irrigation (61.1 million u.a.), telecommunications (213.6 million u.a.) and transport (96.4 million u.a.), most of these projects being designed to support economic growth in less developed regions.

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Classed according to the Bank's principal objectives, lending for investments (both industrial and infrastructure) which will help to promote regional development totalled 964.4 million in 1977 against 820 million the previous year.

For projects serving a common interest of several Member States or the Community as a whole, the Bank lent 513.5 million u.a. (438.6 million in 1976); this includes 76.5 million u.a. for investments which are also justified on regional development grounds and which are included in the 964.4 million u.a. above.

Ireland, Italy and the United Kingdom, the three countries with the most acute regional development problems, accounted for more than 70% of all EIB Community finance.

In the **United Kingdom** lending by the Bank rose to 489.5 million u.a. (£320.8 million) — almost 35% of all operations within the Community.

Water supply and sewerage schemes, largely to meet present or projected industrial needs, attracted

179.5 million u.a. with loans provided for various works in the Lothian region of Scotland, the North and South-West of England and in South Wales.

For modernisation and restructuring projects involving seven plants of the **British Steel Corporation**, the Bank lent a total of 147.8 million u.a.; more than two thirds went to Scotland where major rationalisation is being carried out to preserve a viable steel industry on which depends a substantial number of jobs.

Improved energy supplies (high-tension transmission lines in Scotland and a nuclear power station at Heysham, Lancashire) accounted for 92.8 million u.a.

The Bank also provided finance for expansion of telecommunications in Northern Ireland (27.9 million u.a.) and for service depots which will be needed for the 200 k.p.h. High Speed Trains which British Railways will shortly introduce on the London-York-Edinburgh-Aberdeen main line (11 million u.a.).

Towards the end of the year an agreement was signed with the UK Government which will act on behalf of the EIB in making available 30.6 million u.a. of Bank funds to finance small and medium-scale industrial ventures in assisted areas.

Though the loans will be disbursed mostly in foreign currencies, the Government, for a small charge, will cover borrowers from the effects of fluctuations in exchange rates. It will provide the same cover on loans granted directly by the EIB for larger scale private sector projects.

In **Italy**, loans totalled 425.7 million u.a. (Lit 426 700 million), equivalent to over 30% of EIB financing within the Community; four fifths were for investments in the Mezzogiorno.

Over 45% (194.6 million u.a.) went to industry, compared to 36% (137.5 million u.a.) in 1976 and 14.8% (53 million u.a.) in 1975.

The Bank continued the support which it has given for a number of years to locating a sizeable part of the Italian motor and commercial vehicles industry in the Mezzogiorno. It granted loans worth 62.1 mil-

lion u.a. for construction of two new plants — one in Campania for manufacture and assembly of bus coachwork, the other a diesel motors factory in Apulia (involving French as well as Italian interests) — and for expansion of a fork lift truck factory, also in Apulia.

Other large loans concerned equipment designed to raise product quality and reduce pollution at the Taranto (Apulia) steel centre (30.1 million u.a.) and construction of a float glass plant in the Abruzzi (23.8 million u.a.). Smaller sums went for extension of a petrochemicals plant in Apulia and for factories which will produce components for pre-fabricated buildings (Molise and Latium), plastic packaging (Apulia), copper wire (Campania), plastic tubing (Sicily) and for expansion of three factories which produce equipment for gas transmission and nuclear power stations (Tuscany and Lombardy).

To support small and medium-scale industrial ventures in the Mezzogiorno the Bank granted global loans totalling 49.5 million u.a. (40.2 million in 1976) to four intermediary financial institutions: IMI — Istituto Mobiliare Italiano, Banca Nazionale del Lavoro, CIS - Credito Industriale Sardo and ICIPU - Istituto di Credito per le Imprese di Pubblica Utilità. Credit extended during 1977 from these and also from other global loans granted previously amounted to 37.7 million u.a. and went to 91 ventures.

A total of 72.3 million u.a. was provided for improvement of telecommunications in Sicily, Calabria, Basilicata and in Friuli (partly to replace equipment damaged in the 1976 earthquakes) and for a training centre in the Abruzzi for telecommunications engineers.

Loans totalling 63.9 million u.a. were granted for irrigation in Calabria, benefiting a farming community of about 5 000, and for a major water supply scheme in Basilicata and Apulia.

Transport projects attracted a total of 55.6 million u.a.; the loans helped to finance improved connections between Naples and the nearby motorway to Rome, improvements to the Naples container port, a bypass around Palermo (Sicily) and work on the Udine-Carnia motorway in Friuli, which was in construction

when the earthquakes occurred, damaging a number of structures. To improve energy supplies in Italy the Bank lent 39.3 million u.a. for development of five natural gas fields discovered at various distances off the Adriatic coast.

In France, energy supplies accounted for over half of the 296.5 million u.a. (Ffrs 1 659.1 million) lent by the Bank.

Two loans, of 50 million u.a. each, were provided for projects of considerable European importance, the EURODIF uranium enrichment plant being built at Tricastin (Drôme), involving French, Italian, Belgian, Spanish and also Persian interests, and the NERSA nuclear power

station at Creys-Malville (Isère) which is developing fast breeder reactor technology, promising great economies in uranium consumption; the NERSA project is being undertaken by a company bringing together French, Italian, German, Belgian, Dutch and British interests.

The Bank also provided a total of 57.4 million u.a. for construction of two «conventional» — pressurised water reactor — nuclear power stations, Bugey (Ain) and Dampierre (Loiret).

For development of French international telecommunications (mainly with other EEC countries) and of the regional network in the Midi-Pyrenees, the Bank lent 89.9 million

FINANCING PROVIDED BY THE EIB IN 1977 Breakdown by country

	Number of operations	Amount (million u.a.)	% of total	% Member Countries
Ordinary operations				
Member Countries				
Denmark	8	32.73	2.1	2.3
Germany	1	28.41	1.8	2.0
France	9	296.47	18.9	21.2
Ireland	6	79.69	5.1	5.7
Italy	32	425.67	27.1	30.4
United Kingdom	23	489.55	31.1	34.9
Outside the Community (1)	3	48.81	3.1	3.5
Total	82	1 401.34	89.2	100.0
Financing provided outside the Community				
Portugal	5	60.00	3.8	
Yugoslavia	1	25.00	1.6	
ACP-OCTD	14	66.97	4.2	
Cameroon	2	4.67	0.3	
Ivory Coast	4	21.59	1.4	
Mauritius	1	3.00	0.2	
Kenya	4	25.88	1.6	
Malawi	2	9.50	0.6	
Togo	1	2.33	0.1	
Total	20	151.97	9.6	
Ordinary operations total				
	102	1 553.31	98.8	
Special operations (2) (risk capital)				
ACP-OCTD	11	18.16	1.2	
Ivory Coast	1	0.25		
Kenya	1	1.08	0.1	
Malawi	1	0.99		
Rwanda	1	3.00	0.2	
Tanzania	2	7.40	0.5	
Togo	2	3.25	0.2	
Zaire	2	1.20	0.1	
Caribbean	1	1.00	0.1	
Special operations total	11	18.16	1.2	
Grand total	113	1 571.47	100.0	

(1) Loans made in accordance with the second paragraph of Article 18 (1) of the Bank's Statute empowering the Board of Governors to authorise the Bank to contribute towards financing projects outside, but in the interest of, the Community.

(2) Financed from resources of the European Development Fund.

u.a. Support was also given for an irrigation and water supply scheme in Provence (26.9 million u.a.), modernisation of a steelworks (19.6 million u.a.) — part of a plan to restructure the Lorraine iron and steel industry — and for equipment at Fos-sur-Mer, near Marseilles, which will be used to treat ballast water from oil tankers and to rinse out their tanks, so helping to combat oil pollution in the Mediterranean.

In **Ireland**, six loans were granted for a total of 79.7 million u.a. (£1r 52.1 million). Expansion of telecommunications accounted for 26 million u.a.; a loan of 20 million u.a. was made for over 40 improvements to the national road network, mainly to bring about better communications with industrial zones and areas where industrial development is being promoted; 18.3 million u.a. was lent for construction of more than 80 advance or custom-built factories in different regions and 15.3 million u.a. was provided for a water supply project in Cork, principally to meet industrial needs.

In **Denmark**, the EIB lent a total of 32.7 million u.a. (Dkr 223.4 million) of which just over a third — 11.1 million u.a. — was in the form of global loans granted to the Danish Government (Regional Development Authority) and to Finansieringsinstituttet for Industri og Håndværk, the proceeds to be used to support small and medium-scale industry. Credit extended during 1977 from these and earlier global loans totalled 12.9 million u.a. and went to 31 ventures.

The Bank lent 12.8 million u.a. for equipment to be installed at two thermal power stations in Zealand to enable them to burn coal as an alternative to oil and so diversify the country's energy sources; it provided 7.1 million u.a. for an airport at Godthaab, Greenland, part of a plan to establish regular town-to-town air services on the island, and granted a loan for modernisation and extension of a biscuit factory in North Jutland.

In **Germany**, 28.4 million u.a. (DM 74.9 million) was lent for construction of a nuclear power station at Mülheim-Kärlich near Koblenz.

The strong liquidity position on the **Benelux** capital markets during 1977 led in these countries to a slackening of interest in seeking

funds from the EIB and in fact no new loans were granted.

In **Belgium**, however, credit worth a total of 7.2 million u.a. was provided for 11 small and medium-sized industrial ventures from a global loan which the Bank had made at the end of 1976 to Société Nationale de Crédit à l'Industrie (SNCI) - Nationale Maatschappij voor Krediet aan de Nijverheid (NMKN).

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Last year the EIB's Board of Governors also authorised the granting of loans for two energy projects which are outside the EEC but of direct importance to the Community.

A total of 44.1 million u.a. was provided to help to cover development costs of the Norwegian part of the Frigg gas field which straddles the boundary line between the British and Norwegian sectors of the North Sea; all the Frigg gas production is being purchased for consumption in Britain.

For works to increase the transmission capacity of the Trans-Austria Gasline, which runs from the Czech border to the Italian frontier, bringing supplies of Russian natural gas to the EEC, the Bank lent 4.7 million u.a. It had already provided 43.3 million u.a. for construction of the gasline in 1973.

Cooperation with Euratom

Again in the energy sphere, 1977 saw the beginning of a new form of cooperation between the EIB and the European Atomic Energy Community (Euratom) with the joint signing of two loans for nuclear power stations (73.3 million u.a. for Mülheim-Kärlich in Germany, 22.2 million u.a. for the NERSA project in France).

These operations were funded from resources borrowed by Euratom on the capital markets — the Bank assuring the project-appraisal and loan management — and as such are accounted for separately and not included here in the figures for the EIB's lending within the Community.

Financing under the Lomé Convention

Last year saw steady progress in the Bank's activities under the terms

of the Lomé Convention between the Community and 53 African, Caribbean and Pacific (ACP) countries.

The Convention provides for the EIB to lend up to 390 million u.a. from its own resources; in addition it gives the Bank responsibility for managing 100 million u.a. for use as interest subsidies and a further 96 million u.a. to be employed for risk capital financing, these sums provided by the Member States via the European Development Fund.

In 1977 financing operations under the Lomé Convention totalled 84.1 million u.a.: of this loans from the EIB's own resources amounted to 67 million u.a. (all provided with 3% interest subsidies) and risk capital assistance, in varying forms, came to 17.1 million u.a. The funds were provided as follows:

Kenya 25.9 million u.a. from the Bank's own resources plus 1.1 million u.a. risk capital assistance for a sugar factory, a chemicals plant, expansion of a cement works and for small-sized industrial ventures via a global loan to the Industrial Development Bank;

Ivory Coast 21.6 million u.a. from the Bank's own resources plus 250 000 u.a. risk capital assistance for high-tension transmission lines and other installations helping the country to exploit its hydro-electric resources; a palm/coconut oil mill, a hotel in the capital, Abidjan, and a desiccated coconut factory;

Malawi 9.5 million u.a. from the Bank's own resources and 1 million u.a. risk capital assistance for a sugar mill and for small and medium-sized industrial ventures via a global loan to the Investment and Development Bank of Malawi;

Tanzania 7.4 million u.a. in risk capital assistance for the setting up of a canvas mill and to bolster the resources of the Tanganyika Development Finance Company to enable it to increase its support for small and medium-sized ventures;

Togo 2.3 million u.a. from the Bank's own resources plus 3.2 million u.a. risk capital assistance for a palm oil mill and oil storage facilities;

Cameroon 4.7 million u.a. from the Bank's own resources for a hotel in Douala and extension of a cement works and clinker grinding plant;

Mauritius 3 million u.a. from the Bank's own resources in the form of a global loan to the Development Bank of Mauritius;

Rwanda 3 million u.a. in risk capital assistance for construction of a tin foundry and expansion of mining for tin and tungsten ore;

Zaire 1.2 million u.a. in risk capital assistance essentially for expansion of a cement works.

The Bank also used risk capital resources to provide a 1 million u.a. venture fund to the **Caribbean Investment Corporation** to support industrial, agro-industrial and tourism enterprises. This operation was in accordance with the decision taken by the Council of Ministers to extend financing provisions similar to those of the Lomé Convention, with additional funds made available for the purpose, to certain Overseas Countries and Territories which are dependencies of EEC Member States.

Portugal: 60 million u.a.

During 1977 60 million u.a. was provided in **Portugal**, finishing the 150 million u.a. «exceptional emergency aid» which the Community offered to that country at the end of 1975 in the form of investment loans from the EIB.

A total of 27 million u.a. was lent for water supply/irrigation schemes in Southern and North-East Portugal, helping to raise incomes and living standards of farming communities numbering about 45 000 people; 24 million u.a. went towards development of the Port of Leixoes, near Oporto, and the Port of Lisbon; a global loan of 9 million u.a. was made to Banco de Fomento Nacional, the Portuguese national development bank, to aid small and medium-sized industrial and tourism ventures.

All the loans granted by the EIB under the «exceptional emergency aid» have benefited from a 3% interest subsidy paid directly from the Community budget.

A further 200 million u.a. in EIB long-term loans, during 1978-1982, is provided for under a Financial Protocol between the EEC and Portugal, signed in September 1976 and now in the course of being ratified.

In **Yugoslavia** 25 million u.a. was lent to help to meet the cost of building a high voltage transmission system which will on the one hand link up the networks of the six Yugoslav Republics and on the

other interconnect with the Greek and Italian systems and via the latter with several other European countries. This was the EIB's first operation in the country; it followed the Declaration of Belgrade in December 1976 on the principle of developing greater cooperation between the Community and Yugoslavia and the subsequent decision by the Bank's Board of Governors to lend up to 50 million u.a. for projects of common interest to Yugoslavia and the EEC.

The year was also one of preparation for a new expansion of EIB activities elsewhere in the Mediterranean basin, outside the EEC, which will take place, subject to ratification procedures, under the terms of new Financial Protocols between the Community and Greece and Turkey and cooperation agreements with 10 other countries (the Maghreb countries — Algeria, Morocco, Tunisia — and Malta, the Mashrek countries — Egypt, Jordan, Lebanon, Syria — Cyprus and Israel).

1 161.5 million u.a. raised on the markets

To direct an increasingly important flow of funds into priority investments both within the Community and in third countries has demanded that the EIB step up its borrowing operations.

Last year 1 161.5 million u.a. was raised, mostly through public or private issues, on the international markets and on national markets of certain countries outside the Community. This compares with 748.9 million u.a. during 1976.

Unit of Account

Below are the values in national currencies of the Unit of Account used by the Bank, as at 31 December 1977; these rates are applied for the present quarter in preparing financial statements and operational statistics of the Bank:

DM	2.58058	Bfrs	40.3535
£	0.641652	Lfrs	40.3535
Ffrs	5.76124	Dkr	7.07974
Lit	1067.50	£ Ir	0.641652
Fl	2.78938	US \$	1.22506

Personalia

Mr Eugenio Greppi has been appointed Deputy Secretary-General, a new post created in view of the substantial growth in the European Investment Bank's activities.

Aged 46, Mr Greppi joined the EIB shortly after it was set up in 1958 and for the first 10 years was attached to the Legal Department. From beginning 1969 he has been Deputy-Manager of the Department for Operations outside the Community, his special concern being operations in the Mediterranean basin (these will extend to 14 countries under present association/cooperation agreements signed with the EEC). Mr Christopher Lethbridge, previously dealing with EIB operations under the Lomé Convention in African, Caribbean and Pacific countries, takes over from Mr Greppi his former functions.

Loans and guarantees in Member Countries of the EEC.

This standard publication setting out the operating procedures of the European Investment Bank and the terms of its finance has been revised and up-dated; copies are available, free of charge, in each of the six official languages of the Community (Danish, Dutch, English, French, German and Italian) on application to any of the Bank's offices (see address box below).

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2, Place de Metz — Boite postale 2005
Luxembourg
tel. 43 50 11 — telex 3530 bankeu lu

Department for Italy:
38 Via Sardegna, 00187 Rome
tel.: 48 36 51 — telex 62130 bankeuro

Representative Office in Brussels:
227, Rue de la Loi
B-1040 Brussels
tel.: 73521 38 — telex 21721 Bankeu b

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s. à r. l., Luxembourg

EIB loans have helped to develop port, telecommunications, energy and air transport facilities in Greenland ...

Finance for the Community's Far North

Roughly four times the size of France, yet inhabited by just 50 000 people, Greenland (1) has been linked with Europe in one fashion or another for a thousand years although, geographically, only 26 km. separate it, at the closest point, from the North American landmass.

For long a colony, it has since 1953 been a fully integrated part — legally a «province» — of the Kingdom of Denmark.

Economic progress of the island's population is subject to a number of limitations not existing in any other parts of the EEC, which together combine to present considerable difficulties.

The climate is at best rigorous, the towns and villages are scattered along a coastline deeply indented by fjords, no overland transport system exists and there are only a few ports to the South-West which are ice-free the year around. These natural obstacles present the fundamental problem of assuring regular supplies of the basic necessities of life.

There are also human problems which in some ways are perhaps even more complex. With the change in the island's status in 1953, the Greenlanders were asked if they wanted a development corresponding to a modern society; they answered in the affirmative but this has meant a transformation, virtually within the span of a generation, from a simple way of life, based largely on self-sufficiency and barter, with hunting and fishing the principal activities, to a mainly wage-earning economy demanding different skills, higher levels of education and new social patterns.

Within the general aim of placing responsibility for the island's development more and more with the Greenlanders themselves, the Danish State has made a considerable effort to help during the past 25 years by providing technical aid, administrators, extensive medical and schooling/further education facilities.

A population which has doubled since 1950, a considerable increase in life expectancy, 14 000 pupils in schools and colleges ... these are some indications of the progress which has taken place.

Economic life is mostly controlled by the public sector but private

activity is substantial (always bearing in mind the size of the population); according to a survey in mid-1974 there were some 1 300 commercial/industrial entities on the island, of which 850 were private firms or small partnerships.

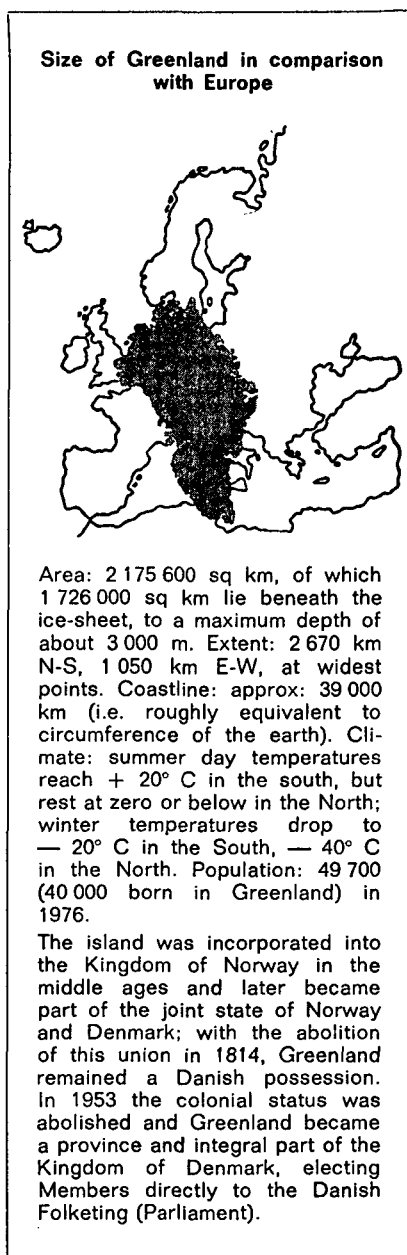
The building up of fishing and associated processing activities which, despite major setbacks, now employ about 5 000 people has been a significant development. Looking ahead, Greenland's mineral resources could become of importance (lead, zinc, iron, cryolite, molybdenum and uranium are present in different quantities, gas and oil are being prospected for), although technical problems and high operating costs must be contended with. Greenland's most obvious asset — its vast untouched expanses, fresh air and clean water, by air only a few hours from the industrial regions of Europe and North America — could provide scope for some development of tourism, albeit of a rather special appeal.

For the immediate future, however, the island remains heavily dependent upon financial transfers from the rest of Denmark; for the year 1975 these amounted to the equivalent of 150 million u.a. or about 3 000 u.a. per inhabitant.

Since Denmark's entry into the EEC, the European Investment Bank, with its main role under the Treaty of Rome that of encouraging a balanced regional development of the Community, has sought naturally to give its own support.

Dkr 139.2 million lent by EIB

A total equivalent to Dkr 139.2 million (19.3 million u.a. at the exchange rates applying at loan



(1) The name was shrewdly chosen by the Viking Eric the Red, to encourage countrymen to emigrate to the island. These first European settlers established their colony at approximately the same time as the Thule Eskimos arrived by crossing the straits from what is today Northern Canada, although there are traces of earlier peoples going back a further 3 000 years. The Greenlanders of today are mainly of mixed descent.

signature dates) has been lent for the carrying out of essential infrastructure projects.

The largest loan, DKr 50 million granted at the end of last year, was for construction of an airport at Godthaab, the administrative capital; this will be equipped with a runway 950 m. long with installations enabling the airport to function for about 85% of the year despite severe weather conditions and permitting aircraft to land in poor visibility.

The airport should come into operation in 1980 at a cost of about DKr 100 million; it forms part of a plan to use STOL (short take-off and landing) aircraft to assure regular air services between main towns, and helicopters for links with secondary centres.

For similar reasons of breaking down isolation of the towns and villages, the Bank provided an earlier loan of DKr 38 million to cover about a third of the cost of installing a telecommunications network along about 2 000 km of the South-West coast, between Cape Farewell and Disko Bay.

Towns in Greenland cannot be linked by cable because of the mountainous terrain; telecommunications signals must therefore be transmitted by radio. The original equipment was suitable only for

local calls or short-wave telegraphy between the main towns, the latter being frequently disturbed by conditions in the ionosphere, such as the Northern Lights, which can last several days.

The project financed by the EIB involved the establishment of a UHF (Ultra High Frequency) system for telephone and telegraph messages, and also to provide telex links and carry radio and television broadcasts, between the principal town of Godthaab and local relay transmitters. The system also enables ships to communicate with any subscriber on land.

The changes in the Greenlanders' way of life have inevitably led to a steady concentration of the population in the few towns to have ports which are ice-free for all or most of the year and around which are grouped most of the commercial/industrial activities.

The EIB has provided a loan of DKr 26.2 million to cover about 45% of the cost of building and lengthening quays at the ports of Frederikshaab, Narsaq and Julianehaab on the South-West coast to enable the docking of ocean-going vessels and to provide more warehousing facilities.

At Godthaab, where it was estimated that the population would grow from a 1974 level of 8 000 to 12 000 within about 10 years, the Bank lent

DKr 25 million (again about 45% of the cost) to improve electricity supplies; two Diesel-powered generators were installed, each with a net output of 6 500 kW.

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The EIB's lending, in total DKr 139.2 million, must not be seen in isolation; up to end-1977 DKr 99.2 million had been provided for investments in Greenland from the Community's Regional Development Fund, DKr 56.9 million had been granted from the Social Fund and a further DKr 5.7 million had been provided from the Agricultural Fund.

EEC financial aid has therefore totalled over DKr 300 million, i.e. DKr 6 000 per head of population. The high amount of investment needed in relation to the small population obviously distorts the figures, but for all that they demonstrate a recognition of the particular problems faced in this part of the EEC.

As far as the European Investment Bank is concerned, lending in Greenland is about 13 times, on a per capita basis, its average within the EEC, and this despite the fact that the Bank has been operating in Denmark and Greenland for only five years against 20 years in the six founder countries of the Community.

EIB completes 150 million u.a. «Emergency Aid» lending in Portugal

The 150 million unit of account «emergency aid» offered to Portugal by the European Economic Community at the end of 1975 in the form of long-term loans from the European Investment Bank was completed, in December last year, with the granting of a loan for 9 million u.a. which will be used to support small and medium-scale industrial ventures.

The Bank's Board of Governors had agreed to provide the finance to help Portugal, at a time of particular economic and financial difficulties, to promote a recovery in the level of investment, both public and private.

Of the 150 million u.a., 79 million (53%) has gone to infrastructure investment, in the form of increased power supplies and port development; 44 million u.a. (29%) has been provided for industry and 27 million u.a. (18%) has gone to irrigation and expansion of agricultural production.

All the above finance has come from the EIB's own resources (i.e. essentially funds borrowed on capital markets); on each of the loans granted (nine in total) the Community has provided a 3% interest rebate, paid directly from the budget, and accorded its own guarantee.

The loans have been provided for durations of between 10 and 20 years (in each case with deferred payment periods of three or four years) at effective interest rates — i.e. after deduction of the 3% rebate — ranging between 5.9% and 6.5% p.a. Below are brief details on each loan:

Energy

— 35 million u.a. was provided for construction of a 500 MW thermal power station near Setubal (40 km. South-East of Lisbon) plus the erection of high voltage trans-

mission lines connecting the Portuguese grid with the Spanish network, which in turn joins up with the rest of the European system; — 20 million u.a. went to a 167 MW hydro-electric power station at Pocinho, about 180 km. East of Oporto.

Industry

— 24 million u.a. was made available in two global loans to Banco de Fomento Nacional (BFN), the Portuguese development bank. The funds provided in the first of the two loans — 15 million u.a. —

have been on-lent to help 22 small and medium-sized enterprises involving the creation of an estimated 1925 jobs and the safeguarding of many more. The second loan, for 9 million u.a., is now being allocated in a similar manner.

— 20 million u.a. was provided to cover about 40% of the cost of new installations at the Barreiro (near Lisbon) works of Companhia Uniao Fabril (CUF), Portugal's prime producer of chemicals and metallurgical products. The major part of the project concerns extraction of the iron content from pyrite cinders, a by-product previously discarded as waste at another of CUF's plants; about 160 jobs should be created.

Irrigation/Agriculture

— 15 million u.a. was lent to meet about 30% of the cost of constructing a dam and providing sprinkler irrigation facilities to cover 5 300 hectares in the Tras-Os-Montes province, North-East Portugal;

— 12 million u.a. (about a third of the cost) went towards two dams, irrigation of 4 700 hectares, provision of sprinkler equipment and installations for the supply of drinking water in the Alentejo, Southern Portugal.

These two projects will help to increase and diversify the production of agricultural communities numbering about 45 000, who should see their incomes and living standards progress accordingly.

Port Development

— 16 million u.a. (over one third of the cost) was granted for expansion of the port of Leixoes, near Oporto.

— 8 million u.a. was made available to meet about 40% of the cost of reconstructing the main general cargo wharf at the Port of Lisbon.

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Under a Financial Protocol between the EEC and Portugal, signed in September 1976 and now in the course of being ratified, a further 200 million u.a. has been offered in long-term investment loans from the EIB during the period 1978-82. Up to 150 million u.a. of these loans will be provided with 3% interest rebates financed from the Community budget.

The Statute of the EIB

In this publication will often be found references to the Statute of the European Investment Bank. To those who seek a more precise understanding of the provisions governing the EIB's activities, this document is required reading. Copies may be obtained in any of the six official languages of the Community (Danish, Dutch, English, French, German and Italian) on application to the Bank's offices (see address box page 5); there is no charge.

The Statute is legally a protocol annexed to, and forming an integral part of, the Treaty of Rome which was signed on 25 March 1957, establishing the European Economic Community on 1 January 1958.

As far as the EIB is concerned, the Treaty confines itself to certain fundamental points: Article 129 establishes the Bank with a legal personality distinct from that of the Community and lays down the composition of its Membership (the EEC Member States); Article 130 defines the Bank's main tasks. It is the Statute which determines the financial and legal structure of the Bank, the responsibilities and powers of its Board of Governors, Board of Directors and Management Committee and other provisions governing its work.

As part of the Treaty of Rome, any change to the Statute involves a lengthy process terminating in a further treaty of modification, ratified by each of the Member States.

Such a procedure has recently been carried out; it concerns the unit of account used by the Bank.

The Statute originally defined the Bank's unit of account in terms of gold (0.88867088 grammes of fine gold, equal in value to the gold content of the pre-Smithsonian US \$); it provided that the conversion rates between this unit and national currencies should be calculated by reference to the gold parities communicated to the International Monetary Fund.

Fundamental changes in the international monetary system in recent years, with the altered role of gold and the consequent effects on gold parities, made such a system more and more difficult to apply in the manner originally intended.

The change in the Statute, which came into effect on 1 October 1977, permits the Governors, acting unanimously, on a proposal from the Board of Directors, to modify the definition of the unit of account to be used by the EIB and the method of conversion of this unit of account into national currencies and vice-versa.

By decision of 30 December 1977, the Board of Governors have used these powers:

a) to redefine the value of the unit of account, which in the new version of the Statute is now declared to be equal to the sum of the following amounts of Member States' currencies:

DM	0.828	Bfrs	3.66
£	0.0885	Lfrs	0.14
Ffrs	1.15	DKr	0.217
Lit.	109.0	£ Ir	0.00759
Fl	0.286		

b) to use market exchange rates as the statutory basis for converting the unit of account into national currencies and vice-versa.

The new composition and hence value of the unit is the same as that of the European Unit of Account (EUA), the conversion rates of which are calculated each working day by the Commission of the European Communities and published in the Official Journal of the European Communities. For the purpose of preparing its financial statements and operational statistics, the EIB applies for each quarter the conversion rates obtaining on the last working day of the preceding quarter.

In effect, with authorisation from its Board of Governors and as an interim measure pending modification to the Statute, the Bank had been employing conversion rates based on the EUA since 30 December 1974.