

European Investment Bank

Information

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Den europæiske Investeringsbank
Europäische Investitionsbank
Ευρωπαϊκή Τράπεζα Έπενδύσεων
Banque Européenne d'Investissement
Banca Europea per gli Investimenti
Europese Investeringsbank

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EIB's capital doubled to 14.4 billion ECUs

A doubling of the European Investment Bank's subscribed capital to 14.4 billion ECUs was approved, subject to national budgetary procedures, by the Bank's Board of Governors (composed of one Minister from each of the 10 EEC Member States) at its annual meeting in Luxembourg on 15 June 1981. The decision is scheduled to take effect from 31 December this year.

The part of the increase to be paid in by the Member States is set at 540 million ECUs (i.e. 7.5%), which will bring the total amount of the Bank's capital paid in or to be paid in to 1 465.715 million ECUs.

The Member States will pay in the 540 million ECUs in eight half-yearly instalments, the first on 30 April 1984.

The capital increase ensures capacity for continued growth in Bank lending.

The last few years have seen a considerable rise in financing operations as the Bank has pursued the tasks given to it under the EEC Treaty (primarily support for investment aimed at furthering regional development or serving a common interest of several Community countries or the EEC as a whole).

This was reinforced in responding to the European Council's call for Community action to help counter unemployment, sluggish investment and insufficient convergence in national economic performances and by the effort the Bank has made to step up lending for investment aimed at cutting the EEC's dependence upon oil imports.

There has also been increased financing for development in a number of countries, mainly in the Third World, which have signed cooperation or association agreements with the Community.

Hence annual lending which in 1977 came to some 1.57 billion ECUs, 1.55 billion from the EIB's own resources (i.e. basically the proceeds of borrowings on capital markets), rose to 3.5 billion ECUs in 1980, including 3.12 billion from own resources.

The level of financing operations which the EIB can undertake from its own resources is geared directly to the size of its subscribed capital. Under the terms of its Statute (which forms part of the Treaty of Rome) the Bank's outstanding loans and guarantees must not exceed the equivalent of 250% of its subscribed capital.

This means that with the present subscribed capital of 7.2 billion ECUs the limit on outstanding loans and guarantees stands at 18 billion ECUs: at end-1980 the Bank had reached 13.2 billion (about 185%).

With the doubling of the Bank's subscribed capital the statutory limit is therefore increased to 36 billion ECUs.

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Among the other decisions taken by the Governors was the approval of the annual report and balance sheet for 1980. Below follows the major

part of the address to the Board of Governors by the Bank's President, Mr Yves Le Portz:

"The Board of Governors is asked today to approve the report established by the Board of Directors on the activity of the European Investment Bank in 1980. I should like briefly to outline the most salient points in this document.

Financing provided from the Bank's own resources within the Community rose by 20%, or 3% in real terms, to 2 753 million ECUs, while lending from the resources of the New Community Instrument for borrowing and lending (NCI) totalled 197.6 million, bringing aggregate Bank operations in the Community in 1980 to 2 950 million ECUs. This figure is more than twice that recorded in 1977 when the Governors decided to reply favourably to the European Council's request that the Bank step up its support for restimulating investment, safeguarding employment and, generally, promoting the more balanced development of the Community.

These priority considerations were clearly reflected in Bank operations in 1980.

Two thirds (close on 2 billion ECUs) of operations centred on less-favoured regions of the Community, chiefly in Italy, the United Kingdom and Ireland.

Slightly more than 50% of loans in Italy and 80% in Ireland, i.e. a total of 1 020 million ECUs, attracted the 3%

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interest subsidy paid from the Community budget under arrangements established in conjunction with the European Monetary System (EMS).

Lending for energy projects totalled around 1 200 million ECUs, following the sharp upturn in loans for both the generation of electricity from nuclear plant and projects designed to diversify imports or promote more rational use of energy. Overall EIB financing for energy projects since 1977 will help to reduce Community oil imports by some 50 million tonnes per year, equivalent to 11% of the ceiling on imports set by the Council of the European Communities for 1990.

Financial support for industry showed a fresh increase, amounting to 584 million ECUs; a rise of about 100% was recorded in global loans to banks and other financial institutions which on-lend for smaller industrial ventures making a particularly valuable contribution towards creating jobs.

Total investment financed by the Bank in 1980 should contribute directly to the creation or safeguarding of around 49 000 permanent jobs. In addition, work on the projects in question and the procurement of supplies should generate some 600 000 man-years of activity, equivalent to approximately 120 000 jobs in the first two years, with the figure dropping steadily thereafter. Allowing for projects financed during the previous three years, the net result will have been to ensure continued employment for around 420 000 persons in 1980.

Operations outside the Community focused on 30 countries and involved a total of 548 million ECUs.

Of this sum, 25%, or 146 million ECUs, was channelled to projects in the African, Caribbean and Pacific (ACP) States, thereby enabling deployment of the maximum amounts available under the first Lomé Convention for both loans from the Bank's own resources and risk capi-

tal assistance drawn from the European Development Fund (EDF) and managed by the EIB.

In the Mediterranean region, close on 90% of the 402 million ECUs advanced benefited three countries: Greece, where funds provided for under the second Financial Protocol were committed in full, Portugal, where implementation of the Financial Protocol was accelerated in the course of the year, and Turkey. Support was also provided for projects in Tunisia, Morocco, Jordan, the Lebanon and Algeria.

EIB operations in the ACP States and Mediterranean countries centred largely on ventures contributing towards reducing their dependence on energy imports and promoting industrial development; projects were often cofinanced with bilateral or international development aid agencies.

Bank borrowing operations on the capital markets totalled 2 467 million ECUs, more or less on a par with the previous year's figure. Of these borrowings, 34% was raised in Deutsche Mark, 28% in dollars, 10% in Guilders, 10% in Swiss francs, 11% in Community currencies other than the Deutsche Mark and Guilder, and 7% in Yen.

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In 1981, the Bank is embarking upon a series of new tasks.

Greece became a member of the Community on 1 January of this year and the Bank has now to step up its activity in this country to a level commensurate with the volume of investment required to make up the leeway which has built up over the years vis-à-vis its EEC partners, to promote the development of certain regions numbering among the poorest in the Community, to assist Greek industry in modernising its production plant and to reduce the country's dependence on energy imports. As a result of measures taken by the Greek authorities and in view of the country's banking and financial foundations, we feel sure that EIB financing in Greece will show a rapid upswing.

The Community has approved exceptional aid in support of reconstruction of regions of Campania and Basilicata, in the Italian Mezzogiorno, stricken by the earthquake of 23 November 1980. Funds are

The EIB adopts the ECU

The Board of Governors of the European Investment Bank decided on 13 May 1981 that, with effect retroactively from 1 January 1981, the Bank's unit of account shall be defined as the ECU.

The ECU is the unit first adopted at the end of 1978 with the creation of the European Monetary System; since then, under decisions of the Council of the European Communities, also with effect from 1 January 1981, it has become the unit used by the Community in almost all its statistics and transactions, replacing the old European Unit of Account (EUA), which had the same composition and hence value.

The EIB Governors' decision was prompted by the wish to support the policy of standardising the ECU as the Communities' unit of account; it does not involve a change in value because the Bank's unit had previously the same composition as the EUA and was therefore already equal in value to the ECU.

The value of the ECU is equal to the sum of the following amounts of the first nine Member States' currencies: DM 0.828, £0.0885, Ffrs 1.15, Lit 109.0, Fl 0.286, Bfrs 3.66, Lfrs 0.14, Dkr 0.217, IR£0.00759.

The conversion rates between the ECU and the Member States' currencies as well as other currencies used in international transactions are published daily in the Official Journal of the European Communities; they are determined on the basis of market rates.

For its operational statistics the European Investment Bank uses during each quarter the values obtaining on the last working day of the previous quarter. Thus the values used in the present quarter (1 July - 30 September) are those of 30 June, when 1 ECU =

DM	2.52553	Fl	2.80814	Dr	61.5987
£	0.544118	Bfrs	41.4071	IR£	0.691839
Ffrs	6.02647	Lfrs	41.4071	US\$	1.05450
Lit	1256.97	Dkr	7.92879		

Last month (June) the EIB launched a 40 million ECU bond issue, underwritten by an international syndicate of banks, on the international capital market. It was the first such public issue by a European Community institution. The proceeds from the sale of the bonds will be used by the EIB to help finance its ordinary lending operations.

being advanced in the form of loans from both the Bank's own and NCI resources, with a 3% interest subsidy paid from the Community budget.

Arrangements for deploying this aid were spelt out in an agreement concluded on 16 March of this year between the Italian Government, the Commission and the Bank. The loans will follow in 1981 and 1982 in line with the planning of work required.

The Board of Governors has authorised additional pre-accession aid to Portugal in the form of Bank loans totalling 150 million ECUs and almost all attracting Community interest subsidies. The Bank has been fostering close cooperation with the Portuguese authorities since 1975 and will attempt to dovetail this new aid package into the Portuguese development programme in the hope that initial financing operations can be concluded by the end of this year.

Governors have also agreed to financial cooperation with Spain in the form of EIB loans of up to 200 million ECUs. This cooperation came into effect on 4 May 1981 and the Bank has already forged initial contacts with the Spanish authorities with a view to pinpointing sectors in which EIB loans would make a positive contribution towards facilitating the subsequent integration of the Spanish economy into the Community structure. We hope that certain operations will be mounted before the end of this year.

The second Lomé Convention entered into force on 1 January 1981, along with the corresponding Community Decision on the Overseas Countries and Territories. These provide for a large increase in Bank financing: 700 million ECUs in the form of loans from the Bank's own resources, subsidised by the Community, and 291 million ECUs as risk capital drawn from the EDF, to be deployed primarily in support of industrial, energy and mining projects.

Moreover, a Community declaration caters for the possibility of the Bank lending up to 200 million ECUs for energy or mining projects of joint interest to ACP countries and the Community, subject in each case to unanimous authorisation by the Board of Governors.

In 1980, the Bank participated with the European Commission in programming missions to the bulk of

Activity in 1980

The annual report for 1980 shows lending operations totalling 3 498.5 million ECUs, 3 124.6 million from the EIB's own resources (i.e. essentially the proceeds of the Bank's borrowings on capital markets); this compares with 3 071.1 million (2 702.1 million from own resources) in 1979 and 2 188.3 million (2 140.4 million from own resources) in 1978.

For investment **within the Community** last year the EIB lent 2 753.2 million ECUs from its own resources, a rise of more than 20% over the amount lent in 1979. It also made available loans worth 197.6 million ECUs from the resources of the New Community Instrument for borrowing and lending — NCI or "Ortoli Facility" (see below), making a total of 2 950.8 million ECUs.

Financing **outside the Community**, in countries which have signed association or cooperation agreements with the EEC, totalled 547.7 million ECUs, comprising 371.4 million from the Bank's own resources and 176.3 million from budgetary funds which the Bank manages on the Community's behalf.

The **balance sheet total** (which takes in only operations from the Bank's own resources) stood at 15 121 million ECUs at end 1980, compared with 12 215 million at end 1979.

The EIB's own funds, comprising paid-in capital, reserves and the balance of the profit and loss account at year end, amounted at the same date to 1 566.1 million ECUs compared with 1 284.4 million at end 1979.

The funded debt totalled 10 604 million ECUs (8 547 million at end 1979). The amount of loans and guarantees outstanding was 13 173 million ECUs (10 326 million at end 1979).

The office of **Chairman of the Board of Governors** — held for one year in rotation, according to the alphabetical order of the names of the Member States — is now held, until the end of the next annual meeting, by the Governor for Italy, Mr Beniamino Andreatta, Minister of the Treasury.

At the meeting on 15 June, the Governors appointed a **new Member to the Board of Directors**, Mr Paul Arlman, Deputy Director of External Financial Relations, Ministry of Finance, the Netherlands, in succession to Baron B.F. van Iltersum who had served on the Board since 1976.

A rota system also operates for the chairmanship of the Audit Committee, which has now been passed on, until the next meeting of the Board of Governors in 1982, to Mr Jørgen Bredsdorff, Rigsrevisor, Audit Department, Copenhagen; the outgoing Chairman, Mr Patrick McDonnell, Secretary and Director of Audit, Office of the Comptroller and Auditor-General, Dublin, has been returned to office as a member of the Committee for a new term of three years, and the third member is Mr Corneille Brück, Président-Directeur de la Caisse d'Epargne de l'Etat, Luxembourg.

New Community Instrument

The Commission of the European Communities has been authorised to borrow in the name of the EEC, up to limits set by the Council of the European Communities, for the purpose of promoting investment. The Commission decides the eligibility of projects for loans within guidelines laid down by the Council. The EIB receives the loan applications, examines them in accordance with its customary criteria, decides on the loans to be granted and the terms, and administers the loans in the name, for the account and at the risk of the Community.

**Evolution of the European Investment Bank's capital
from 1958 until the Decision of the Board of Governors of 15 June 1981** (in million ECUs)

	Community of Six					Enlargement of the Community 1 January 1973	
	Initially		Decision of Board of Governors 26 April 1971		%	Subscribed capital	Paid - in capital
	Subscribed capital	Paid - in capital	Subscribed capital	Paid - in capital			
Germany	300.0	75.0	450.0	90.0	30.0	450.0	90.0
France	300.0	75.0	450.0	90.0	30.0	450.0	90.0
United Kingdom	—	—	—	—	—	450.0	90.0
Italy	240.0	60.0	360.0	72.0	24.0	360.0	72.0
Belgium	86.5	21.625	129.75	25.95	8.65	118.5	23.7
Netherlands	71.5	17.875	107.25	21.45	7.15	118.5	23.7
Denmark	—	—	—	—	—	60.0	12.0
Greece	—	—	—	—	—	—	—
Ireland	—	—	—	—	—	15.0	3.0
Luxembourg	2.0	0.5	3.0	0.6	0.2	3.0	0.6
Total	1 000.0	250.0	1 500.0	300.0	100.0	2 025.0	405.0

N.B. The part of the subscribed capital which is not set to be paid in is available for call by decision of the Board of Directors to such extent as may be required to meet the Bank's

ACP States. Initial operations were mounted at the beginning of 1981 and EIB activity in these States should reach its normal level in the course of this year.

Financial Protocols concluded between the Community and non-European countries in the Mediterranean region will expire this year, during which the Bank will strive to commit all funds provided for under these protocols.

Governors will doubtless be requested in coming months to examine proposals concerning Bank activity under protocols currently being drafted.

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As I informed Governors in June 1980 when submitting the Board of Directors Working Party report on the outlook for Bank activity, the various projections adopted for the volume of Bank lending from own resources all pointed to a total amount of loans and guarantees outstanding reaching the statutory ceiling of 250% of subscribed capital in 1982. Hence, the Board is being requested to deliver its decision today on a proposal to double the Bank's subscribed capital. The Board of Directors and the Management Committee consider that this increase in subscribed capital should be accompanied by an adjustment to paid-in capital, such that the amount and payment arrangements would be tailored to accom-

modating the concern expressed by Member States regarding budgetary ramifications.

In addition to its statutory impact on the ceiling for EIB commitments, this capital increase will serve to endorse, in the eyes of the capital markets, the support given by Member States to the Bank and thus stand our institution in good stead for raising the resources required over the period 1982-86 to continue the task entrusted to it by the Treaty of Rome.

This task, which involves assisting priority investment in various countries and sectors in which the Bank is called upon to mount operations, is being carried out in an increasingly difficult climate.

Since the second oil price hike, economic growth has again slackened considerably throughout the Community.

Underemployment persists at disquieting levels and is on the uptrend in certain areas, particularly those faced with the most acute structural weaknesses.

The inadequate volume of investment promoting both Europe's self-sufficiency on the energy front and more rational utilisation of energy may well compromise the revival of economic activity and the creation of new job opportunities in the longer term.

Investment in industry continues to stagnate, while a substantial number of undertakings are in difficulty, not only in sectors where the necessity

for modernisation and conversion has long been acknowledged, but also in new branches of industry, such as motor vehicle production, which had hitherto enjoyed rapid growth.

Hence, there is both substantial and urgent need for fresh investment in regions and sectors in which the Bank is required to conduct its activities.

EIB contacts with business circles and public authorities confirm that there is widespread propensity to invest. However, actual demand for loans is failing to materialise or cannot be met on suitable conditions because of severe upheavals besetting the capital markets.

Measures adopted in various countries to attain the objectives of curbing inflation, defending national currencies and maintaining the external trade balance in equilibrium have led to very high short-term interest rates. This in turn has resulted in very considerable pressure on long-term interest rates and extremely irregular trends on the capital markets. Investment financing has thus become a difficult task, with undertakings having to contend with both the need to invest and the problems of contracting borrowings at rates which may prove hard to bear with the fall in the rate of inflation.

The outlook for Bank activity in the immediate future has thus become rather unclear. It would appear that current difficulties cannot be resolved solely by EIB operations and its

Community of Nine

Decision of Board of Governors 10 July 1975		Decision of Board of Governors 19 June 1978		
Subscribed capital	Paid - in capital	Subscribed capital	Paid - in and to be paid in	%
787.5	123.75	1 575.0	202.5	22.22
787.5	123.75	1 575.0	202.5	22.22
787.5	123.75	1 575.0	202.5	22.22
630.0	99.0	1 260.0	162.0	17.78
207.375	32.5875	414.75	53.325	5.85
207.375	32.5875	414.75	53.325	5.85
105.0	16.5	210.0	27.0	2.96
—	—	—	—	—
26.25	4.125	52.5	6.75	0.74
5.25	0.825	10.5	1.35	0.15
3 543.75	556.875	7 087.5	911.25	100.0

Community of Ten

Enlargement of the Community 1 January 1981		Decision of Board of Governors of 15 June 1981, scheduled to take effect from 31 December 1981		
Subscribed capital	Paid - in and to be paid in	Subscribed capital	Paid - in and to be paid in	%
1 575.0	202.5	3 150.0	320.625	21.875
1 575.0	202.5	3 150.0	320.625	21.875
1 575.0	202.5	3 150.0	320.625	21.875
1 260.0	162.0	2 520.0	256.505	17.5
414.75	53.325	829.5	84.43	5.76
414.75	53.325	829.5	84.43	5.76
210.0	27.0	420.0	42.75	2.925
112.5	14.465	225.0	22.9	1.563
52.5	6.75	105.0	10.6875	0.729
10.5	1.35	21.0	2.1375	0.146
7 200.0	925.715	14 400.0	1 465.715	100.0

s obligations in respect of its borrowings (Article 5 of the Bank's Statute)

ability to adapt. It has rarely been as difficult as it is today to reconcile both the need for short-term equilibrium with the objectives of long-term reorganisation and growth, and the target of curbing inflation or achieving a balance of payments equilibrium with concern for industrial activity and employment.

Doubtless, the requisite improvements depend primarily on the success of current policies and measures at national, Community and international level.

In its own sphere, the Bank will make as positive a contribution as possible by drawing on its borrowing capacity, experience, imagination and dedication of its staff.

Before concluding this review of European Investment Bank activity, I should like to mention the very close cooperation which has been maintained with the Commission and other Community institutions, particularly in managing the New Community Instrument and providing financing in non-Member countries.

Finally, I should like to underscore the high quality of the work of the Bank's staff which, although modest in number, has succeeded in adapting to the new theatres of Bank operations as well as the difficulties of the economic climate. I am convinced that the new working environment provided by the EIB's head office on the Kirchberg Plateau, where we are meeting today and which replaces some twelve buildings throughout which the Bank's

services were scattered, will add even more to the efficiency of our institution, enabling it in coming years to go still further in living up to the expectations of Member States."

Mr Beniamino Andreatta, Minister of the Treasury, Italy, who chaired the meeting of the Board of Governors in the absence of Mr Gene Fitzgerald, Governor for Ireland, spoke later in the day on Bank activity in 1980 and the outlook for further development over the years ahead: "This development has our strongest support, as you have seen with the decision to double the Bank's subscribed capital.

The annual report presented to us today speaks clearly enough: we read that

— employment for some 420 000 people was secured in 1980 through investment projects which the Bank has helped to finance,

— by financing different forms of energy investment last year the Bank is helping to cut the Community's oil imports by some 12 million tonnes per year,

— outside the Community, funds went to development in 30 countries, many of them amongst the poorest in the world.

These are concrete achievements. They certainly merit wider publicity than they receive, at a time when the Community is frequently criticised, rightly or wrongly, as being long on theory but short on practical results.

The European Investment Bank is, above all, a practical example of Community action.

This is not the moment for putting figures to the future level of activity.

We are clearly aware that present conditions make forecasting hazardous.

However, if we are to judge from the results of the last few years, the European Investment Bank thrives on challenge.

And certainly challenge remains there before us: the key word is "investment" if we are to strive towards more balanced development, get back to a higher growth rate, raise our competitiveness on world markets and improve employment opportunities.

National effort is one half of the equation — Community support, concentrated on those areas and sectors where the needs are greatest, is the other.

Outside the EEC, we have seen the Bank take on a steadily wider role to the point where it is now an important element in the Community approach to try to build stronger and more equitable relationships with the developing world.

It is our conviction that, within this new building, there exist the experience and resources, both financial and human, which place the EIB in a position to be of unique service to the Community over the years ahead."

150 million ECUs in new phase of lending EIB operations in Portugal

The European Investment Bank so far has lent almost 320 million ECUs for industrial, agricultural, energy and transport development in Portugal in operations dating back five years. In discussions with governmental, industrial and financial circles, the Bank is now preparing the rapid introduction of a new phase of lending under the Community's agreement to give financial assistance for economic development that

The EIB's financial cooperation with Portugal started in October 1975 when, after discussions with the Bank and approval of its Board of Governors, the Council of the European Communities decided to offer up to 150 million ECUs in the form of EIB loans as "exceptional emergency aid"; this was to help the Portuguese economy at a time of particular difficulties and pending consideration of a longer-term financial protocol between the Community and Portugal.

Lending began in early 1976 and the full amount was committed by December 1977. All loans were provided with 3% interest subsidies, charged to the Community budget (about 30 million ECUs).

The subsequent protocol between the Community and Portugal foresaw a further 200 million ECUs in loans from the Bank, of which 150 million again with 3% interest subsidies paid by the Community at a cost of 30 million ECUs: total package 230 million ECUs. Originally this protocol was to run for five years up to October 1983, but the pace of lending has been accelerated. After a request from the Council, which followed an approach by the Portuguese Government, the EIB's Governors agreed that the Bank could allocate the full amount by end-1981. As at 30 June loans worth 169 million ECUs (of which 119 million subsidised) had been signed: the remainder is fully earmarked for projects under appraisal and, barring unforeseen difficulties, the loans should be signed before the end of the year, at which time the introduction of pre-accession aid will ensure an unbroken flow of investment finance.

Pre-accession aid

The agreement between Portugal and the Community on pre-accession aid aims at helping to finance "measures of common interest to prepare and facilitate the harmoni-

ous integration of the Portuguese economy into the Community economy".

Provision for EIB loans is set at 150 million ECUs: up to 125 million is to be lent with 3% interest subsidies, for which an amount of 25 million ECUs has been set aside in the Community budget.

The loans are to contribute towards the funding of investment projects which, with the objective, *inter alia*, of encouraging regional development,

— help to increase productivity and strengthen the Portuguese economy, and

— promote in particular the improvement of the country's industrial structures, modernisation of agriculture and fisheries and infrastructure development.

It is intended that loans carrying interest subsidies shall go to infrastructure development (including the energy, agriculture and fisheries sectors) and to help small and medium-scale industrial ventures.

Investment projects will be assessed according to the Bank's normal criteria and must be judged satisfactory on economic, technical and financial grounds.

Complementing the EIB loans, the Commission of the European Communities will administer 100 million ECUs of grants from the budget for cooperation projects or programmes, in particular for

— restructuring, modernisation and development of small and medium-sized businesses

— improvement of production and marketing structures in agriculture and fisheries

— creation of infrastructure aimed at promoting more balanced regional development

— establishment of an integrated national vocational training policy based on a network of training centres, and

will improve conditions for Portugal's entry into the European Community.

This pre-accession aid calls upon the Bank to lend up to 150 million ECUs, with most of the loans carrying 3% interest subsidies paid from the Community budget.

The following article briefly outlines the objectives followed by the Bank to date and gives some perspectives for future operations in the country.

— technical assistance (studies, services of consulting engineers, etc.)

Part of the technical assistance will help to identify and prepare investment projects for possible EIB lending.

EIB lending to date

The table on page 7 shows that of the 319 million ECUs lent by 30 June this year, somewhat over half went to industry and agriculture (38.9% and 14.1% respectively), with the remainder divided between energy (26.6%) and transport (20.4%).

A feature of lending to industry has been the concentration on small and medium-scale ventures.

Of the total for industrial development — 124 million ECUs — close to 45% (54 million ECUs) was in the form of four global loans to public credit institutions: three to Banco de Fomento Nacional and one to Caixa Geral de Depósitos, which on-lend smaller amounts (down to 50 000 ECUs) for investments chosen in agreement with the EIB.

The contribution to the economy of small and medium-scale firms is crucial: industrial firms employing less than 100 people account for about 95% of all industrial enterprises in Portugal. Many operate in conditions far from ideal and, in view of Portugal's application for EEC membership, it is urgent for them to invest in modern equipment to increase their competitiveness, in particular so as to take advantage of export possibilities.

As at end June, credits worth 39 million ECUs had been drawn down from the EIB global loans to help finance a total of 73 ventures (main sectors: metalworking and mechanical engineering, foodstuffs, woodworking, chemicals, glass and ceramics, rubber and plastics processing, electrical engineering) involving fixed investment of around 90 million ECUs and the direct creation or safeguarding of some 4 300

jobs. There is a good geographical spread with about 60% of the ventures situated outside the main industrial areas of Lisbon and Oporto. Although some of the credits have gone to new ventures, the majority have helped to finance modernisation and expansion of existing firms.

The industrial projects supported by the EIB through individual, direct loans have each offered substantial economic benefits:

— the loans to Química de Portugal help to assure the fertiliser production necessary for agricultural development, to extend Portuguese capacities in the plastics industry, widen the technology base and open new market possibilities;

— the CIMPOR cement works expansion will raise domestic production capacity to help meet demand which has been growing by about 10% per annum in recent years;

— the Companhia União Fabril project involves extraction of the iron content from pyrite cinders previously discarded as waste at another of the company's works, thus maximising a national mineral resource and helping to cut imports of iron ore.

Taken together these larger industrial schemes represent fixed investment in the order of 290 million ECUs; they involve direct creation or safeguarding of some 900 jobs and should strengthen the balance of payments.

In the **agricultural** sector the Bank has lent 45 million ECUs. The most recent loans — for a total of 18 million ECUs — helped to finance the planting of eucalyptus trees on marginal agricultural land which has been abandoned and in areas of worn-out, degraded forest. The trees will be used for paper pulp, an important export for Portugal which counts on forest products for over 12% of its total exports. About 150 jobs are involved. The companies carrying out this scheme — both in the private sector — are investing 36 million ECUs in the project.

Earlier loans, for 27 million ECUs, went towards irrigation schemes costing at about 80 million ECUs; through increased and diversified production these schemes should help to raise incomes and living standards of farming communities in areas with little alternative employment to offer and at the same time support Government policy of trying to limit the foreign currency drain on food imports.

EIB lending in Portugal

1976 — 30 June 1981

	million Escudos (1)	million ECUs (1)	% (rounded)
Industry	6 743.1	124.0	38.9
<i>Individual investment projects</i>	<i>3 801.5</i>	<i>70.0</i>	<i>21.9</i>
Modernisation of nitrogen fertiliser production facilities at Barreiro near Lisbon Química de Portugal E.P.	1 016.2	17.0	
New facilities for manufacturing glass fibres and plastics at Barreiro near Lisbon Química de Portugal E.P.	478.2	8.0	
Expansion of cement works at Souselas, near Coimbra and storage facilities at Oporto Cimentos de Portugal E.P. — CIMPOR	597.8	10.0	
first loan			
second loan	1 052.6	15.0	
Incinerated pyrites processing plant and copper metallurgy installations at Barreiro, near Lisbon Companhia União Fabril — CUF	656.7	20.0*	
<i>Global loans to Portuguese institutions for financing small and medium-scale industrial ventures</i>	<i>2 941.6</i>	<i>54.0</i>	<i>16.9</i>
Banco de Fomento Nacional			
first loan	492.5	15.0*	
second loan	417.8	9.0*	
third loan	978.7	15.0*	
Caixa Geral de Depósitos — CGD through the intermediary of the State	1 052.6	15.0*	
Agriculture	2 356.5	45.0	14.1
Construction of dam on the river Azibo and irrigation in Trás-os-Montes province (North Eastern Portugal) the State	696.3	15.0*	
Irrigation in Odivelas and Vigia areas and survey covering area around Mira, Alentejo (Southern Portugal) the State	425.2	12.0*	
Planting almost 17 000 ha of eucalyptus for supply to paper pulp plants Celulose Beira Industrial — CELBI	754.7	11.0*	
Companhia de Celulose do Caima — CAIMA	480.3	7.0*	
Energy	3 847.5	85.0	26.6
Construction of thermal power station at Setubal (near Lisbon) and high-voltage transmission line connecting with the Spanish grid Electricidade de Portugal — EDP	1 149.1	35.0*	
Erection of high-voltage transmission lines linking Setubal power station to national grid Electricidade de Portugal — EDP	1 305.0	20.0*	
Dam and hydroelectric power station on the Douro at Pocinho Electricidade de Portugal — EDP	691.7	20.0*	
Installation of computerised control system to optimise national electricity generating and transmission facilities Electricidade de Portugal — EDP	701.7	10.0*	
Transport	3 902.6	65.0	20.4
<i>maritime</i>	<i>3 167.9</i>	<i>54.0</i>	<i>16.9</i>
Improvement of port facilities at Aveiro, south of Oporto the State	2 105.2	30.0*	
Construction of container terminal and new harbour basin at Leixões harbour, Oporto Administração dos Portos do Douro e Leixões	691.4	16.0*	
Reconstruction and extension of Alcântara dock, Port of Lisbon Administração Geral do Porto de Lisboa	371.3	8.0*	
<i>air</i>	<i>734.7</i>	<i>11.0*</i>	<i>3.4</i>
Extensions, modifications to runway, aids for improving traffic safety at Funchal airport, Madeira Aeroportos e Navegação Aérea — ANA	734.7	11.0*	
Total	16 849.7	319.0*	100
<i>of which subsidised loans for</i>	<i>13 704.9</i>	<i>269.0</i>	<i>84.3</i>

(1) ECU/Escudo exchange rates have differed widely over the period of the EIB's lending in Portugal: the figures given for each loan are calculated according to the exchange rates applied at the time of contract signature.

* Indicates loan with a 3% interest subsidy paid from the Community budget.

In the **energy** field, the EIB has concentrated on electricity supply schemes. Consumption has been rising at a steady rate, to the extent that installed generating capacity doubled to 4 000 MW from 1972 to 1980 and is forecast by the authorities to triple again by 1993.

This means a considerable investment effort, which the EIB has supported with loans totalling 85 million ECUs for a broad range of projects costing an estimated 400 million ECUs: construction of power stations (hydro and thermal, total capacity about 670 MW), erection of 240 km of high voltage power lines including a link-up with the Spanish grid, and installation of a computer-controlled system to optimise coordination of national electricity production and distribution and cut waste. The hydro station and control system will make a direct contribution to limiting dependence upon oil imports.

Finally, in the **transport** sector the Bank has lent a total of 65 million ECUs, the vast majority — 54 million — for port development.

As a narrow coastal country, with rugged hinterland, Portugal depends on its ports for both international and internal trade. Improvements in the efficiency of maritime transport services are of direct benefit to the economy.

The EIB loans have gone towards expansion schemes at the Port of Lisbon, the main entry point for Portuguese imports, where deeper

water berths will enable ships to discharge cargo directly onto the quays and avoid the delays and cost of unloading onto barges in mid-river; at Leixões, the main port serving the Oporto area and the northern regions, where the investment covers construction of a container terminal, a new dock for general and bulk cargo and restructuring of the railway connections; at Aveiro — about 60 km south of Oporto — which after the Leixões development now offers the major possibilities for expansion in the future — the project covered the deepening and widening of port access to permit the entry of larger ships, construction of additional quays, better road connections. In total these port development schemes represent an investment by the authorities costed at around 125 million ECUs.

The Bank has also contributed to improving air transport with an 11 million ECUs loan to cover half the projected cost of various works to improve the safety of operations at Funchal airport, Madeira. The 250 000 islanders depend mainly on tourism for their livelihood (Funchal copes with 600 000 passenger movements per year, mainly in tourism from other European countries).

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To summarise, the 319 million ECUs in EIB loans so far have gone towards some 90 investments (including the small and medium-scale ven-

tures assisted via global loans) involving a total fixed investment in the order of 1 billion ECUs.

For those projects promoting increased exports, higher domestic production of food and other commodities, savings in oil, etc., the impact on the balance of payments should be appreciable.

On the basis of past performance and of possible projects which are now being identified there is every reason to suppose that the forthcoming lending operations under pre-accession aid will run smoothly, making a contribution towards financing high priority investments in Portugal.

In the crucial period leading to membership of the European Community, Portugal (per capita GDP in 1980 about a quarter of the Community average; current account balance of payments deficit last 5 years = approx. 4 billion ECUs) faces difficult problems of economic adjustment.

The pre-accession aid, both in loans from the EIB and grants handled by the Commission, will aim at reinforcing key points of the economy to prepare the process of integration.

Personalia

On 1 July 1981, Eugenio GREPPI succeeded Romeo dalla CHIESA as Manager of the EIB's Directorate for Operations in the Community, which deals with all lending in the EEC Member Countries. Helmuth CRAMER was appointed Co-Manager.

Mr Greppi joined the staff of the EIB shortly after its foundation in 1958 and has served in a number of positions. Since February 1980, he had headed the Bank's General Administration Directorate with the title of Secretary-General. Mr Cramer, who joined the Bank in 1963, was previously Associate Manager for Operations in the Community.

Mr dalla Chiesa retired from the Bank after more than 23 years, having joined at its very beginning; he had been Manager of the Directorate since 1975. In appreciation of his long and valued service the Management Committee has conferred upon him the title of Honorary Manager.

On 1 May 1981 Herman J. PABBRUWE was appointed Manager of the EIB's Legal Directorate, following the resignation of Douglas J. FONTEIN who had held this post since 1 May 1979. Mr Pabbruwe joined the Bank as Associate Manager in February; prior to this he was Associate Director of the Algemene Bank Nederland N.V., in charge of the Legal Department.

Hans HITZLBERGER, Associate Manager of the General Administration Directorate and Head of Personnel, has been appointed Acting Manager and Michel LAUCHE, Deputy Manager, heading the Directorate's Secretariat and General Affairs Department.

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