

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

N° 28 · February 1982

ISSN 0250-3891

Financing operations in 1981 total 3 850 million ECUs

The European Investment Bank (EIB) made available over 3 360 million ECUs for industrial, agricultural, energy and infrastructure investment in EEC Member Countries last year.

With the number of jobless in the Community building up to some 10 million, the Bank concentrated most of its financing operations on investment in less developed and worst unemployment areas, including

Outside the Community, close to 500 million ECUs went to development in the two "candidate" countries to the EEC — Spain and Portugal — and in 33 other countries in the Mediterranean region, Africa, the Caribbean and the Pacific which have signed cooperation agreements with the Community.

Borrowings which the EIB made during 1981 to resource its lending operations totalled some 2 300 million ECUs; the funds were raised mainly through public bond issues.

The year ended with the **doubling of the EIB's subscribed capital to 14 400 million ECUs**, ensuring a sound base for a continued development of the Bank's operations over the years ahead.

In the Community

Priorities: counter the unemployment trends, reduce oil imports

Finance provided by the EIB for investment projects in or of direct interest to Community Member Countries totalled 3 361.3 million ECUs, composed of

— 2 539.4 million in loans from the EIB's own resources (i.e. essentially from funds the Bank borrows on capital markets) plus 282.1 million ECUs in guarantees on loans provided by other banks;

— 539.8 million in loans from the resources of the New Community

reconstruction in the parts of Southern Italy hit by the November 1980 earthquakes.

The other priority was to channel funds into a range of energy facilities to cut the Community's dependence upon oil imports; this included not only energy production and transmission projects, but also investment to reduce or rationalise energy consumption, principally in industry.

Instrument for borrowing and lending — NCI or "Ortoli Facility" (see page 3).

In real terms — i.e. after taking account of inflation — this about maintained the level of last year's operations (2 950.8 million ECUs, including 197.6 million in NCI loans) against a worsened economic climate. Tensions on the capital markets, high interest rates, the deepening recession and budgetary difficulties in some countries all had their impact, showing through in a drop in investment and fewer requests for finance.

The EIB's main tasks under the EEC Treaty are to assist investment promoting **regional development** or serving a **common interest** of several Member Countries or the Community as a whole.

Within these overall objectives, the Bank endeavoured to support policies which the European Council sees as decisive for the Community's economic future:

— combat unemployment by giving priority to investment based on sound productivity and increased competitiveness;

— reduce disparities between Member States' economic performances;

— tackle structural change;

— step up energy investment aimed at cutting oil imports, including measures to reduce energy consumption;

— back the setting up or expansion of small and medium-scale ventures in the Community, which are often dynamic job creators.

Investment: the Bank calculates that financing in 1981 — both from its own resources and New Community Instrument funds — contributed to **new fixed investment** in the Community totalling about 11.7 billion ECUs.

Convergence of national economies: nearly three quarters of **lending** was concentrated in the four countries — Italy, Ireland, Greece and the United Kingdom — with the most difficult structural problems.

Much of the lending in Italy (over 40%) and most in Ireland (85%) carried interest subsidies of 3%, paid from the Community budget, under arrangements made to help less prosperous countries fully participating in the European Monetary System — EMS (see page 3).

Employment: most of the investment projects financed last year are not yet finished but it can be estimated that they involve the **direct creation or safeguarding of some 31 000 full time jobs**, mainly in industry.

In addition there are the temporary effects on employment during con-

struction (often for some years) and also on employment in the supply of necessary services and materials — this principally concerns large-scale energy and infrastructure works: the total effect of projects supported in 1981 can be put at the equivalent of about **465 000 man-years of work**.

There is also the long-term impact of most infrastructure projects — e.g. water supplies, sewerage, communications — which while creating few permanent jobs in themselves are necessary for industrial development and other activities.

Energy: new projects financed in 1981 aimed at supporting Community energy objectives should represent, when all fully operational, the means to **replace some 10.6 million tonnes of imported oil per year**. This saving will come mainly from new energy production facilities — nuclear and hydro power stations, development of European oil and gas resources — but also from projects aimed at diversifying the Community's energy imports away from oil (to natural gas and coal) and from investment to reduce energy consumption (in industry and in district heating systems).

The Council of the European Communities has said that the EEC should limit oil imports in 1990 to no more than in 1978, i.e. 470 million tonnes. The EIB estimates that the energy projects which it has helped

to finance in the last five years (1977-1981) should have the total effect of reducing dependence upon oil imports by close on 61 million tonnes per year, which corresponds to about 13% of the Community's ceiling figure.

Regional breakdown Priority to worst unemployment areas

Two thirds (2 221.8 million ECUs) of the Bank's lending operations in the Community last year were in support of investment in regions which are economically less developed or confronted with industrial conversion problems.

Those suffering from the highest unemployment were the obvious target: 85% of the lending went to areas where the jobless figures are 25% or more above the Community average.

Over 80% of the funds were focused on the regions given a special priority under Community regional policy because of the serious development difficulties they face: Ireland, the Italian Mezzogiorno, Greece (outside the Athens and Thessaloniki areas), Northern Ireland and Greenland.

Lending for regional development concerned industrial, agricultural and services investment, telecommunications, road and rail improvements, port development, water supplies, sewerage and other infrastructure.

A special aspect last year was the first lending — 328.2 million ECUs, with 3% interest subsidies paid from the Community budget — as part of the Community's aid to help reconstruction in areas of Southern Italy hit by the November 1980 earthquakes (see opposite).

Action under the EIB's other main task — supporting projects of "**common interest**" to several Member Countries or the Community as a whole — was heavily concentrated on energy investment; other loans went to improved air and shipping links between Member Countries, environmental protection (including sewerage schemes in Denmark and Greece to reduce pollution in the Baltic and the Mediterranean), high technology industrial cooperation between enterprises from different Member Countries.

Main sectors

Drop in overall lending to industry but more funds go to small-scale ventures

Increased finance for energy and communications

Demand for finance from industry was sluggish last year and loans for the **productive sectors** — mainly industry, but also some agricultural and service investment — totalled 472.3 million ECUs, an almost 20% drop on the previous year's lending (585.4 million).

On the other hand, there was a positive element, with a rise in the share of financing which went to small and medium-scale investments through global loans; these are basically lines of credit opened by the EIB to banks or other financing institutions working at regional or national level which use the funds to finance a series of investments chosen in agreement with the EIB.

Last year the amount of new global loans for productive sector investment rose by 20% to 318.4 million ECUs (265.5 million in 1980).

Most were granted for financing small and medium-scale ventures setting up or expanding in regional development areas, but there were also some global loans aimed specifically at financing equipment to reduce or rationalise energy consumption in industry.

During the year, the number of productive sector investments assisted via global loans rose to 856 (+ 65% on the number in 1980: 518) and the total amount of credits drawn from global loans came to 281.6 million ECUs, more than double 1980's total (131.6 million).

The vast majority of these investments — about 95% by number and 80% by amount — were carried out by small or medium-sized, independent firms.

Larger industrial projects financed with individual loans show several important aspects:

— more than 40% of the funds went to modernisation and restructuring so as to improve productivity and companies' competitive positions;

— part of the finance was taken by forward-looking, technology-based industries;

— several loans went to investment to reduce or make more productive

ECU

In May 1981, the EIB's Board of Governors decided that, with effect retroactively from 1 January 1981, the Bank was to use the ECU as its unit of account. The composition of the ECU is identical to that of the unit used previously.

The ECU's values in national currencies at 31 December 1981 are given below; the Bank is applying these rates during the present quarter in drawing up its financing and borrowing statistics:

DM	2.44436	Lfrs	41.7467
£	0.566523	Dkr	7.94077
Ffrs	6.20177	Dr	62.2263
Lit	1 303.57	IR£	0.686819
Fl	2.68309	US\$	1.08517
Bfrs	41.7467		

N.B. ECU/national currency conversions given in this review of operations in 1981 are based on different exchange rates, applicable at the time of each contract signature.

use of energy consumption, or switch from oil to other fuels.

Financing in the **energy** sector, for both production and transmission facilities, totalled 1 513.5 million ECUs (composed of 1 137.7 million ECUs in loans from the EIB's own resources and 282.1 million in guarantees on loans provided from other banks; 93.7 million in loans from New Community Instrument resources).

This is close on a 30% rise on 1980's total (1 078 million ECUs) and accounted for about 45% of all the Bank's financing operations in the Community last year.

Increased funds went to nuclear facilities (700.6 million ECUs, against 432.6 million in 1980), development of hydrocarbon deposits—oil, gas and peat (138.5 million, against 105.2 million the previous year), the laying of gaslines (285 million, compared with 179.3 million) and improvements to electricity transmission networks (150.2 million, against 64.4 million).

Other main fields of activity were:

Transport (improvements to road, rail, sea and air links) which accounted for 400.6 million ECUs, including 99.5 million from New Community Instrument resources; this compares with a total of 243.6 million in 1980.

Telecommunications (improvements to telephone and telex networks in many areas, and improved links via satellite with Greenland) which took 362.6 million ECUs, including 63.7 million from New Community Instrument resources; the previous year's total was 366.4 million.

Water supplies/sewerage which took 206.1 million ECUs, including 60 million New Community Instrument loans (total in 1980: 221.4 million).

Irrigation/land drainage which attracted loans worth 83.1 million ECUs, all from the Bank's own resources (193.2 million in 1980).

Other infrastructure (mainly basic works to prepare for new housing and school repairs in Southern Italy's earthquake areas, industrial and agricultural training centres in Ireland) accounted for 311.5 million ECUs, the majority — 222.9 million — from New Community Instrument funds; the previous year's figure was 131.2 million.

A point of interest: the Bank granted four global loans to a financial institution in France to help finance various small-scale, local infrastructure works assisting regional development.

Country by country

1981 saw a shift in the country breakdown of Bank activities with demand for finance slackening a little in Ireland and substantially in the United Kingdom, but offset by a strong expansion in Italy (the rise largely due to loans for reconstruction in the earthquake areas) and in Greece, and by increased operations also in Belgium, Denmark and Germany. Lending in France was maintained at about the same level as in 1980.

In **Italy**, lending totalled 1 699.6 million ECUs, worth Lit 2 139.6 billion at exchange rates ruling at contract signatures, including 448.3 million ECUs/Lit 566 billion from New Community Instrument resources.

This represents a substantial increase on the previous year (1 290.3 million ECUs/Lit 1 533.2 billion).

Over three quarters of the total — 1 311.3 million ECUs/Lit 1 654.4 billion — went to investment in the Mezzogiorno, including 328.2 million ECUs/Lit 416 billion as part of the Community's aid to earthquake areas.

Over 60% of the lending in Italy last year carried 3% interest subsidies under the European Monetary System arrangements or the measures to help the earthquake areas.

Increases in lending for both energy and industrial investment were two welcome features.

Energy production and transmission accounted for loans worth 609.2 million ECUs/Lit 764.7 billion, roughly 35% of total lending. Most of the projects financed are designed to reduce dependence upon oil imports. Loans went towards construction of hydro-electric power stations (Edolo, Lombardy; Presenzano, Campania; Calusia, Calabria), conversion of power stations from oil to coal-firing (Brindisi, Apulia; Sulcis, Sardinia) and work on a nuclear plant (Montalto di Castro, Latium), representing in total a generating capacity of over 5 500 MW; development of oil and gas fields in the Adriatic and Ionian Seas, off the Southern coast of Sicily, and on the

mainland, near Modena, Emilia Romagna; construction of the Algeria-Italy gasline in Calabria and Campania and other major extensions to the gasline network in the Abruzzi, Lombardy and Emilia Romagna; conversion of depleted gasfields into gas storage reservoirs (Minerbio, Emilia Romagna, and

New Community Instrument

The Commission of the European Communities has been authorised by the Council of the European Communities to borrow funds in the name of the EEC, up to limits specified by the Council, for the purpose of promoting investment in the Community. The Commission decides on the eligibility of each project for a loan within guidelines laid down by the Council. The EIB examines the loan applications in accordance with its customary criteria, and in the name of the Community decides on the loans to be granted and the terms, and administers the loans. So far the main applications for NCI loans have been to finance energy projects helping to reduce the Community's oil import dependence and infrastructure investment improving conditions for regional development.

European Monetary System

By decision of the Council of the European Communities, 3% interest subsidies, paid from the Community budget, may be applied to selected loans from the EIB's own resources and from those of the New Community Instrument made in less prosperous countries fully participating in the European Monetary System (Ireland and Italy have been designated as such). These subsidised loans are to be concentrated on infrastructure projects which help to solve major structural problems in the countries concerned, reduce regional disparities and improve the employment situation. The subsidised loans may total a maximum of 5 billion ECUs over the period 1979 to 1983, i.e. 1 billion ECUs per annum. The Commission is responsible for deciding the eligibility of investment projects for a subsidy in the light of guidelines laid down by the Council.

Earthquake aid

The aid scheme agreed by the Council of the European Communities provides for loans totalling 1 billion ECUs with 3% interest subsidies paid from the Community budget; these loans come from the resources of the New Community Instrument and from the EIB's own resources.

Ripalta, Lombardy); strengthening of the power transmission networks in Sicily, Calabria and Sardinia, improved North-South connections on the national grid, and works on reconstructing the electricity network in the earthquake areas; a combined heat and power station for a district heating system at Brescia, Lombardy; conversion of Rome's gas network so as to burn natural gas instead of town gas produced from oil feedstock; modernisation and restructuring of an oil refinery in Taranto, Apulia.

Lending for industry came to 277.7 million ECUs/Lit 349.3 billion. Over half — 173 million ECUs/Lit 218 billion — was in the form of global loans for financing small and medium-scale investments. Most of these global loans are aimed at supporting the creation or expansion of industrial ventures in the Mezzogiorno (loans to IMI — Istituto Mobiliare Italiano, ISVEIMER — Istituto per lo Sviluppo Economico dell'Italia Meridionale, IRFIS — Istituto Regionale per il Finanziamento alle Industrie in Sicilia, Banco di Sicilia, CIS — Credito Industriale Sardo); other global loans (to IMI and Mediocredito Centrale) will be used for similar purposes in less developed parts of Central and Northern Italy, while a further global loan (to IMI) is for financing various smaller-scale industrial investments in the Central/Northern regions which reduce or rationalise energy consumption.

Larger industrial projects supported by the Bank came from a range of sectors and here again energy-saving or replacing oil by other fuels was an important aspect (e.g. investment aimed at reducing energy consumption in FIAT plants in Turin, Piedmont, and in the production and distribution of industrial gases by a Milan company; equipment at a molasses-to-alcohol distillery in Ferrara, Emilia Romagna, to enable the plant to burn production process residue instead of oil; conversion of four cement works in Sicily from oil to coal-firing).

Several loans went towards industrial modernisation and restructuring to keep up with technological progress and improve competitiveness (e.g. at a pharmaceuticals factory at Torre Annunziata, Campania; a paints factory at Caivano, Campania; a carbon products factory at Narni Scalo, Umbria; food processing factories at Cisterna di Latina and Latina, Latium; a fork lift truck factory at Bari, Apulia; a typewriter factory at Crema, Lombardy). Finance was provided also for new industrial activities, mainly in the Mezzogiorno (e.g. fine chemicals plants at Termoli and a liquid detergents factory at Pozzilli, Molise; a car components factory at Atesa, Abruzzi; a factory producing thermal insulation glass at San Salvo, Abruzzi).

At the same time the EIB supported industrial development in the Mez-

zogiorno by making available 43.0 million ECUs/Lit 54 billion for layout or improvement of several industrial zones (Frosinone, Cassino and Anagni, Latium; Chieti and Sangro-Aventino, Abruzzi; Naples and Salerno, Campania; Syracuse and Catania, Sicily).

Loans worth 211.5 million ECUs/Lit 266 billion went to telecommunications works involving about 330 000 new telephone subscriber connections in Abruzzi, Molise, Latium, Campania and Sardinia, some 20 000 telex connections in the Mezzogiorno, and covering urgent repairs and first stage reconstruction of the telecommunications network in the earthquake areas.

Transport projects accounted for 189.9 million ECUs/Lit 240.5 billion. Loans were made for strengthening air links with other Member Countries (purchase of 8 A 300 European Airbus jetliners for the ALITALIA fleet), several major road improvements in Latium, Apulia and Sicily, plus repair and reconstruction work on 900 km of roads and over 1 000 km of railway lines damaged by the earthquakes.

Loans totalling 157.4 million ECUs/Lit 200 billion went to irrigation works — covering over 40 000 hectares in the Oristano and Campidano plains, Sardinia; the Gela plain, Sicily; the Foggia area, Apulia; Agro Pontino, Latium — and water supply schemes in many parts of Latium, the Abruzzi, the Marches, Campania, Basilicata, Calabria and Sardinia, plus repair and reconstruction works to both the water and sewerage systems in the earthquake areas.

A further 211.0 million ECUs/Lit 265 billion went towards basic infrastructure for new housing in the earthquake areas and repairs to some 1 200 school buildings.

In Ireland lending totalled 342.6 million ECUs/IR£ 237.1 million, including 17.3 million ECUs/IR£ 12 million from New Community Instrument resources; this was a slight reduction on the previous year's total (376 million ECUs/IR£ 252.8 million).

Almost 85% of the funds were lent with 3% interest subsidies under the European Monetary System arrangements.

Energy projects helping to reduce oil imports were again to the fore. A total of 138.9 million ECUs/IR£ 96.4 million went towards construction of Ireland's first major coal-fired

Table 1: Financing within the Community in 1981
Breakdown by project location

	Loans from own resources and guarantees		Loans from NCI resources		Total	
	Million ECUs	%	Million ECUs	Million ECUs	Million ECUs	%
Belgium	182.5	6.5		182.5	5.4	
Denmark	142.9	5.1		142.9	4.3	
Germany (1)	292.0	10.3		292.0	8.7	
Greece	159.2	5.6		159.2	4.7	
France	226.7	8.0	40.3	267.0	7.9	
Ireland (2)	325.3	11.5	17.3	342.6	10.2	
Italy (3)	1 251.3	44.4	448.3	1 699.6	50.6	
United Kingdom	218.8	7.8	33.9	252.7	7.5	
Non-Member Countries (4)	22.8	0.8		22.8	0.7	
Total	2 821.5	100.0	539.8	3 361.3	100.0	

(1) of which guarantee operations: 282.1 m ECUs

(2) of which EMS subsidised loans total 289.6 m ECUs

(3) of which EMS subsidised loans total 735.5 m ECUs
subsidised loans as Community aid for earthquake areas total 328.2 m ECUs

(4) Loan for project in Tunisia of direct interest to Community; made in accordance with the second paragraph of Article 18 (1) of the Bank's Statute

power station (a 600 MW plant at Moneypoint, Co. Clare) and power lines linking it to the national grid, uprating of two peat-fired power stations (Shannonbridge, Co. Offaly; Lanesborough, Co. Longford) and for development of peat bogs to increase production of this fuel.

As in previous years there was also strong emphasis on financing small and medium-scale industrial and agro-industrial investment with global loans to ICC – Industrial Credit Company Limited and ACC – Agricultural Credit Corporation Ltd., plus a global loan to ACC specifically for financing small-scale farm investment; in total these were worth 53.1 million ECUs/IR£ 36.5 million.

To back up industrial and agricultural development, and in particular give more young people the possibility to train for skilled jobs, the EIB lent 28.9 million ECUs/IR£ 20 million to help finance the construction or extension of training centres at some 45 locations.

Other fields for lending were telecommunications (55.6 million ECUs/IR£ 38.4 million for works involving about 90 000 new subscriber connections), transport (33.3 million ECUs/IR£ 23 million for electrification of Dublin suburban railway services and a new ferry to be used on Ireland-Great Britain routes), and water supplies/drainage (32.9 million ECUs/IR£ 22.8 million for works carried out by local authorities in most areas of Ireland and drainage to raise agricultural productivity of 80 000 hectares of land in Counties Meath, Limerick and Mayo).

Operations in **Germany** totalled 292.0 million ECUs/DM 725 million (14.2 million ECUs/DM 36 million in 1980), with financing provided for two important energy projects.

The Bank facilitated progress on the 1 225 MW nuclear power station at Mülheim-Kärlich, Rhineland-Palatinate, by guaranteeing loans for the construction made by a banking consortium. It also lent for the laying of a gasline in Schleswig-Holstein which will link the Danish and German natural gas networks, another step in developing a fully interconnected European gas transmission system.

In **France** lending totalled 267 million ECUs/Ffrs 1 595.7 million, including 40.3 million ECUs/Ffrs 240 million from New Community Instrument resources (lending in 1980: 279 million ECUs/Ffrs 1 631 million).

Over half went to energy projects (159 million ECUs/Ffrs 950.9 million) with loans granted for power plant construction (units with a 3 750 MW capacity at the Creys-Malville, Rhône-Alpes, and Belleville, Centre, nuclear power stations) and work on the EURODIF uranium enrichment plant at Tricastin, Rhône-Alpes.

Several loans (57.8 million ECUs/Ffrs 344.8 million) were made for transport improvements: construction of the last section of the A 63 Basque motorway (St. Geours de Maremne, Aquitaine – Franco/Spanish frontier), and the Poitiers-Bordeaux section of the A 10 Paris-Bordeaux motorway, and extension of the commercial port at La Rochelle-La Pallice (Poitou-Charentes).

Four global loans worth in total 50.2 million ECUs/Ffrs 300 million were made to CAECL – Caisse d'Aide à l'Équipement des Collectivités Locales to finance smaller-scale road, port, rural electrification and other local infrastructure works helping regional development.

In the **United Kingdom** lending dropped appreciably under the double impact of the recession hitting industrial investment and reduced demand from the public sector.

Loans totalled 252.7 million ECUs/£ 142.6 million, including 33.9 million ECUs/£ 20 million from New Community Instrument resources. This compares with 688 million ECUs/£ 417.3 million in 1980.

Demand from industry fell, with loans amounting to 25.8 million ECUs/£ 14 million, less than a fifth of 1980's operations. Funds went towards a factory for micro-processor based computer systems (Leeds, Yorkshire), the manufacture and assembly of dozers for the construction industry (Redruth, Cornwall), expansion of a newspaper printing works (Manchester); a global loan was made to the Midland Bank to finance small and medium-scale industrial investment in assisted areas of England and Wales.

As in previous years, the EIB supported several major water supply, sewerage and drainage schemes necessary for regional development: loans totalling 114.3 million ECUs/£ 64.6 million went towards the Kielder Water Project (aimed at improving water supplies to most of North East England), various works in the North West, Cornwall, Devon, Yorkshire and Humberside, the Fife

region in Scotland, and in the Glasgow area and Irvine New Town, Strathclyde region of Scotland (the last-mentioned project also included construction of part of the "Monkland" motorway through Glasgow).

Telecommunications improvements accounted for 61.2 million ECUs/£ 36 million. Loans went towards investment in digital telephone exchanges and associated transmission equipment in North-East and North-West England, Scotland and Wales, part of the key structure for the future UK fully electronic system and for development of the local telephone network at Hull (North-East England).

Loans worth 51.4 million ECUs/£ 28 million helped to finance transport projects: 210 new railway sleeping cars (to be used by British Rail on the London-Scotland lines and on the routes from London and Scotland to the West of England), various road improvements in Northern Ireland and Liverpool.

In **Belgium** loans rose to 182.5 million ECUs/Bfrs 7.5 billion, up roughly a fifth on 1980's total (153.2 million ECUs/Bfrs 6.22 billion).

The majority (170.2 million ECUs/Bfrs 7 billion) went towards construction of power plant representing a total generating capacity of 3800 MW (units at the Doel, Antwerp; and Tihange, Liege, nuclear power stations).

A global loan (12.3 million ECUs/Bfrs 500 million) was granted to Société National de Crédit à l'Industrie – SNCI to help finance industrial ventures in regional development areas.

For **Greece**, 1981 was the first year as Member of the European Community with borrowers having access to EIB funds on the same basis as in other Member Countries.

Loans totalled 159.2 million ECUs/Dr 9.81 billion (101 million ECUs/Dr 6 billion were lent in 1980, in the last operations under the financial protocol to the former EEC-Greece Association Agreement).

Roughly 40% of the financing (61.2 million ECUs/Dr 3.8 billion) was made available in the form of global loans to help finance small and medium-scale industrial, agro-industrial, agricultural and tourism ventures and for smaller-scale investments aimed at reducing or rationalising industry's energy consumption (loans to National Invest-

ment Bank for Industrial Development, Hellenic Industrial Development Bank, Agricultural Bank of Greece, Investment Bank).

To improve conditions for industrial development outside the congested Athens-Piraeus conurbations, 11.3 million ECUs/Dr 700 million was lent towards work on laying out industrial zones at Komotini (Thrace), Kavala (Eastern Macedonia), Volos (Thessaly), Patras (Peloponnese) and Heraklion (Crete).

Transport accounted for 30.1 million ECUs/Dr 1.85 billion (improved radar and other equipment for air traffic control, construction of the Thessaloniki-Serres section of the highway from Central Macedonia to the Bulgarian frontier); 27.5 million ECUs/Dr 1.7 billion went to telecommunications development involving over 80 000 new telephone subscriber connections.

Several loans (15.2 million ECUs/Dr 930 million) helped to finance irrigation schemes covering 17 500 hectares and drainage works in the Drama and Nestos plains, Eastern Macedonia, and the Boida-Mavri and Konitsa plains, Epirus; 13.9 million ECUs/Dr 850 million were lent for sewerage works both to improve the conditions for industry to set up or expand in the areas of Ioannina (Epirus), Larissa (Thessaly), Kastoria and Ptolemais (Western Macedonia) and to reduce the problem of effluent discharged into rivers, which adds to pollution of the Mediterranean.

Lending in **Denmark** totalled 142.9 million ECUs/Dkr 1 121.2 million (99.2 million ECUs/Dkr 772.7 million in 1980).

This reflects mainly demand for financing energy investment. Loans worth 119 million ECUs/Dkr 932 million went towards development of coal-fired district heating systems (Randers, East Jutland; Herning and Ikast, West Jutland; Kalundborg, West Zealand) and the laying of two major gaslines (one to bring in supplies from a field in the Danish sector of the North Sea, the other linking the Danish network with the German system).

Two global loans (9.5 million ECUs/Dkr 75 million) were made to the State for use by the Regional Development Board in financing small and medium-scale ventures in assisted areas.

Other loans went towards improved telecommunications with Greenland — mainly via satellite links — and strengthening of the island's inter-

Table 2: Financing within the Community in 1981
Breakdown by economic policy objective

	Loans from own resources and guarantees		Loans from NCI resources		Total	
	Million ECUs	%	Million ECUs	Million ECUs	%	
Regional development	1 746.7	100.0	475.1	2 221.8	100.0	
Belgium	12.3	0.7		12.3	0.6	
Denmark	23.9	1.4		23.9	1.1	
Greece	149.3	8.5		149.3	6.7	
France	67.7	3.9	40.3	108.0	4.8	
Ireland	318.1	18.2	17.3	335.4	15.1	
Italy (*)	956.5	54.8	383.6	1 340.2	60.3	
United Kingdom	218.8	12.5	33.9	252.7	11.4	
Modernisation and conversion of undertakings	4.9	100.0		4.9	100.0	
Common European interest	1 450.5	100.0	93.7	1 544.2	100.0	
Energy	1 346.0	92.8	93.7	1 439.7	93.2	
Development of Community resources	913.1	62.9	42.2	955.3	61.8	
Energy saving	88.2	6.1	11.9	100.1	6.5	
Import diversification (?)	344.7	23.8	39.6	384.3	24.9	
Transport	79.8	5.5		79.8	5.2	
Protection of the environment	22.3	1.5		22.3	1.4	
Industrial cooperation	2.4	0.2		2.4	0.2	
<i>Deduct to allow for duplication in the case of financing justified on the basis of several objectives</i>	- 380.6		- 29.0	- 409.6		
Total	2 821.5		539.8	3 361.3		

(1) of which total of 328.2 m ECUs for reconstruction in earthquake areas

(2) e.g. gaslines schemes involving electricity imports; fitting out power stations to run on imported coal, etc.

nal system (6.8 million ECUs/Dkr 54.2 million); construction of a fishery research and development centre at Hirtshals, North Jutland (3.8 million ECUs/Dkr 30 million); port extension at Aabenraa, South Jutland (1.9 million ECUs/Dkr 15 million) and sewerage works in the area of Kalundborg, West Zealand (1.9 million ECUs/Dkr 15 million) to serve local industry and reduce pollution

in the Baltic Sea from the discharge of effluent.

Last year the EIB's Board of Governors gave special authorisation for the Bank to lend for an energy project **outside the Community but of direct interest to the EEC**; this was the laying of a section of the Algeria-Italy gasline where it passes through **Tunisia** (loan for 22.8 million ECUs/US\$ 25 million).

Outside the community: lending in 35 countries

1981 was a year of progress in the EIB's operations in countries which have signed association or cooperation agreements with the Community.

The Bank lent a total of 486.8 million ECUs to help finance investment — mainly in industry, energy and mining — in 35 countries. More than 80% of the funds — 396.4 million ECUs — came in the form of loans from the EIB's own resources, generally with interest subsidies paid by the Community; the remainder (90.4 million ECUs) was made available as finance on special conditions (extra long term loans at minimal interest

rates and various kinds of risk capital operations) from budgetary funds which the Bank manages on the Community's behalf.

Key points in the year's activities were:

— first loans in Spain under the Community's financial cooperation arrangements to help prepare the Spanish economy for the country's membership of the EEC;

— in Portugal, completion of lending under the EEC-Portugal financial protocol and first loans under the Community's arrangements for pre-accession aid;

- completion of lending in Turkey under the third EEC-Turkey financial protocol;
- first lending in Cyprus;
- completion of lending from the EIB's own resources under the Financial protocols between the EEC and Morocco, Tunisia, Jordan, the Lebanon and Israel;
- a marked expansion of financing in the African, Caribbean and Pacific (ACP) countries as operations under the second Lomé Convention got under way.

Mediterranean region

Lending in the Mediterranean region totalled 277 million ECUs, of which 39 million from budgetary resources.

In **Spain**, the financial cooperation agreement with the EEC provides for 200 million ECUs in EIB loans for investment projects; last year the first 40 million ECUs were lent to convert the firing of cementworks from oil to coal, and for small and medium-scale industrial ventures in less-developed regions (through a global loan to Banco de Crédito Industrial).

In **Portugal**, 79 million ECUs went towards plantation of eucalyptus trees for paper pulp and cardboard production, improvements to the Lisbon-Algarve highway and in the form of a global loan to Banco de Fomento Nacional to help finance small and medium-scale industrial and tourism ventures. These loans used up the balance of the 200 million ECUs of lending which had been foreseen under the EEC-Portugal financial protocol (application of the protocol was accelerated, with the expiry date brought forward from end 1983 to end 1981) and started the pre-accession aid package which provides for 150 million ECUs of EIB loans and 125 million ECUs in Community grant aid.

In **Turkey** — linked to the Community since 1963 through an Association Agreement — lending totalled 49 million ECUs, of which 39 million were provided on special conditions.

Loans went towards construction of the Karakaya hydro-electric power station on the Euphrates and installation of a national control centre for electricity generation and transmission, both with important roles to play in reducing Turkey's heavy dependence on oil imports.

These operations fully absorbed the balance of funds under the 3rd EEC-Turkey Financial Protocol (310 million ECUs), which expired at the end of October.

Other operations in Mediterranean countries were as follows:

Cyprus - 12 million ECUs: uprating the Dhekelia power station

Algeria - 10 million ECUs: improvements to the road from Constantine to the port of Jijel

Morocco - 30 million ECUs: small and medium-scale industrial ventures (through global loan to the Banque Nationale pour le Développement Economique); works to improve two of the country's largest ports, Safi and Agadir

Tunisia - 12 million ECUs: agricultural development, including irrigation and drainage works, agricultural equipment, processing and storage installations, greenhouses

Jordan - 3 million ECUs: development of the Amman industrial zone

the Lebanon - 12 million ECUs: uprating the Jieh and Zouk power stations

Israel - 30 million ECUs: lent to the Industrial Development Bank of Israel for financing various investments, including reduction of energy consumption.

African, Caribbean and Pacific Countries

With a total of 209.8 million ECUs lent for development in 25 countries, 1981 saw a rapid start to the EIB's activities in the African, Caribbean and Pacific (ACP) countries under the second Lomé Convention, which came into force at the beginning of the year.

Three quarters of the funds — 158.4 million ECUs — came from the EIB's own resources, with the remainder — 51.4 million ECUs — drawn from part of the Community's European Development Fund (EDF) which is reserved for financing risk capital operations on concessionary terms, managed by the EIB.

The Bank extended its financing operations to a number of countries in which it had not operated before. Another feature was the first financing under Article 59 of the Convention which makes special provision

for the EIB to lend for mining and energy investments of joint interest to the ACP State concerned and the Community⁽¹⁾.

Financing was concentrated on development in three sectors: mining, energy (principally development of local resources so as to reduce oil imports) and industry, in particular small and medium-scale ventures supported through global loans to development banks in ACP countries.

Brief details follow:

AFRICA

140.4 million ECUs

Zambia - 33 million ECUs in two global loans* to the Development Bank of Zambia and for process facilities to recover copper from mining "waste" dumped over some 40 years.

Gabon - 22 million ECUs for development of uranium mining and uprating a hydro-electric power station

Senegal - 12.7 million ECUs for modernisation and expansion of a cementworks, construction of a chemicals (sulphuric and phosphoric acids)/fertilizer plant*, a pre-investment study on development of an offshore oil field and funds for oil exploration on and offshore*

Cameroon - 10 million ECUs for modernisation of a section of the Trans-Cameroon railway

Niger - 10 million ECUs for uprating a thermal power station (fuelled with local coal),

Kenya - 8.13 million ECUs for expansion of cementworks and switching from oil to coal-firing for part of the production, construction of a chemicals plant (furfural, acetic and formic acids)*, pre-investment study on production of sodium fluoride*

Tanzania - 7.5 million ECUs for offshore oilfield development*

(1) The second Lomé Convention was signed on 31 October 1979, came into force on 1 January 1981 and expires on 28 February 1985. This Convention, together with the Decision on aid to Overseas Countries and Territories, provides for the EIB to lend 700 million ECUs from its own resources, with interest subsidies paid by the Community, and carry out risk capital operations worth 291 million ECUs. Apart from these amounts, Article 59 of the Convention foresees the possibility for the EIB to lend up to a further 200 million ECUs from its own resources for mining and energy investments of joint interest to ACP countries in which they are undertaken and the Community.

* Denotes finance provided wholly or partly on special conditions, using European Development Fund (EDF) resources which the Bank manages on the Community's behalf to carry out various forms of risk capital operations.

Swaziland - 7 million ECUs towards a hydroelectric power station

Zaire - 6 million ECUs in a global loan to Société Financière de Développement for financing small and medium-scale industrial ventures*

Togo - 4.4 million ECUs for extension of port facilities at Lomé

Burundi - 4 million ECUs for construction of a glass bottles and jars factory*

Lesotho - 3.1 million ECUs in a global loan to Lesotho National Development Corporation for financing small and medium-scale ventures*, studies* on ceramics industry and tourism development

Madagascar - 2.17 million ECUs for a study* on development of bituminous sandstone deposits (for extraction of oil to replace imports)

Djibouti - 1.8 million ECUs for upgrading a thermal power station*

Liberia - 700 000 ECUs for two palm oil mills and technical assistance*

Malawi - 400 000 ECUs for a geological study* with a view to developing limestone deposits

Uganda - 350 000 ECUs for a study* concerning a copper mine

Mali - 210 000 ECUs for technical assistance* in managing a rice-mill

Comoros - 170 000 ECUs for a participation*, on the Community's behalf, in the recently-formed Comoros Development Bank.

In addition to the above operations the EIB lent 5 million ECUs to Banque Ouest-Africaine de Développement and took a 1.8 million ECUs equity participation* on the Community's behalf, to help the bank extend its financing of small and medium-sized investment in West Africa, mainly in the industrial, energy and telecommunications sectors. BOAD operates in the Member States of the West African Monetary Union: Benin, Ivory Coast, Niger, Senegal, Togo and Upper Volta.

THE CARIBBEAN

St. Lucia - 180 000 ECUs for a study* on possible development of geothermal energy resources

THE PACIFIC

68.17 million ECUs

Papua — New Guinea - 52 million ECUs for mining of gold-bearing copper ore deposits* (mostly from

the Bank's own resources — 40 million ECUs — under Article 59 of the Lomé Convention)

Fiji - 12.17 million ECUs for extending a hydro-electric scheme and a feasibility study on producing ethanol (a substitute for some oil derivatives) from sugar cane*

Western Samoa - 3 million ECUs for of a hydroelectric power station*

Tonga - 1 million ECUs to the Tonga Development Bank to help finance small industrial and tourism undertakings*.

Under provisions parallel to the Lomé Convention, extending development aid to Overseas Countries and Territories which have close links with certain Community Member Countries, 1 million ECUs was lent in **New Caledonia** in the form of a global loan to Société Immobilière et de Crédit de la Nouvelle-Calédonie for financing small-scale industrial, handicraft and tourism ventures*.

Borrowing operations in 1981

To finance its lending activities in 1981, the EIB raised the equivalent of 2 309.7 million ECUs on the capital markets, slightly less than the previous year (2 466.8 million).

Of the total, 1 267.8 million ECUs was raised in public issues and 974.9 million in private placings. A further 67 million came from the sale to third parties of participations in EIB loans, guaranteed by the Bank.

The currencies for the Bank's borrowings were the US\$ (615.3 million ECUs, 27.4%), the Deutsche Mark (358.3 million ECUs, 16%), Guilders (319.1 million ECUs, 14.2%), Swiss francs (300 million ECUs, 13.4%), Yen (263.5 million ECUs, 11.8%), French francs (128.5 million ECUs, 5.7%), £Sterling (106.8 million ECUs, 4.8%), Belgian francs (51.7 million ECUs, 2.3%), Luxembourg francs (14.5 million ECUs, 0.6%); for the first time the EIB also borrowed ECUs (85 million ECUs, 3.8%).

EIB's capital doubled

With effect from 31 December 1981, the EIB's subscribed capital was doubled to 14.4 billion ECUs. The decision had been taken by the Board of Governors at its annual meeting on 15 June.

The part of the increase to be paid in by the Member States is set at 540 million ECUs, which brings 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 capital increase ensures capacity for continued growth in Bank lending. 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.

With the doubling of the Bank's subscribed capital the statutory limit is therefore increased from 18 to 36 billion ECUs. At end-1981 the amount of outstanding loans and guarantees had reached 16.95 billion.

New telephone numbers

o The EIB's Department for Operations in Italy, in Rome, has changed number to 49 79 41.

o From 15 April next, the number of the Representative Office in Brussels will be 230 98 90 (remains 735 21 38 up to that date).

EIB-INFORMATION is published periodically by the European Investment Bank in seven different languages (Danish, Dutch, English, French, German, Greek and Italian).

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Printed in Luxembourg by éditpress
luxembourg, 44, r. du canal, Esch/Alzette