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Investing in Europe's future

"Investing in Europe's future" is the subject of a symposium to be held by the European Investment Bank in Luxembourg on Thursday 17 and Friday 18 November. It represents an effort to determine the broad priority investments needed in the rest of the 80s and beyond if the EEC is to achieve a sustained improvement in its economic performance, and to educe the policy implications and financial conditions for the implementation of these investments.

The symposium will bring together prominent people from finance, business, politics, government departments, the trade union movement and universities in the 10 Member Countries, and from the Community institutions. It coincides with the publication of a book, sponsored by the EIB and entitled "Investing in Europe's future", in which eight European economists, with outstanding experience in different fields, make recommendations for dealing with aspects of the present economic situation and anticipate developments. Their conclusions will be open to discussion throughout the symposium.

"The clear implication is that the next few years of this decade are going to be decisive", says EIB President Yves Le Portz, in the preface to the book.

"Either Europe will manage to get investment back to an acceptable level, with sufficient concentration in priority sectors to enable it to develop once more at the right sort of pace in pursuit of the right sort of strategy, with its economy not trapped in the inflationary spiral, or there looms a very real prospect of progressive decline. The way those active in the economy, along with governments and financial institutions, handle this situation, and exercise their judgement as to the scale and placing of investment, is obviously going to be crucial."

In this issue

The EIB is organising the symposium, and sponsoring the book, to mark its own 25th anniversary.

Since the Bank came into being in 1958, under the same Treaty of Rome which created the European Economic Community, its principal task has been to finance capital investment assisting the EEC's "smooth and balanced development", in particular by helping the economic progress of the less prosperous regions.

However, the 25th anniversary of the founding of the Community comes at a time of disequilibria in the European economy: virtually zero growth in 1982 giving way to some hesitant improvement; sluggish investment, with industry paring expenditure in lean years; structural imbalances growing more pronounced and a general rise in unemployment concentrated in some regions; the problems of energy cost and security of supply with insufficient progress towards greater, durable self-sufficiency in energy production and the risk that, if economic activity picks up, oil imports could accelerate once more.

According to President Le Portz, "More worrying still, perhaps is this: years of inadequate investment mean that the capital equipment of European industry is growing older, while that of many competitors is being modernised.

Press coverage

The topics dealt with in the symposium on "Investing in Europe's future" are of evident public interest.

Journalists wishing to cover the event should please inform the EIB's Information/Public Relations Division as soon as possible, but not later than Friday 4 November. The usual press credentials and identity cards will be required for admittance.

The symposium will be held in the European Centre, Kirchberg, Luxembourg. Appropriate press facilities — telephones, telexes, etc. — will be available.

"European industry faces obsolescence on two fronts

— in the production of goods involving the application of new technology; and

— in the introduction of modern manufacturing processes into other fields of production.

Should Europe fail to make up this lost ground, the Community economy would well run the risk of serious stagnation over a long period of time.

"Now, in mid-1983, signs of recovery appear in certain Community countries, but there is as yet no guarantee that those signs will lead on a steady, long-term improvement in the situation. Overall, medium term trends look bleak, lacking the sort of impetus that would be needed to make any real dent in unemployment. A significant improvement presupposes an adequate level of investment, to stoke recovery, give European industry back its competitive edge and expand employment.

"It is perhaps high time for proper steps to be taken to ensure that Europe is brought to appreciate the full implications of the need to promote priority investment and create the right conditions for the realisation of that investment.

"This is the thinking behind the Bank's commemoration of its 25th anniversary: that a valid third dimension can be added to the guidelines handed down by the European Council and the initiatives taken by the Parliament and the Commission, **in the form of efforts to alert public opinion to the importance and the urgency of taking active steps directly or indirectly to foster the non-inflationary recovery of investment.**"

The book

The contents of and contributors to "Investing in Europe's future" are as follows:

The outlook for Europe's economic development
Emile van Lennep, Secretary-General of the OECD, Paris;

Growth, investment and employment in Europe in the 1980s
Michel Albert, President, Assurances Générales de France, Paris;

Investment and the international monetary and financial environment
Alexandre Lamfalussy, Assistant General Manager,
Bank for International Settlements, Basle;

Investment and government policy
Otmar Emminger, Former President of the Deutsche Bundesbank, Frankfurt;

Investment and technological competitiveness
Guido Carli, Former Governor of the Banca d'Italia, Rome;

Investment and energy
Ulf Lantzke, Executive Director, International Energy Agency, Paris;

Investment and the development of backward regions
Jean Henri Paul Paelinck, Director, Netherlands Economic Institute, Rotterdam, and Professor of Economics, Erasmus University, Rotterdam;

Financing investment
Lord Roll of Ipsden, Chairman of S.G. Warburg & Co., London.

Professor Arnold Heertje, Professor of Economics at the University of Amsterdam, acted as coordinator and editor of the publication, in close cooperation with the Management Committee, in *particular Dr.* Arie Pais, Vice-President of the European Investment Bank.

The writers enjoy internationally acknowledged professional authority in their various fields. The EIB asked them to offer their independent views on the main issues concerning investment, the only condition being that they concentrate on the European Community. The contributions do not, therefore, necessarily reflect official EIB policy, beyond the Bank's desire to stimulate wider public debate.

Blueprints for policy can have an unfortunate resemblance to idealised shopping lists, admits Emile van Lennep in the opening chapter. Nonetheless, he and each of the other writers endeavour to identify various points which should be addressed to policy-makers in the EEC economy.

One thread running through several contributions is the pressing need for a more predictable environment for business decision. When firms are apprehensive and uncertain as to the future, they are more likely to concentrate on immediate prospects and quick returns, than commit themselves to more important investment, of greater structural significance, calling for longer-term assessments of costs and earnings outlooks. Reduction of inflation and the achievement of lower and more stable interest rates are of key importance in this respect, as indeed is reasonable stability in exchange rates, particularly between EEC currencies.

Squeezed profits in industry are also commented upon, as to the implications for investment; a lessening of the tax and social charges burden on enterprise is called for.

Along with this, several writers dwell on the rising cost of providing social welfare services and their growing share of GDP. Combining growth in the economy with the satisfaction of social concerns is a major challenge for the years ahead and more than one writer comments upon the need to moderate public expectations of social benefits and there are suggestions that social programmes should be reassessed with a critical eye on their efficiency.

Shortcomings in Research & Development policies are discussed at some length and one of the concrete suggestions is to bring university research much closer to the factory. In the energy field there are several

The EIB is marking its 25th anniversary also through the publication of a review of its operations during the period, and a film about the Bank.

The review — "EIB 1958-1983" — sets out to give the reader essential information, along non-technical lines, on all aspects of the Bank's work. The 116-page publication, illustrated with numerous maps, graphs and photos, is available in the seven official languages of the European Community. Copies may be obtained free of charge on request to any of the addresses on the back page of this bulletin.

"Europe's Bank" is the title of the film, a half-hour presentation showing practical examples of how the EIB, through financing specific kinds of investment, helps to promote European Community objectives. The film is available in video cassette form in English, French and German. Other language versions will follow. Enquiries on hiring etc. should be addressed to the Bank's Information/Public Relations Division in Luxembourg.

specific recommendations for helping Europe reduce its dependence upon oil imports. Nuclear power is one of the aspects discussed, with the comment that the scope for widening public acceptance is conditional upon Governments elaborating and speedily implementing satisfactory schemes for disposal of nuclear waste.

Significantly, European cooperation is identified as a crucial element in solving or at least mitigating economic problems but slow progress here attracts some pithy comment, and there are warnings to strengthen European integration in the important sectors and technologies of the future.

Below follow some brief extracts from the book, which highlight a few of the many subjects dealt with.

Emile van Lennep underlines in his chapter the open nature of the European economy. The outlook for the EEC a decade or so from now will depend heavily not only on the balance between success and failure in securing greater economic policy coordination between the countries inside the Community, he says, but on a strengthening of Europe's ability to work with, rather than against, the rest of the industrialised world and with the developing countries of the Third World. He stresses the importance of intergovernmental cooperation and the observance of "certain minimum international disciplines".

It would be rash, however, to overestimate the potential for increasing policy coordination in the years immediately ahead. "With political conditions (and the electoral cycle) differing between countries, and with strong contrasts between the ways in which individual societies react to changing political and economic events, international obstacles to economic progress will remain, and a major task of governments will be to accommodate and contain them through some mutual give and take. In some fields, indeed — and particularly in trade — there have been signs of an alarming decay which will have to be made good before economic cooperation can be said to be back on trend."

For Michel Albert, the EEC Member countries have the combined potential — size of market, scientific and industrial capacities — to play a full role in the new industrial revolution. Yet they exploit it poorly, very often in a fragmented, non-European manner. The "Common Market" is still divided by many technical and other barriers, penalising best performing companies which consequently divert attention — and some of their investment — elsewhere. Poor coordination and outright duplication waste a considerable amount of investment in research (Community countries spend twice as much on research and development as Japan, but the return is hardly proportionate). Where Europe has managed to evolve its most cohesive industrial policies, he says, they concern the old problem sectors instead of focusing on new, dynamic industries offering future growth.

"It is not Europe which is sliding down the slippery slope of relative under-development and zero growth. It is the non-existent Europe.

"We are only just beginning to pay the price. Not only in the form of increasing taxes, accumulating debts, technology which evades us and jobs which are disappearing, but also, more seriously, in terms of a slackening off, deviancy, demoralisation and insecurity.

"For how long will we continue to pay in this way? It is up to Europeans to decide: there is no fatality in what is happening but many errors and, above all, the lack of awareness of what is going on."

Alexandre Lamfalussy discusses how Europe cannot insulate its investment intentions from the volatile international monetary and financial environment, in particular movements in interest and exchange rates.

The European Monetary System — aimed at promoting greater stability in intra-European exchange rates — has been "a limited success, but a success all the same", he says, and survival and smooth functioning of the EMS are of "immense importance" for capital formation within the Community.

"The increasing frequency of realignments since 1981 gives no great cause for optimism. In a technical sense the EMS has survived; and its survival has made it possible to limit the day-to-day exchange rate volatility. This is no mean achievement. However, the more fundamental exchange rate changes have not been prevented: unless there is a convergence of EEC Member Countries' economic performances there is a danger that the EMS will degenerate into a sliding parity system."

Mr Lamfalussy also comments upon the tensions in the western commercial banking system which stem from heavy lending to finance current account deficits in many countries now in difficulties with their debt-servicing, and how reactions to this — an abrupt cutback or extreme caution in fresh lending — could have a backlash on the European economy and investment.

Otmar Emminger underlines the central importance to the economy of investments, how they determine the scope for productivity gains, the capacity to deal with structural changes in the world economy, levels of competitivity and therefore, to a large degree, also the creation or maintenance of employment.

He puts forward views on how investment, above all in the productive sector, is being cramped by heavy Government budget deficits, pressure of taxes and social charges, and a concomitant decline in firms' profitability.

A "clear political decision in favour of improving the chances of profitability" is needed, he says, and "a reduction in the fiscal and social burdens resting on enterprise, and in particular a measure of tax relief for profits ploughed back.

"There can be no doubt that in several countries the structure of the tax system has come to be a definite brake on investment (this is so in West Germany too) or that the tax burden on industry is in most of the countries of Europe heavier than in either the USA or Japan.

"Improvement of the general conditions in which investments are made calls for a reduction both of the over-large share of the State in the national income and of the budget deficits", he says. "This would ease the strain on the capital market and bring a larger part of the wealth created in the economy back to industry.

"The exaggerations found in the European fiscal and social system are a major problem for public policy; if the problem is not solved, Europe's economy will sink still more deeply into mediocrity."

Reorientation in the use of financial resources to allow for increased productive investment is not sufficient alone. It must be harnessed to better deployment of intellectual resources — research and development of new products and manufacturing techniques — if the Community economy is to benefit from technological advance and improve its competitive position. For Guido Carli, this is partly a matter of improving the linkage between university research, national and community policies in research and development, and industry. Public expenditure could be made far more effective.

"It is generally acknowledged today that until the European governments improve their methods of encouraging R & D nationally and their arrangements for cooperation at Community level with regard to the planning, execution and maximization of certain types of R & D effort, the Community will continue to be unable to improve its position."

There is also too narrow a spread of much research and development in Europe:

"As far as state action to stimulate industrial development is concerned, it is striking to see the extent to which state support is concentrated on a small number of sectors. In some Community countries four branches of industry — electrical engineering, aerospace, computers and telecommunications — absorb 90% of total state aid for R & D. It is now being realised that this overconcentration has not only hampered innovation in sectors not favoured in this way, but has also made a large proportion of these sectors incapable of rapidly assimilating the technological advances developed in the top-flight sectors receiving state support."

He discusses the need for industry to generate more cross-frontier cooperation to tackle world markets.

"One of the lessons of the last few years is that purely national strategies calculated to enable countries to hold on to an adequate share of the world markets for advanced technology do not constitute a sufficiently effective approach. In several sectors of European industry it has come to be recognized that more intensive cross-border cooperation between enterprises must be initiated as a matter of urgency in order to back up stimulatory action taken by the public authorities."

The present easier oil market has tended to divert international attention from energy to other pressing issues, writes Ulf Lantzke, but there are no grounds for complacency.

Warning against a "false sense of security" in Europe, he says: "Low economic growth has reduced the pressure on energy and oil markets. But it has also contributed to a slowdown in energy investments. When the economy picks up — a development which is essential to combat unemployment — and as incomes rise, there is likely to be a substantial increase in energy demand. The only energy source which can be readily turned to is oil. Therefore, there is a real risk that economic revival will give rise to increasing demand for oil from the OPEC countries. This will already mitigate some of the reasons for the recent fall in oil prices. Later on, around the 1990s, oil demand may again become uncomfortably close to the level of production which the OPEC countries are able and willing to maintain. This would obviously increase Europe's vulnerability to supply disruptions and sudden oil price rises, as we have experienced before."

Energy investment has been affected not only by the slackened pressure on oil prices. Uncertainty in planning to meet future demand, low profits in companies which would normally be interested in investing in new energy projects, high levels of interest rates and inflation, have all contributed to a recent downward revision of investment plans.

Some retrenchment can be put down to a healthy ability of economies to respond to changing market signals, perhaps avoiding wasteful use of resources on suboptimal investment, says Lantzke.

"On the other hand, there remains a danger that an overreaction could set in. This could lead to economically justifiable energy investments being delayed or cancelled. Given the long lead times of energy supply projects and the relatively short time in which the energy market can change, it must be questioned whether such responses are helping to set the foundation for a more secure and stable energy future."

While the technology challenge and energy supply problems are obviously to the forefront of European economic problems, the long standing objective of more balanced regional development should nonetheless remain a key element of national and Community economic policies. Despite a certain convergence in the last 30 years, says Jean Henri Paul Paelinck, regional disparities are still considerable.

Pointing out that proper, systematic study of regional development phenomena is relatively recent — with a firm statistical base only from the 60s onwards — he writes that there is a major problem in defining the "optimum allocation of aid" to regions.

Rather than sweeping measures, an approach for the future could be to dose regional action much more precisely to the widely differing and specific characteristics of each area and nature of its development problems. This would signify the adoption in each region of a tailored "ideal mix" of possible incentives to encourage establishment or expansion of productive activities, action to promote investment in infrastructure, train manpower and encourage research and development. With different means and intensity, the "mix" would aim to modify the profile of each deprived region and lift it above a "critical threshold" from which growth would be self-sustaining. The study suggests how to define each region's needs.

Professor Paelinck stresses the importance of assuring a pleasant urban environment, with appropriate investment in urban renewal, as a support for regional development by improving the attractiveness of areas for industrial location.

Lord Roll, in the final chapter of the book, discusses the "severe, sometimes very severe competition" for investment funds on the capital markets. European needs have to be seen increasingly in a world context.

"At the point, at which money — the ultimate fungible — is involved, the demands of Europe wherever they may originate and for whatever purposes they may be exerted, come into competition with a literally enormous range of other demands." Thus the role of the Community institutions, and in particular the European Investment Bank, in gathering resources in the market and then channelling them into priority investments, is one of signal importance.

"The EIB and the other Community borrowers enjoy the best ratings, and are therefore able to borrow at the finest available rates. It is generally acknowledged that the Community has raised funds in a highly efficient and knowledgeable man-

Four languages

"Investing in Europe's future" is sponsored on the initiative of the European Investment Bank and edited by Professor Arnold Heertje of the University of Amsterdam. It is published by Basil Blackwell, Oxford, England, in conjunction with Economica, Paris, for the French version (Investir dans l'avenir de l'Europe), Springer Verlag, Heidelberg (Investieren in die Zukunft Europas) and Guida Editori, Naples (Investire nel futuro dell'Europa).

ner. Its expert knowledge is well recognised in the markets not only by the investors, but also by the intermediaries, the investment and merchant banks who manage and underwrite the EIB's, ECSC's etc, public bond issues or act for them in private placements.

"The Community can rightly claim that its presence has improved the availability of investment finance for specifically European purposes."

There are no forecasts for the future, but Lord Roll concludes that "Europe, and within Europe the Community institutions, must compete for quality borrowers to whom to make investible funds available.

Similarly it has to compete for finance *from* investors. What investors are interested in are essentially two things, the balance of which determines their investment decisions: security and return. In the end, therefore, the extent to which European investment is able to attract funds will depend on what it offers to investors in these two respects. Clearly the performance of the Community institutions cannot, in the last resort, be better than the security and the profitability of European investment as such; this, in turn, depends — political considerations apart — on the fortunes of the European economy. Within that broad limitation, the role which the Community institutions can and will play will be determined by the cohesion and progress of European integration. In the light of the remarkable success which the European Investment Bank in its twenty-five years' history, and its sister institutions have had, one must hope that neither constraint will prove inhibiting to continued and accelerated progress."

The symposium

The central idea of the symposium is that each author present his chapter, enlarge upon his conclusions and invite open discussion from the floor. Over 150 people will attend.

Speeches will be delivered by H. Onno Ruding, the Minister of Finance of the Netherlands and current Chairman of the EIB's Board of Governors, and Pierre Werner, Prime Minister and Governor for Luxembourg.

Among those from European organisations expected to participate are the Vice-President of the Commission of the European Communities, François-Xavier Ortoli (Commissioner responsible for Economic and Financial Affairs; Credit and Investments); Commissioners Antonio Giolitti (Regional policy; Coordination of Community funds) and Frans Andriessen (Relations with the European Parliament; Competition); Lady Elles, Vice-President of the European Parliament, representing the President, Pieter Dankert; François Ceyrac, President of the Economic and Social Committee; Georges Debunne, President of the European Trade Union Confederation.

Contributions are expected from heads of several national financing institutions — among them Luigi Arcuti, President of IMI-Istituto Mobiliare Italiano, and Ernst-Günther Bröder, Sprecher des Vorstands, Kreditanstalt für Wiederaufbau — and from industry and public authorities.

The programme foresees, after a brief word of welcome from President Le Portz, discussions on the contributions from Emile Van Lennep and Alexandre Lamfalussy on the general economic and monetary environment; this will be in plenary session, chaired by EIB Vice-President Arie Pais.

Afterwards the symposium will divide into three groups to discuss the specific topics of energy (presentation: Ulf Lantzke; chairman: Mrs Hanna Walz, Chairman of the European Parliament's Energy, Research and Technology Committee), industrial competitivity (presentation: Guido Carli; chairman: EIB Vice-President Lucio Izzo), regional development (presentation: Jean Henri Paul Paelinck; chairman: EIB Vice-President Noel Whelan).

The programme then switches back to plenary session for the presentations of broader concern by Lord Roll, Michel Albert and Otmar Emminger.

Further details may be obtained from the Bank's Information/Public Relations Division in Luxembourg (see address back page).

Rapid expansion of lending in Greece since Community accession

Lending in Greece by the European Investment Bank now stands at well over 1.1 billion ECUs[1], reflecting the swift expansion in operations — amounting to close on 780 million ECUs (Dr. 52 bn.) — that has occurred since the country joined the European Community in 1981.

The EIB, which mounted its first financing operations in Greece in 1963 under the Financial Protocols annexed to the Greece — EEC Association Agreement, has since 1981 channelled investment credit into a great many projects in industry and agriculture, the energy sector and infrastructural development, as well as the financing of reconstruction works in areas devastated by the earthquakes in 1981.

The financing activity has appreciable effects on the Greek economy. The total volume of fixed-asset investment placed with supporting finance from the Bank since 1981 is estimated at 2.2 billion ECUs (Dr. 153 bn.), while the number of jobs created or made secure is put at over 12 000. What lends particular impact to these operations is the fact that they are concentrated in the less-developed regions and in priority sectors. In other words, they go some way towards answering Greece's need to modify its economic structure in order to ease its integration into the fabric of the Community: proof positive of EEC solidarity.

Until 1981, EIB financing in Greece was subject — as it normally is for operations anywhere outside the European Community — to a ceiling and to a specific period of time: under the two successive Protocols, provision was made for the Bank to advance some 350 million ECUs[1] for investment in industry, agriculture, the energy sector and basic infrastructure[2].

[1] as at 30 September 1983: that total would now equate to about Dr. 85 billion. The Dr. amounts given in this article are based on the conversion rates obtaining at the dates of contract signature. The aggregate amount for the two Protocols would come to around Dr. 27 billion.

[2] for further particulars on financing in Greece before accession, see EIB-Information No 21 (May 1980) and the book, "European Investment Bank — 1958-1983", available free on request from the Bank's Information and Public Relations Division, L-2950 Luxembourg.

Those lending ceilings ceased to apply when Greece became a Member State. The EIB advanced 160 million ECUs in Greece in 1981 and almost 460 million in 1982. Accounting for only about 3.6% of the overall population of the Community, Greece in fact attracted 10.8% of all Bank lending from own resources and those of the New Community Instrument in the Community in 1982, placing it, in terms of lending per capita, second only to Ireland. This high rate of lending continues in 1983, and to judge from financing already provided and the volume of applications under appraisal, much the same total can be expected, if not an increase in activity. At the time of going to press, the Bank is expecting, at its Board meeting in Athens at the beginning of October, to sign contracts totalling Dr. 11.4 billion (143.6m ECUs).

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The surge in lending since 1981 owes a great deal to the close affinities between the priorities that must be pursued in the Greek economy and the objectives set before the EIB for accomplishing its appointed task under the Treaty of Rome, most especially in the area of regional development and reducing the Community's reliance on imported oil. This has been happening as the implementation of New Community Instrument financing has been getting into stride (NCI - see p. 10).

In endeavouring to promote the balanced development of the Community — its stated aim in the Treaty of Rome — the Bank gives primacy to providing finance for investment fostering **regional development,** which in practice means projects in regions that are eligible for government aid under this heading. EIB financing tends accordingly to become concentrated in those Member Countries where regions are lagging farthest behind in development and/or the economy is being held back by difficulties of industrial conversion. Greece is very much a case in point: its per capita Gross Domestic Product in 1980, adjusted to give equivalence of purchasing power, came to 57% of the Community average, placing it behind Ireland, where the figure was 62%. The entire country, with the sole exceptions of Athens and the Piraeus and Thessaloniki, is eligible to a greater or lesser extent for regional development aid. Low though it may be, moreover, the blanket GDP figure masks wide geographical gaps. Apart from the difficult geography of the country, there remains the still prominent economic role of agriculture, which in 1980 continued to account for 30% of the workforce, with many farm workers under-employed on smallholdings showing productivity levels far below the average for the EEC. Almost all the EIB's loans for investment financing in Greece have had a regional impact.

This category of financing thus embraces projects in industry, especially small and medium-sized enterprises, agricultural development (irrigation and on-farm investment) and transport and telecommunications infrastructure, vital elements in a country like Greece, four-fifths mountainous and including a thousand or so islands, 170 of them populated. Communications are at times difficult and expensive, not only constituting a drag on economic development but also adding impetus to rural depopulation. This lends special importance to the improvement of the road system, railways and telecommunications.

The Bank has been financing investment designed to create the right sort of conditions for drawing new forms of activity into regions that have little industry to date and at the same time help the authorities in their efforts to reduce the concentration of economic activity around Athens/Piraeus and Thessaloniki, which account for 40% of the country's population, over 55% of production and two thirds of service activities. The aim is to attract entrepreneurs into other regions, and especially towards such selected growth centres as Patras, Volos, Larissa, Heraklion, Kavala, Kozani, Ptolemais and Ioannina.

A second investment priority is **energy,** including the tapping of indigenous resources, energy savings and diversifying imports by substituting coal for oil, e.g. in industry. This is an area in which much remains for Greece to do: in 1982, it relied on imported oil for about 65% of its primary energy consumption, whereas the Community has set itself a target of reducing the proportion of oil in the Ten's total energy consumption to 40% by 1990. Greece has ample lignite resources at its disposal, sites suitable for hydroelectric schemes and, indeed, oil and gas deposits. At the same time, energy saving is being promoted.

Environmental protection also figures high on the priority list: Greece is not only a leading tourist country but also, as a Member of the European Economic Community, a signatory of the Barcelona Convention on the protection of the Mediterranean, and matters environmental are of considerable concern. The recent spate of urban development and the mushrooming populations of Athens-Piraeus and Thessaloniki have for some years now been creating pollution problems that require counter-measures both costly and comprehensive.

The modernisation and conversion of industry is another area to which Bank financing is addressed, and one to which critical importance attaches, given the ever-sharper competition on world markets and the need to rise to technological challenges. This is a need that faces the Community at large, but which has its own complexion in Greece, where there are a great many smaller, old-established firms, often ill-equipped and showing low productivity. The Bank has been trying to use its financing to hone the competitiveness of business undertakings, including small and medium-sized enterprises, failing which they will not be in a position to make the most of the common market.

Long-term capital requirements

Greece actually enjoyed quite brisk economic growth up to the mid-1970s: 6.25% per annum on average between 1965 and 1975, compared with 3.75% in the other OECD countries of Europe. Then came the two oil shocks and the world recession, and growth slowed accordingly, to 3.5% (compared with 2.75% in the European OECD countries) between 1975 and 1980. There was then stagnation in 1982 and just the inkling of a recovery beginning to show through this year. Hardly conducive either to investment is the persistently high rate of inflation Greece has been suffering since the first oil shock, and the input of capital in the private industrial sector in recent years has been tending to decrease.

Exports — farm products apart, largely raw materials and light manufactures (the latter with an increasingy modern technological content) — have traditionally failed to balance out imports, but the regular shortfall on the balance of trade has largely been made good by gains on invisibles (earnings from shipping, repatriated incomes, tourism etc.).

In recent years also, the balance of payments has run into difficulties, with export earnings rising more slowly and a consequent deterioration in the trade balance. The situation has been exacerbated by the levelling-off of earnings from tourism since 1979, the effects of the world recession and the diminished profitability of the shipping sector, as well as the ebbing tide of funds repatriated by Greeks abroad, fewer of whom are now leaving the country, and more returning. There has also been a shrinkage in the availability of capital within the country — not unconnected with the narrowness of the national capital market — which has been inhibiting operations by Greece's long-term finance institutions, often compelling companies to go for shorter-term credit, which is not the best medium for industrial investment, and even less for infrastructure.

Outside financing has thus become essential, and that provided by the EIB lends itself particularly well to Greece's needs,offering as it does long-term facilities at fixed rates of interest very close to the excellent terms the Bank commands on the capital markets, thanks to its prime credit rating. What is more, the funds in question are paid out in foreign currency, which is what the Greek economy lacks. EIB lending thus makes a very real contribution to the national investment drive in Greece, accounting in 1981-82 for almost 4.3% of Gross Fixed Capital Formation.

As a measure of the scale of EIB financing in Greece, more than half of the 1 229 million ECUs of Community funds advanced there for structural improvements in 1981-82, more than half (i.e. 618m ECUs of long-term loans) was advanced by the Bank: 493.1 million from its own resources and 124.9 million from those of the New Community Instrument. The rest of the credit came in the form of 11 million ECUs of loans from the European Coal and Steel Community (ECSC) and 600m ECUs of grants from the Community funds (European Regional Development Fund, European Agricultural Guidance and Guarantee Fund and the European Social Fund) and aid for pilot projects in the energy field.

The sectoral pattern of lending

Some 33% of the EIB financing provided in Greece from beginning 1981 up to 30 September 1983 (255m ECUs) has gone towards communications infrastructure; over 27% (212.8m ECUs) has been accounted for by industry, agriculture and tourism, about 20% by energy and over 19% by irrigation, water treatment and other kinds of infrastructure.

Telephone and road improvements head the list, in order of importance: 186.5 million ECUs out of the 255 million total went to the Greek telecommunications authority — OTE — for channelling into the improvement and extension of the telephone and telex network throughout the country. An estimated 320 000 subscribers have been or are to be connected as a result, especially in the less-developed, most remote regions, in the islands and mountains. In some cases, the places in question may already have been connected with the system, but others are so remote that this will put them in touch for the first time, breaking through the isolation from the rest of the country with which they have had to contend. A total of 53 million has been used for part-financing the improvement and realignment of the Thessaloniki — Serres — Bulgarian border road and the Patras — Olympia road, in the latter case to give access to the local industrial estate and nearby archaeological sites.

Next in order comes **energy,** with loans totalling 160.8 million ECUs, including 74 million towards construction of the hydroelectric power stations at Pigai (Epirus) and Stratos (Central Greece, north of Agrinion), where output should amount to the equivalent of 185 000 tonnes of oil per annum by 1986. A further 49.8 million have been advanced for the tapping of a lignite deposit at Amynteon, North of Ptolemais in Macedonia, for open-cast working, plus 30.4 million towards the construction nearby of a 600 MW power station to exploit this source of fuel. By mid-1986, this scheme should be saving the annual equivalent of 800 000 tonnes of imported oil. The installation of two turbo-alternators at a hydrocarbons refinery near Corinth, to operate on the combined heat and power principle, fired by gas previously flared off, accounts for a further 6.6 million. That project should achieve energy savings equivalent to about 38 500 tonnes of oil per annum, in addition to which it will reduce considerably the adverse environmental effects of the plant in question at a location close to a centre of world archaeological interest.

In December 1981, the Council of the European Communities decided to provide special aid for **reconstruction work in disaster areas,** i.e. the zones affected by earthquakes in February and March of that year. The sum of 80m ECUs was accordingly lent from the resources of the New Community Instrument, and used for repairs to 42 sections of roads, the reconstruction or repair of 800 educational buildings, 27 other buildings and 7 railway bridges, and the erection of 550 prefabricated buildings. To stress the fact that this financing was in the nature of aid, a 3% interest subsidy was granted, charged to the Community budget.

A further 31.7 million went towards the **development or enlargement of industrial estates** at Larissa, Lamia, Volos, Ioannina, Kilkis, Serres, Kavala, Drama, Komotini, Patras and Heraklion, to help the Greek Government in its effort to promote the establishment of new economic activity in these development centres, or to get existing firms to move there.

Greece became a Member of the EIB at the same time as joining the EEC, and accordingly contributes to its capital and plays its part in Bank decision-making and administration.

The **capital,** which is subscribed by the 10 EEC Member States and amounts to 14.4 billion ECUs, although only about 10.2% is actually paid in or awaiting payment, has a Greek contribution of 225.0 million ECUs (1.56%), of which 22.9 million has actually been paid in or is due.

On the **Board of Governors** there sits one minister from each Member State, the Governor for Greece being Mr. Gerassimos ARSENIS, the Minister for National Economy.

On the **Board of Directors,** Mr. Stavros THOMADAKIS, a Special Adviser to the Minister for National Economy, sits as full Director.

On the **Audit Committee,** one of the three sitting members is Mr. Constantin THANOPOULOS, Deputy Manager at the Bank of Greece; he occupies the chair until the next Annual Meeting of the Board of Governors.

The Bank's staff, which consists of nationals of the EEC Countries, has a growing number of Greek members.

Environmental protection has attracted loans from the EIB for 23.6 million to date. These have gone towards sewerage and sewage treatment schemes in Ioannina, Larissa, Kastoria and Ptolemais and the construction of the Metamorphosis sewage treatment plant North of Athens, which should achieve an 80 to 90% reduction in the level of pollution created in the Saronic Gulf by effluent from a population of about 1.2 million. The last heading is **irrigation works,** 15.2 million ECUs having been advanced for schemes in Eastern Macedonia and Epirus, serving some 17 500 hectares, and for the improvement and upkeep of other, existing installations.

Manufacturing industry

In the field of productive enterprise, EIB financing between the beginning of 1981 and 30 September 1983 came to 212.8 million ECUs. The leading recipient among the major industries has been the cement sector, in which Greece is Europe's second largest exporter after Spain. The total advanced was 40.2 million, towards: the conversion to coal firing of two cementworks in Central Greece and at Volos; the phased transfer of production from a plant in the Piraeus to Milaki in Euboea (involving also a switch to coal firing), and the construction of a coal terminal at Milaki to serve both that plant and the one at Volos. The concern to reduce oil dependence clearly shapes each of these modernisation projects, and the combined impact of going over to coal and making more rational use of energy should yield savings equivalent to over 500 000 tonnes of oil per annum. The works in question also included anti-pollutant features and installations. This aspect was also a consideration in the decision to finance the Piraeus — Milaki transfer: that move not only answers the need to seek a better geographical spread of industrial activity, but will also play its part in reducing atmospheric pollution in the Athens — Piraeus area.

The EIB also advanced 15 million ECUs towards the modernisation of alumina and aluminium production units at the St. Nikolaos plant on the Gulf of Corinth, uprating the plant's alumina capacity by 100 000 tonnes per annum. This is in fact a productivity-cum-energy-saving project: it will save the equivalent of some 34 000 tonnes of oil per annum.

Most of the finance for industry, however, has been finding its way into small and medium scale ventures, which are of particular importance in Greece: these attracted 157.5 million ECUs. Well before accession, the EIB had established cooperation with the Hellenic Industrial Development Bank (ETBA), the National Investment Bank for Industrial Development (NIBID) and, on the farming and agro-industrial side, with the Agricultural Bank of Greece (ABG), and since Greece joined the Community, the Investment Bank and the National Bank of Greece have been added to their number. All of these have received global loans (lines of credit), on which they draw to make sub-loans in support of small and medium-scale ventures that accord with the provisions of the Bank's Statute and with its lending criteria. Most such ventures are the work of small or medium-sized industrial enterprises, although applications are also accepted from the tourist and agricultural sectors (in the latter case, for irrigation schemes and on-farm investment). These lines of credit serve to place investment capital throughout Greece, although in the Athens and Thessaloniki conurbations the funds have to date for the most part been channelled into the modernisation of older-established industrial activities.

Of the 157.5 million ECUs in question, 103.3 million have been deployed by industry and the tourist sector, including 6.8 million for smaller-scale investment in the more rational use of energy. The ABG on-lent 10.2 million towards investment in raising farm productivity through mechanisation, collective irrigation and on-farm capital improvements. There still remains an amount of 44 million, allocation of which has yet to be completed: the global loans in question are of recent date, and a certain amount of time is evidently needed for the process of draw-down.

At 31 August 1983, the total number of smaller industrial ventures financed from the global loans stood at 139: 27.2 million had gone to the food industry, 12.5 million to metal production and semi-processing, 10.7 million to metalworking and mechanical engineering, 8 million to textiles and leather and 6.1 million to construction materials, the rest of the funds having been placed in the glass, ceramics and woodworking industries, chemicals, mining and quarrying, rubber and plastics, transport equipment, electrical engineering, electronics and other activities. There were nine investments mounted by small or medium-sized enterprises to reduce or rationalise energy use: all received allocations from a NIBID global loan.

For the promotion of tourist activity, always a key sector in Greece, the total loaned came to 11.8 million ECUs. There were 15 ventures so financed: of particular interest, perhaps, was the archaeological museum on the Island of Milos in the Cyclades. In December 1982, this received a 163 000 ECU advance under an ETBA global loan, an operation very much in accord with the Community's cultural action programme, and in particular the campaign to preserve the architectural heritage. It was the Bank's first credit for such an investment: the museum will influence the development of tourism in Milos, something on which the island critically depends and which is one of the stated aims of Greece's regional development programme. The Milos loan also attracted a 5% interest subsidy out of the Community budget while

Operations in Greece (1.1.1981-31.8.1983)

Region	Total loans million ECUs	of which global loan allocations number	million ECUs
Peloponnese — Western Central Greece	173*	21	11
Eastern Central Greece/Islands	160**	41	23.4
Central and Western Macedonia	147	31	19
Epirus	62	5	4.7
Thessaly	57	15	16.5
Eastern Macedonia	49	14	7
Crete	32	14	13.1
Thracy	25	6	2.6
Eastern Aegean Islands	8.7	9	8.7

* of which, 33.6 million as aid for reconstruction
** of which, 46.4 million as aid for reconstruction

a 50 000 ECU capital grant was made from the same source.

Immediately apparent is how small most investment projects in industry and tourism financed out of global loans tend to be: 60% by number (65% by volume of credit) were implemented by firms employing less than 50 people, and 21% by number (15% of the credit) by firms with a payroll of 50 to 200.

The 10.2 million ECUs mobilised by the ABG up to 31 August 1983 went into 15 agro-industrial and modernisation ventures, benefiting 1 100 farms throughout Greece: the total area in question came to 15 000 hectares and the total workforce to 2 300.

The table on page 8 gives a breakdown by regions of the small and medium-scale investment projects financed out of global loans in Greece by the EIB from its own resources, related to the overall EIB + NCI financing figures:

Loans from New Community Instrument

So far this year, loans from the resources of the New Community Instrument for borrowing and lending (NCI) have accounted for investment totalling 536 million ECUs assisting energy, infrastructure, industrial and tourism development in the European Community. From small family firms to some of the biggest public civil engineering projects currently under way in Europe, the scope of NCI financing supports an increasing diversity of investment in the Community Member States: so far Denmark, France, Greece, Ireland, Italy and the United Kingdom.

This action has been given fresh force with the outline authorisation this year, by the Council of the European Communities, for new borrowings totalling up to 3 000 million ECUs (the two previous authorisations, in 1978 and 1982, were each for 1 000 million ECUs and the funds are now fully committed).

These are developments of some importance for investment in the Community and they closely involve the European Investment Bank, as it manages NCI lending on the Community's behalf. The New Community Instrument was created by the Council of Ministers, in October 1978, as a means to reinforce Community action in the fight against unemployment, low levels of investment and lack of convergence in national economic performances. The idea was that, by borrowing long-term, the EEC could increase the combined credit capacity of the Community and provide another finance source for capital investment. The mechanism of NCI is such that the Commission of the European Communities raises funds on financial markets, in the name of the EEC and on its credit, to be used by the European Investment Bank, under Community mandate, to make loans for investment projects furthering economic objectives to which the Community attaches particular priority.

Lending from NCI resources has become a substantial activity for the EIB, alongside loans from the Bank's own resources, i.e. essentially the funds the Bank itself borrows on capital markets. In the five years since they began, NCI loans have amounted to over 2 300 million ECUs (12,5% of the EIB's total lending operations); so far this year, they come to 20% of the Bank's financing in support of investment in the Community.

NCI loans in 1983

During 1983, 244 million ECUs have gone into serving Community energy objectives. These include a gasline transmission system in Denmark for the supply of natural gas from deposits in the Danish sector of the North Sea; facilities for natural gas storage and transport in Italy, including construction of gaslines spliced into the Sicilian section of the Algeria-Italy gasline; the development of lignite deposits in Greece and lignite power stations in Greece and France; the construction of a coal-fired power station in Ireland; and the laying of high-voltage submarine power cables to link the French and British electricity power grids. In addition, NCI loans have been extended for the first time to installation of solar panels in service sector and residential buildings in Central and Northern Italy and the Mezzogiorno.

Loans made towards infrastructure development, totalling 49,1 million ECUs, have assisted construction of the final link of the Friuli Motorway, which provides a through route from Italy to the Austrian motorway system and thence to the German network, and telecommunications development in Ireland.

A notable feature of lending this year has been the support for investment by small and medium-scale undertakings. A total of 102.4 million ECUs has been in the form of global loans[1] to help productive investment by SMEs in Denmark, Italy and the United Kingdom, mainly in the industrial and related-services sectors, but also in tourism and the hotel trade. In addition, NCI global loans totalling nearly 250 million ECUs, which were made during 1982, are now in the process of allocation for SME investment. It is estimated that, so far this year, credits from NCI global loans have assisted towards the setting up or expansion of 350 SMEs and have involved the creation or safeguarding of some 2500 jobs.

NCI finance has also gone into construction of advance factories in Ireland and worker housing in Italy (63 million ECUs) and into reconstruction in earthquake areas of the Italian Mezzogiorno (89.9 million ECUs).

Priority investment

All these investments — energy production or rationalisation, key regional infrastructure and industrial development by SMEs — are eligible for NCI loans because they contri-

[1] Global loans are basically lines of credit opened to banks or other financial institutions, operating on a national or regional level, which on-lend the funds in smaller amounts for investments appraised according to the EIB's economic, financial and technical criteria. For further details on global loans please refer to EIB Information Bulletin No. 35 of July 1983.

bute to economic objectives to which the Community attaches great importance. These objectives are determined by the Council of the European Communities. Over the five years that NCI has been in existence, there has been a progressive evolution of the investment fields eligible:

■ the first NCI operations, for up to 1 000 million ECUs, were authorised in October 1978[2] to be used for investment in infrastructure assisting regional development and energy projects helping the Community to reduce its dependence on oil imports. Most of these funds have been channelled into development of roads, telecommunications, sewerage and water supply systems, mainly in areas of the Italian Mezzogiorno and Ireland, but also in North East England, Scotland and South West France and into a range of investment aimed at developing Community energy resources, e.g. hydro, coal-fired and geothermal power stations, oil and gasfield development and the commercial use of peat as an energy source.

Up to 100 million ECUs of the funds were earmarked specifically for advance factory construction (used in Ireland) and for housing, as part of the infrastructure necessary for industrial development (in the Mezzogiorno).

■ when the Council authorised a second NCI facility of 1 000 million ECUs in April 1982, it re-affirmed the importance of directing NCI finance into regional development infrastructure and energy production, but also expanded the scope of energy projects eligible by underlining, "... the efficient use of energy, the replacement of oil by other sources of energy in all sectors and infrastructure projects facilitating such replacement . . ."[3].

An important innovation was that the Council specified that productive investment projects of small and medium-sized undertakings should be able to benefit from NCI financing. This led to the granting of NCI global loans to finance SMEs outside the assisted areas already covered under the EIB's usual criteria for lending in support of regional development.

[2] Council Decision No. 78/870/EEC of 16 October 1978, O.J. L 298, 25/10/1978

[3] Council Decision No. 82/268/EEC of 26 April 1982, O.J. L 116, 30/4/1982

New Community Instrument Loans: 1/7/1982 - 30/9/1983

The following list gives a breakdown by country and broad sector of NCI loans from 1/7/1982 to 30/9/1983[1]. It also lists loans granted within the NCI framework for reconstruction in areas of Southern Italy and Greece, which were hit by earthquakes in November 1980 and February/March 1981.

The symbol * against many loans in Ireland and Italy indicates that they were granted with a 3% interest subsidy, paid from the Community budget, under arrangements agreed upon when the two countries joined the European Monetary System (EMS). All the loans for earthquake reconstruction carry 3% subsidies, also paid from the Community budget, under the Council decision on exceptional Community aid for the affected areas (indicated by **).

The figures in italics show the amounts which the European Investment Bank has lent from its own resources for the ***same*** *project. Of course, the EIB has helped to finance many more projects independently of NCI loans, during the same period. As indicated, most EIB operations in Ireland and Italy benefit from EMS subsidies but, in a few cases, only part of the amount was lent at subsidised rates.*

N.B.: Conversion rates are those prevailing at the time of the loan signatures.

	M ECUs	M Dkr
DENMARK: total NCI	**154.7**	**1 260.0**
Energy		
Construction of gasline transmission system to supply gas from deposits in the Danish sector of the North Sea (2 loans)	90.7	735.0
– Dansk Olie og Naturgas A/S (DONG)	*135.0*	*1 060.0*
Industry		
Global loan for small and medium-scale enterprises (SMEs) in manufacturing sector – Finansieringsinstituttet for Industri og Handvaerk A/S (FIH)	3.1	25.0
Global loan for SMEs in industrial and service sectors – Den Danske Bank International S.A.	12.3	100.0
Infrastructure		
Construction of Falster section of South Motorway and two bridges on Island of Farø	48.6	400.0
– The State	*79.1*	*650.0*

		M Frs
FRANCE: total NCI	**67.3**	**450.0**
Development of lignite mine power station	29.7	200.0
– Charbonnages de France	*119.5*	*750.0*
Industry		
Global loan for productive investment by SMEs outside regional development areas – Crédit d'Equipement des Petites et Moyennes Entreprises (CEPME)	37.6	250.0

		M Dr
GREECE: total NCI	**159.9**	**11 054.7**
Energy		
Development of lignite deposits	24.0	1 859.9
– Public Power Corporation	*25.8*	*2 000.0*
Lignite-fired power station development	11.0	852.5
– Public Power Corporation	*19.4*	*1 500.0*
Infrastructure		
Extension and modernisation of local and trunk telephone network	44.9	3 000.0
– Greek Telecommunications Organisation	*114.1*	*7 200.0*
Reconstruction work to roads, railways and buildings and assembly of housing units – The State	80.0	5 342.3**

		M Ir£
IRELAND: total NCI	**124.1**	**86.7**
Energy		
Construction of coal-fired power station	26.05	18.5
– Electricity Supply Board (ESB)	*145.2*	*100.0**
Uprating peat-fired power stations by addition of generating sets	23.3	16.0*
– ESB	*28.9*	*20.0*
Construction of gasline supplying natural gas from Kinsale Head offshore field	14.5	10.0*
– Bord Gais Eireann	*26.1*	*18.0**
Industry		
Advance factory construction	3.75	2.6
– The State	*11.5*	*7.9**
Infrastructure		
Telecommunications development	56.5	39.6
– The State (2 loans)	*191.9*	*135.0**

[1] The list covers the period 1 July 1982 to September 1983 so as to provide a continuous chronological sequence to the data previously published on NCI loans in EIB Information No 31, July 1982.

■ the Council's third authorisation was in April 1983. This was for a global amount of 3 000 million ECUs, of which the first 1 500 million ECU tranche was activated by the Council in June. Again, priority is given to investment serving Community objectives in the energy sector (both production and rationalisation), to infrastructure for regional development and to productive investment by small and medium-sized undertakings, with a strong stress on projects designed "in particular to promote the dissemination of innovation and new techniques..."[(4)].

NCI loans, which may total up to 1 080 million ECUs, have also been the principal means of providing exceptional aid for reconstruction, following the earthquakes in Southern Italy in November 1980 and in Greece in February and March 1981. These loans carry special 3% interest subsidies paid from the Community budget.

NCI loan procedures

Procedures for NCI loans, seen from the point of view of a borrower, are similar in most respects to those for loans from the EIB's own resources, but loan applications are made simultaneously to the Bank and the Commission.

For each application, the Commission decides on the eligibility of the proposed investment, on the basis of the guidelines laid down by the Council on the use of NCI funds.

Where the Commission gives a favourable decision, the EIB decides whether and on what terms to grant a loan, according to its usual criteria and the procedures laid down in its Statute. The Bank makes a full appraisal of the economic, financial, technical and management characteristics of the project, to ensure, among other things, that it:

— complies with relevant national and Community legislation;

— will make a worthwhile contribution, directly or indirectly, towards improving economic productivity;

— is on a sound financial and technical basis.

If the results of this appraisal are favourable, the Management Com-

[(4)] Council Decision No. 83/308/EEC of 13 June 1983, O.J. L 164, 23/6/1983

	M ECUs	Lit billion
ITALY: total NCI	**743.3**	**987.0**
Energy		
Extension and improvements to natural gas grid serving Piedmont and Liguria – Società Italiana per il Gas p.A. through Banca Nazionale del Lavoro (BNL) — SAFOP	15.1 *15.1*	20.0* *20.0**
Conversion and installation of recycling equipment in cement works Pederobba – Cementi Piave S.p.A. through BNL — Mediocredito	6.8	9.0
Global loan to finance SMEs making for more rational use of energy – Mediocredito Centrale	18.9	25.0
Natural gas storage and transport facilities – AGIP S.p.A.	22.6	30.0*
Gasline construction – SNAM S.p.A.	15.1	20.0*
Installation of solar panels in service sector and residential buildings – Ente Nazionale per l'Energia Elettrica (ENEL)	40.4	54.0
Infrastructure		
Construction of the frontier section of the Friuli motorway – BNL	30.2	40.0
Reconstruction work to public buildings and housing – The State	74.9	100.0**
Reconstruction work to railways – The State	36.9	49.0**
Reconstruction work to Pugliese aqueduct – The State	56.5 *56.7*	75.0** *75.0***
Construction of housing for industrial workers – The State	59.6 *68.4*	80.0* *92.019**
Improvements to telephone network in Apulia – Società Italiana per l'Esercizio Telefonico p.A. (SIP) through Istituto per lo Sviluppo dell'Italia Meridionale (ISVEIMER)	37.8 *68.0*	50.0* *90.0**
Extensions to telephone network in Sicily – SIP through Istituto Regionale per il Finanziamento alle Industrie in Sicilia (IRFIS)	37.8 *113.0*	50.0* *150.0*
Construction of sewage treatment plants and sewerage mains serving communes int the Bay of Naples – Cassa per il Mezzogiorno	56.7	75.0*
Industry		
Global loan for SME investment in industry – Ente Finanziaro Interbancario (EFIBANCA)	11.3	15.0
Global loan for SME investment in industry – Banca per i Finanziamenti a Medio e Lungo Termine S.p.A. (Interbanca)	15.0	20.0
Global loan for SMEs in hotel trade and tourism – BNL	15.1	20.0
Global loan for SME investment in non-assisted areas of Central and Northern Italy – BNL	18.9	25.0
Global loan for SME investment in non-assisted areas of Central and Northern Italy – Centrobanca	37.8	50.0
Global loan for SME investment in non-assisted areas of Central and Northern Italy – Istituto Mobiliare Italiano (IMI)	60.4	80.0
Global loan for SME investment in non-assisted areas of Central and Northern Italy – Mediocredito Centrale	75.5	100.0
		M £
UNITED KINGDOM: total NCI	**65.3**	**40.0**
Energy		
Laying of submarine cables linking French and British electricity power grids – Central Electricity Generating Board (CEGB) and Electricité de France (EdF)	32.0 *50.0*	20.0 *30.0*
Industry		
Global loan for SMEs in industry, tourism and services in non-assisted areas – Industrial Credit and Finance Company (ICFC)	*16.7*	*10.0*
Global loan for SMEs in industry, tourism and services in non-assisted areas – Midland Bank	8.3	5.0
Global loan for SMEs in industry, tourism and services in non-assisted areas – National Westminister Bank	8.3	5.0

mittee of the EIB recommends the loan for approval by the Board of Directors, which also fixes the conditions for finance.

Here again, there is no great difference for the borrower between an NCI loan and one from the Bank's own resources. Loans are normally paid out, partially or totally, in foreign currencies. Interest rates are calculated on a similar non-profit-making basis and reflect the cost of borrowing the currencies that are disbursed in the loans.

The choice of currencies and the terms depend on the conditions prevailing on the capital markets, which is the case for EIB loans on its own resources. So far, NCI loans have been for between 7 and 20 years, with varying grace periods before the first principal repayment instalment falls due.

NCI funds are usually used for investment in fields which are complementary to, and frequently the same as, those in which the EIB works with its own resources. The EIB limits its lending to a maximum of 50% of the fixed asset costs of a project and, as a rule, EIB and NCI loans for the same project do not exceed this 50% limit. In practice, EIB loans on its own resources average out at about 30% of project fixed asset costs; with the addition of NCI finance, the combined average comes to above 40%. Dual lending from both EIB and NCI resources, therefore, provides substantial support for projects which are considered especially important in terms of their contribution to furthering Community economic objectives.

Apart from global loans, out of 75 projects assisted by NCI finance from 1978 to 30 September 1983, 59 have also benefited from loans from the EIB's own resources. These projects involved a total fixed asset cost of 10.7 billion ECUs, of which NCI funds covered 1.3 billion ECUs or 12%, and loans from the EIB's own resources covered 3.0 billion ECUs or 28%, giving the combined average of 40%.

Of the 16 operations in which only NCI finance was provided, 10 involved reconstruction work in earthquake areas and, owing to the special circumstances, went towards covering some 90% of the estimated project costs in Italy and over 73% in Greece.

The harnessing of the EEC's borrowing potential to the operational capacity of the European Investment Bank — in terms of personnel experienced in the evaluation of projects and banking, as in loan administration — through the New Community Instrument has made available some 2.3 billion ECUs for priority investment since 1978. The latest Council decisions have opened the way for continuation of this additional source of finance.

Financing provided from NCI resources 1979 — 30/9/1983
Breakdown by economic policy objective

	million ECUs
Regional Development	**1 518.3**
Denmark	48.6
Greece	159.9
France	70.0
Ireland	277.6
Italy	902.4
United Kingdom	59.8
Common European Interest, Modernisation and Conversion of Undertakings	**1 117.6**
Energy	**661.8**
Development of Community resources	233.6
Oil and natural gas deposits	*121.9*
Coal, lignite, peat	*111.7*
Rational use of energy	279.7
Import diversification	148.4
Natural gas	*122.3*
Coal	*26.1*
Communications and other Community infrastructure	**135.5**
Transport	78.8
Roads, bridges & tunnels	*78.8*
Protection of the environment	56.7
Modernisation and conversion of undertakings	**320.3**
Productive investment by SMEs	320.3
Deduct to allow for duplication in the case of financing justified on the basis of several objectives	*−334.1*
TOTAL	**2 301.8**

ECU

Below are the ECU's values in national currencies, as at 30 September 1983; these rates are applied the present quarter in preparing financial statements and operational statistics of the Bank:

DM	2.26145	Bfrs	45.8906
£	0.574833	Lfrs	45.8906
Ffrs	6.86984	Dkr	8.16621
Lit	1 370.27	Dr	79.4578
Fl	2.52828	IR£	0.725517
		US$	0.859375

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

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