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Investment
Bank

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1978



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Raymond PROSSER	Deputy Secretary, Department of Industry, London <i>until January 1978</i>
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B. F. van ITTERSUM	Directeur van de Buitenlandse Financiële Betrekkingen, Ministry of Finance, The Hague
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Michel LAUCHE, Adviser

Information

Karl Georg SCHMIDT, Adviser

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Manfred TEICHERT, Adviser

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Romeo dalla CHIESA, Manager

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Helmuth CRAMER,
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G rard d'ERM, Adviser

Luciano ROTONDI, Adviser

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Dennis KIRBY, Deputy Manager

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Monitoring

Marc de BUYER, Deputy Manager

Department for Operations outside the Community

Dieter HARTWICH, Manager

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Jacques SILVAIN, Associate Manager

Jean-Marie PAYEN, Adviser

Thomas OURSIN, Adviser

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 Deputy Manager (*)

Jean-Pierre LACAILLE, Adviser

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Robert ALLOO, Adviser (*)

Alfred KAWAN, Adviser

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Andr  GEORGE, Manager

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Wolfgang THILL, Deputy Manager

Treasury

John VAN SCHIL, Deputy Manager

General Accountancy

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Desmond G. McCLELAND,
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J rg K SER, Principal Adviser

Xavier HERLIN, Principal Adviser

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Michael KONSTAM, Adviser

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 Chemicals — Public Works

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 Group Leader

Giuseppe DURANTE

Thomas G. FLYNN

Group C: Operations
 outside the Community

Jacques FAUDON, Group Leader

Robert VERMEERSCH

(*) *from October 1978*

(*) *until September 1978*

(*) *until April 1979; as from May 1979 Special Adviser to the Management Committee*

(*) *from May 1979; had been Deputy Manager since November 1978*

Unit of account

The value of the unit of account is equal to the sum of the following amounts of the national currencies of the Member States:

Deutsche Mark	0.828
Pounds sterling	0.0885
French francs	1.15
Italian lire	109
Dutch guilders	0.286
Belgian francs	3.66
Luxembourg francs	0.14
Danish kroner	0.217
Irish pounds	0.00759

This definition is identical to that adopted for the European Unit of Account (see Note A to the Financial Statements, Annex E, page 63).

The conversion rates used by the Bank during each quarter for its financing and borrowing statistics are those obtaining on the last working day of the previous quarter; in 1978, these were as follows:

	during the 1st quarter	during the 2nd quarter	during the 3rd quarter	during the 4th quarter
1 unit of account =				
DM	2.58058	2.54498	2.58101	2.54907
£	0.641652	0.678142	0.668451	0.666864
Ffrs	5.76124	5.76621	5.60057	5.79694
Lit	1 067.50	1 073.10	1 062.79	1 083.29
Fl	2.78938	2.72362	2.77740	2.77149
Bfrs	40.3535	39.6425	40.6953	40.2016
Lfrs	40.3535	39.6425	40.6953	40.2016
Dkr	7.07974	7.00528	7.01962	7.05015
£Ir	0.641652	0.678142	0.668451	0.666864
US\$	1.22506	1.25929	1.24412	1.31593
Sfrs	2.45698	2.35086	2.30594	2.03578
Yen	293.054	280.238	254.346	248.372
Sch	18.5704	18.3149	18.5400	18.4665
£Leb	3.67518	3.68657	3.59862	3.89515

The balance sheet and financial statements have been drawn up on the basis of the conversion rates obtaining at 31 December of the financial years 1977 and 1978 (see page 63).

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New financing provided by the European Investment Bank in 1978 in accordance with its Statute totalled 2 188.3 million units of account⁽¹⁾ compared with 1 571.5 million in 1977. The greater part of this went towards projects located within Member Countries in conformity with the objectives of Article 130 of the Treaty of Rome. Part was also provided in favour of investment contributing to the economic development of various Mediterranean, African, Caribbean and Pacific countries with which the Community has entered into financial cooperation agreements.

The vigorous growth in Bank financing within the Community during the year meets recommendations adopted by the European Council (Heads of State or Government of the nine Member Countries) on 26 and 27 March 1977 and spelled out more fully at its meeting in Bremen on 6 and 7 July 1978. The European Council decided on common action to step up economic growth and reduce unemployment in Europe by measures aimed at combating inflation, achieving greater monetary stability, expanding international trade, achieving progress in the energy sector and reducing regional imbalances. These joint efforts should, in particular, help to relieve the internal and external constraints affecting the economic policies of the various Member States and strengthen the confidence of investors in the prospects for longer-term growth. The concept of concerted Community action has therefore replaced a policy based on the assumption that to stimulate the economies of the strong-currency countries alone would lead to a general recovery throughout the Community.

Once the European Council had

confirmed that the Community's main objective was to improve employment through sustained economic growth against a background of stability, it was incumbent on the Bank to increase its lending in favour of eligible projects. Financing of this nature channelled mainly towards the less prosperous Member Countries also helps to relieve certain constraints on these countries' economic policies particularly with regard to their balance of payments situation.

To sustain the growth in Bank activity the subscribed capital was doubled by decision of the Board of Governors on 19 June 1978 to bring it to 7 087.5 million. Since the Statute provides that outstanding loans and guarantees may not exceed the equivalent of 250% of subscribed capital, the result of this increase was to raise the ceiling for outstanding loans and guarantees to 17 718.75 million.

Policies aimed at stimulating economic growth and reducing unemployment, particularly by increasing the Community's resources for financing in Europe, contributed to a number of other decisions.

One such decision was that taken by the Council of the European Communities on 16 October 1978 to create a new Community borrowing and lending instrument. This decision empowers the Commission to borrow funds on behalf of the European Economic Community up to an amount of one thousand million. These funds will be used to grant loans in favour of projects conforming to the Community's priority objectives in the energy, industrial and infrastructure sectors, having due regard to such considerations as the regional impact of the projects concerned and the

urgent need to combat unemployment. Following the decision of the Commission as to the eligibility of each project, the Bank, on behalf of the Community, will appraise loan applications, decide whether or not to grant loans, determine the terms and conditions applicable and administer the loans, all in accordance with procedures laid down in its Statute and its usual criteria. The procedure for implementing the Council's decision was defined on 27 November 1978 in an agreement between the Commission and the Bank. The rates of interest will be based on the costs incurred.

After consulting the European Parliament, on 14 May 1979 the Council of the European Communities adopted a Decision authorising an initial borrowing tranche of 500 million and establishing eligibility guidelines for projects.

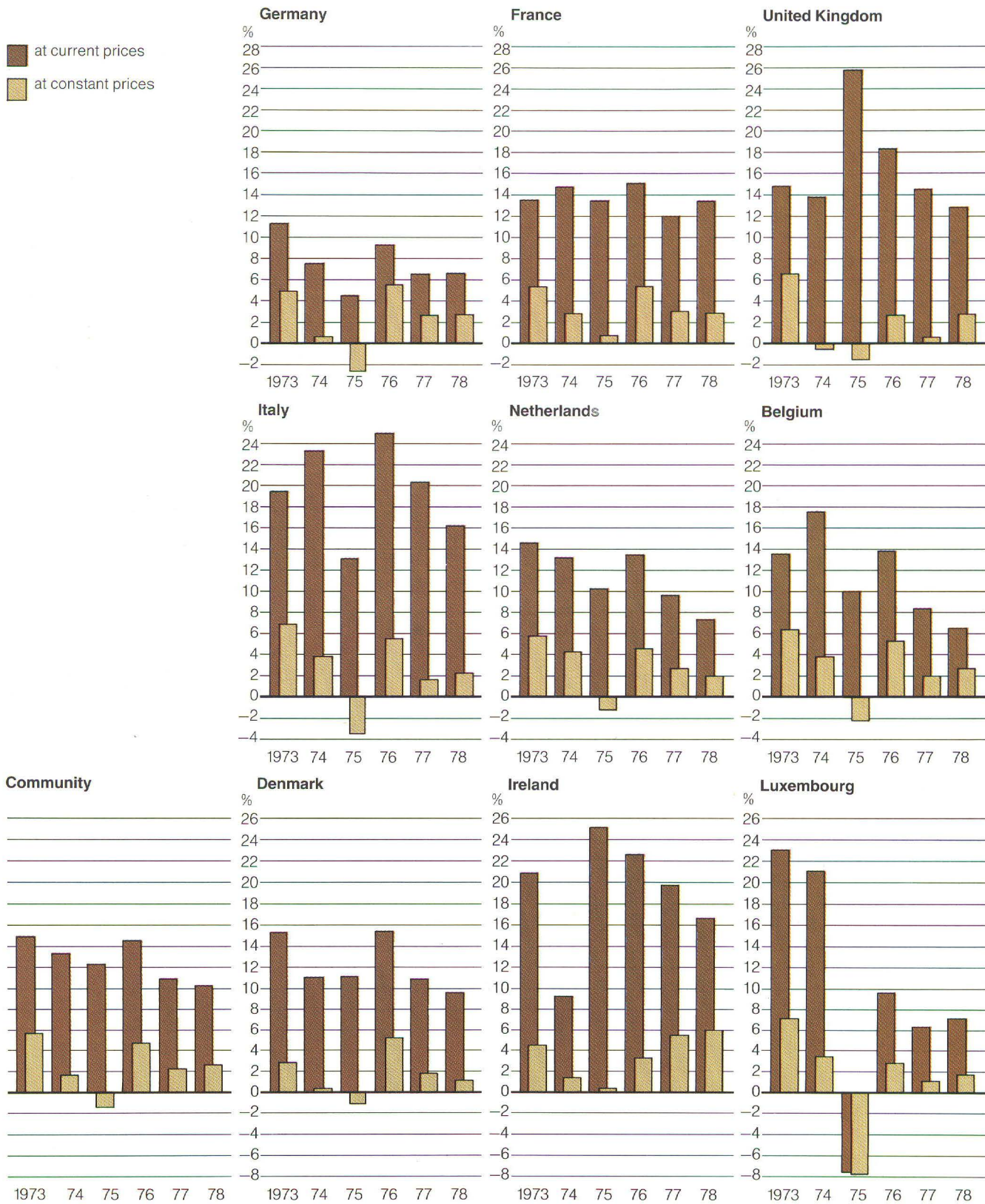
Following the European Council meeting in Bremen, the efforts of the Community institutions to set up a European Monetary System culminated in the European Council resolution reached in Brussels on 4 and 5 December on implementation of the first stage of the system and measures to strengthen the economies of the less prosperous participant Member Countries.

To that end, the European Council invited the Community institutions and the European Investment Bank to make available to these countries loans on special conditions of up to one thousand million per annum for a period of five years. The Commission accordingly

⁽¹⁾ Except where otherwise indicated, all amounts quoted are expressed in units of account (see page 6). Differences between the totals shown and the sum of individual amounts are due to rounding.

Gross domestic product in the Community

% variations by comparison with previous year



submitted to the European Parliament for its opinion and to the Council of the European Communities for its decision a proposal to provide 3% interest subsidies on certain loans from the Bank's own resources and on New Instrument loans; these subsidies will be made available in five annual tranches at a cost of up to 200 million each. The loans concerned are to be concentrated on the financing of selected infrastructure projects and programmes which will neither directly nor indirectly distort the competitiveness of specific industries in Member States'.

The Community bodies also gave their attention to better utilisation of existing financing instruments. The European Social Fund was revised in December 1977, while new regulations were laid down for the European Regional Development Fund, which was provided with larger credits and given greater scope for financing over and above national quotas. In the context of the Guidance Section of the European Agricultural Guidance and Guarantee Fund, the Council adopted specific measures relating to agriculture in the Mediterranean region and in Ireland. Lastly, new financial aid from the Social Fund was established in favour of young persons under 25 seeking employment.

Community policies also made progress in several other areas. The concerted response of Member Countries to difficulties affecting certain sectors was endorsed by further joint decisions. Energy targets proposed for 1985 were confirmed by the European Council in Bremen, namely that the Community reduce its dependence on imported fuel by 50% of its total requirements, that it limit its net

imports of oil and that it take steps to save energy and utilise its own resources more rationally.

Accession negotiations, which should lead to enlargement of the Community for the second time, were continued with Greece and concluded during the first half of 1979; negotiations were also opened with Portugal in October 1978 and with Spain in February 1979. If confirmed, the accession of these countries to the Community should in due course lead to a further increase in demand for investment finance from the Bank.

Outside the Community, the Lomé Convention, signed on 28 February 1975 between the European Economic Community and 46 African, Caribbean and Pacific (ACP) States, which had already been joined between 1976 and January 1978 by seven other newly independent countries, was again extended in 1978 to include three new states, the Solomon Islands, Tuvalu and Dominica. Once ratification procedures have been completed, the number of ACP States will rise to 56.

The financial protocols concluded between the Community and thirteen Mediterranean countries (including Portugal) in 1976 and 1977 came into force on 1 August 1978 in the case of Greece, 1 November in the case of Portugal, the three Maghreb Countries and Malta, the four Mashreq Countries and Israel, and 1 January 1979 in the case of Cyprus, while for Turkey the scheduled date is 1 May 1979.

The table on page 12 recapitulates the amounts of financing provided for by the various agreements, decisions and financial protocols in support of these non-Community countries.

Negotiations for renewal of the Lomé Convention were opened at the beginning of the second half of 1977 and, once a decision has been taken by the Board of Governors regarding ceilings for loans to be granted from the Bank's own resources, the new amounts of financing should be fixed shortly thereafter.

In December, the Council of the European Communities informed the Bank of ongoing deliberations concerned with the conclusion of a financial protocol with Yugoslavia for a term of five years, under which Bank loans would be made available to that country for an amount to be determined by the Board of Governors.

Thus, the policies adopted in 1978, together with those still under consideration, mark a significant new stage in the development of the European Investment Bank's activity as regards both its contribution to strengthening the Community within its own boundaries and the part which it plays in implementing the Community's cooperation policy with a large number of developing countries.

It will, in fact, be from 1979 onwards that the effects of most of the Community economic policy measures outlined above should begin to make themselves felt on general economic development; the Bank's activity in 1978 must be seen against an economic background which remained difficult, although less so in some countries than in others.

Economic growth in the United States was well sustained and only towards the end of the year did it appear to slow gradually; a higher rate of inflation and a large trade deficit weakened the dollar further and constrained the authorities to adopt a more restrictive

economic policy. In the other industrialised countries, a more moderate growth coupled with more cautious budgetary and monetary policies were contributory in reducing inflation rates and improving the balance of payments situation, despite substantial movements on the foreign exchange markets. In countries with strong currencies, more expansionist policies were adopted in the summer, following the international summit meetings, and the announcement of their introduction at the beginning of 1979 improved the business climate and encouraged economic growth from the

second half of 1978 onwards. The distinct improvement in the terms of trade enjoyed by the industrialised countries generally bolstered policies framed to combat inflation and absorb deficits on current account. Nevertheless, inflation in many countries continued to stand in the way of measures for restimulating the economy and to dampen business investment so that the unemployment situation scarcely showed any improvement. Indeed, the persistently high level of unemployment caused further hesitation between policies inspired by protectionist leanings and

contrasting policies boldly aimed at restructuring industry to meet the changing international pattern of supply and demand.

Improved conditions for borrowing were apparent on most bond markets during the first part of the year, despite the growing demand for financing, stemming mainly from the public authorities. However, the United States dollar lost ground from June onwards. Readjustment of the rates of exchange of certain European currencies in mid-October and the introduction, at the beginning of November, of measures to support the dollar

Amounts of Community financial aid provided for under various agreements, financial protocols and decisions in force at 31 December 1978

(million u.a.)

Country/Group of countries	Expiry date	Loans from EIB own resources	Operations mounted with budgetary funds			Total
			Loans on special conditions	Risk capital operations	Grant aid ⁽⁶⁾	
ACP	1. 3. 1980	390 ⁽¹⁾	440.1 ⁽⁴⁾	97 ⁽⁵⁾	2 139.75	3 446.85
OCT	1. 3. 1980	10 ⁽¹⁾	29.4 ⁽⁴⁾	4 ⁽⁵⁾	34.83	112.65 ⁽⁹⁾
Greece	31. 10. 1981	225 ⁽²⁾	10 ⁽⁶⁾	—	45	280
Portugal	31. 10. 1983	200 ⁽²⁾	—	—	30	230
Turkey	31. 10. 1981	90	220 ⁽⁶⁾	—	—	310
Yugoslavia	Protocol under negotiation					
Algeria	31. 10. 1981	70 ⁽³⁾	—	19 ⁽⁷⁾	25	114
Morocco	31. 10. 1981	56 ⁽³⁾	—	58 ⁽⁷⁾	16	130
Tunisia	31. 10. 1981	41 ⁽³⁾	—	39 ⁽⁷⁾	15	95
Egypt	31. 10. 1981	93 ⁽³⁾	—	14 ⁽⁷⁾	63	170
Jordan	31. 10. 1981	18 ⁽³⁾	—	4 ⁽⁷⁾	18	40
Lebanon						
— financial protocol	31. 10. 1981	20 ⁽³⁾	—	2 ⁽⁷⁾	8	30
— emergency aid		20	—	—	—	20
Syria	31. 10. 1981	34 ⁽³⁾	—	7 ⁽⁷⁾	19	60
Malta	31. 10. 1983	16 ⁽³⁾	—	5 ⁽⁶⁾	5	26
Cyprus	31. 12. 1983	20 ⁽³⁾	—	4 ⁽⁶⁾	6	30
Israel	31. 10. 1981	30	—	—	—	30

⁽¹⁾ Loans carrying 3-point interest subsidies from the European Development Fund, except for loans for oil projects, wherever these are located, and mining projects, unless these are located in one of the least developed ACP States cited in Article 48 of the Lomé Convention.

⁽²⁾ Part of these loans eligible for 3-point interest subsidies from budgetary funds.

⁽³⁾ Loans eligible for 2-point interest subsidies from budgetary funds.

⁽⁴⁾ Loans granted by the Commission of the European Communities.

⁽⁵⁾ Operations mounted by the Bank.

⁽⁶⁾ Loans granted by the Bank.

⁽⁷⁾ The Bank manages special loans and risk capital operations in the industrial, energy, mining, tourism and economic infrastructure sectors; the Commission manages special loans in other sectors.

⁽⁸⁾ Interest subsidies are financed from this grant aid.

⁽⁹⁾ Including a 4.42 m reserve.

checked exaggerated capital movements and prompted slight increases in interest rates on most Community markets.

In Germany, after declining during the early part of the year, long-term interest rates rose sharply between April and August under the influence of growing demand for credit and despite heavy inflows of funds. A slight easing in the situation on the capital market at the beginning of the autumn gave way to a fresh upturn in interest rates aided by the Bundesbank's moves to soak up liquidity. In the Benelux countries, monetary pressures caused a large rise in interest rates.

In both France and Italy, the marked improvement in the balance of payments and the stability of exchange rates in relation to most other currencies helped to lower interest rates for much of the year. In the United Kingdom, Ireland and Denmark, interest rates, which were already high, continued to rise, mainly as a result of the measures to contain credit prompted by the threat of further inflation.

On the international capital market, a sharp fall in the amount of issues denominated in dollars was only partly offset by borrowers' increased recourse to the foreign sector of national markets, and even more to the Deutsche Mark sector of the international market, where heavier borrowing caused strains in August and again towards the end of the year.

The Community's gross domestic product rose by only about 2.8% (*), a higher rate than in 1977 (2.3%), but well below those for the period prior to 1974 and the medium-term economic policy objectives fixed with a view to alleviating unemployment. Despite measures to

assist crisis sectors, the Community's overall economic situation remained uncertain, and this was reflected in the continuing hesitancy of industrial activity. Unemployment stayed at a high level and the moderate increase in production recorded was achieved in most countries without any corresponding increase in the workforce. At the end of the year, however, some signs of improvement were discernible. Although marked divergences between the different Member States still persisted, they tended to narrow. Inflationary pressure fell in those countries where price rises had previously been greatest. For the first time since 1973, the average level of price increases in the Community compared with the previous year was well below 10%. Movements in exchange rates kept ahead of price and cost rises and improved the competitiveness of countries with weak currencies. This, in turn, helped to reduce disparities between them as regards their balance of payments on current account.

A slight growth in real wages and salaries, taxation relief and a number of increases in transfer payments resulted in an appreciable rise in disposable income. Private consumption was also stimulated by a halt to the deteriorating trend of unemployment, while lower raw material costs and improved corporate profitability gradually made for a more confident business climate.

These trends were encouraged by a moderate but perceptibly brisker growth in international trade. Lastly, although the various concerted measures decided on in the middle of the year to stimulate Member Countries' economies produced no concrete results during the

year, they nevertheless began in the last quarter to give rise to more optimistic expectations.

In Germany, the economic situation improved considerably; the effects of the more expansionist fiscal and budgetary policy followed since the autumn of 1977 gradually became apparent. The increase in disposable income in real terms brought about an appreciable increase in consumer spending. Housing construction was buoyant, largely as a result of relatively low interest rates. Although economic conditions still varied from one branch of industry to another, corporate finances generally improved, but too much emphasis continued to be placed on capital investment in renewal and rationalisation projects. The level of unemployment began to show signs of improvement.

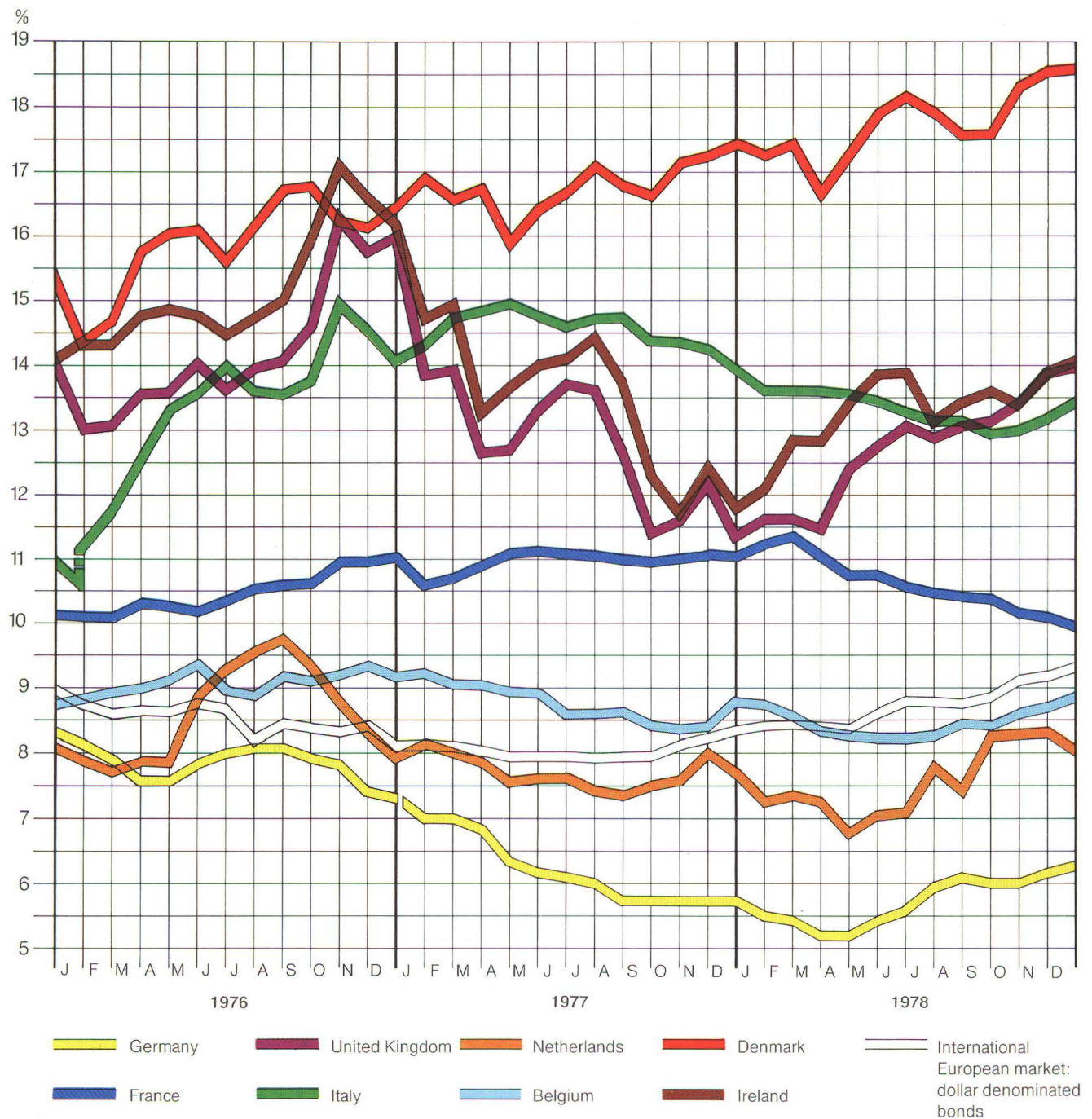
Although still registering a healthy surplus, the foreign balance in goods and services narrowed in real terms; the favourable trend of the terms of trade, reinforced by appreciation of the Deutsche Mark, resulted however in the surplus in the balance of payments on current account recording a further increase. The accompanying moderation of import prices further slowed down the rate of increase in consumer prices.

International movements of capital and substantial intervention by the Bundesbank on the foreign exchange market to support other currencies had the effect of increasing the money stock above the ceiling fixed by the monetary authorities. Accordingly, at the beginning of the fourth quarter the authorities raised banks' minimum reserve

(*) Except where otherwise stated, all the rates indicated in this chapter refer to changes in volume.

Gross yields on bonds

quoted on the various financial markets in the Community that offer the closest comparison with those issued by the European Investment Bank. For the United Kingdom, Ireland and Denmark yields have been calculated, for purposes of comparability, on the basis of an annual rather than a semi-annual compounding of interest.



requirements; in mid-December it was also decided that rediscount facilities offered to credit institutions would be pruned as from 1 January 1979.

Following the meeting of the European Council in Bremen and the summit meeting of Western Ministers in Bonn in July, a decision was taken to step up budgetary expenditure and to provide a certain measure of tax relief to reinforce domestic demand and foster economic growth; the effects of these measures, however, will not be felt until 1979.

In France, there was a slight quickening in economic growth, mainly in the first half, thanks to an appreciable increase in private consumer expenditure and renewed gross fixed capital formation. In fact, private sector investment gradually recovered and public sector investment maintained its steady upward trend, whereas the rate of housing construction fell once again. A certain amount of restocking took place and this helped to raise demand a little. The second half of the year saw an increase in the number of job seekers.

Public sector borrowing requirements rose steeply, largely as a result of the increase in social security payments and the cost of financing the Government's employment policy. A special industrial adaptation fund was set up and the State acquired a minority holding in financial companies called upon to help restructure and improve the competitiveness of the iron and steel industry.

The price index for the whole of 1978 reached a level close to that for 1977 following a sharp acceleration in price increases during the first nine months, attributable mainly to rises in public

service tariffs, readjustment of the parity of the "green franc", removal of industrial price controls, and a fairly sharp increase, in the second quarter of the year, in hourly wage rates.

Measured in terms of volume, the increase in exports, achieved largely from the end of 1977, remained moderate, as did the increase in imports, a reflection of slack domestic demand. The appreciation of the franc against the dollar and the relative stability of raw material prices both contributed to the balance of trade surplus. Moreover, as a result of the very favourable trend of invisible trade, the balance of payments on current account showed a substantial surplus.

In the United Kingdom, economic activity was more buoyant than in 1977, especially during the first half of the year. This improvement was chiefly attributable to a renewed upturn in private consumer spending, which was sustained by an appreciable increase in real incomes and reduced taxation. Business investment, particularly in the North Sea oil sector and in industry, also contributed to the increase in demand. In contrast, public sector investment and housing construction remained relatively weak. However, unemployment fell slightly. The rate of retail price increases slackened once more, an important contributory factor being the relative stability of import prices.

The Government relaxed its budgetary policy at the beginning of the second quarter, but a number of measures were taken to contain the growth in the money stock and credit, and efforts to curb increases in wages and salaries were maintained.

As a result of the recovery in domestic demand, imports grew

noticeably faster than exports in volume. Some improvement was recorded in the terms of trade. Despite the increase in net transfers abroad of mainly public funds, the balance of payments on current account again showed a slight surplus. The rate of exchange of the pound in relation to the main currencies remained relatively stable from the beginning of the second quarter.

In Italy, economic activity, which had declined steadily since the beginning of 1977, recovered slowly in the first quarter of the year and, after marking time at the start of the second half, showed a further upturn at the end of the year. This somewhat more encouraging tendency appeared to have been stimulated by an increase in transfers from the public sector to private consumers, mainly in the form of higher pensions. Total demand was thus sustained by personal consumption and exports, whereas investment fell back a little. Despite this, the level of unemployment remained high. The deficit incurred by the public services, public enterprises and social security widened further. One of the main objectives of the three-year plan submitted to Parliament in September was to stabilise this deficit as a percentage of GDP, mainly by reducing current expenditure without sacrificing public investment programmes.

Fresh progress in slowing the rate of wage and price increases has been relatively slow. The growth of exports, outstripping imports in terms of volume, and the favourable trend of the terms of trade and of invisible trade combined to improve the surplus in the balance of payments on current account. Despite some early repayment of the foreign debt, net inflows of capital were

sufficient to help increase the reserves.

In the **Netherlands**, private consumption expanded at a far steadier rate than investment and external demand. Public sector current expenditure was contained by a more stringent budgetary policy which was instrumental in slowing down inflation. The budget and balance of payments on current account nevertheless showed a deficit.

In **Belgium**, economic activity increased only very slightly, despite a further widening in the budgetary deficit which tended to sustain final demand. Inflation was appreciably reduced and the balance of payments on current account closed almost in equilibrium. Nevertheless, substantial unemployment persisted.

In the **Grand Duchy of Luxembourg**, despite difficulties in the iron and steel industry, measures to safeguard jobs enabled unemployment to be kept at a relatively low level. Private consumer expenditure rose slightly, while inflation remained moderate.

In **Denmark**, economic activity continued to be depressed and unemployment rose. The rate of inflation was slightly curbed and the external trade deficit tended to narrow.

Ireland was once again prominent for its sustained economic expansion and for its sharp increase in gross fixed capital formation, public and private consumption, and foreign trade. Inflation slowed down significantly and the level of employment, although still high, showed a marked fall. An increase in the public sector deficit boosted economic activity considerably; however a first step to reduce gradually the magnitude of the deficit was

taken in the 1979 budget, in line with policy commitments of the government.

The **developing countries** with which the Community has concluded financial cooperation agreements generally suffered the effects of worsening terms of trade. Their balance of payments deficits widened, but in most cases were financed without major difficulty, except in a small number of countries faced with exceptional circumstances or problems of economic management. Because of the depressed investment climate, the growth of their external indebtedness was slightly checked. A growing proportion of transfers of funds to these countries tends to be made up of aid from the Organisation of Petroleum Exporting Countries (OPEC) and credits from the private banking sector.

The **African, Caribbean and Pacific States**, which were signatories to the Lomé Convention, are, despite their great diversity, all dependent on a certain number of commodities. Fluctuations in production and prices deeply influence their economies, and especially their public finance and balance of payments.

Monetary disturbances as well as the persistent weakness of economic growth in the West influenced the prices of their main exports. Prices of certain metals (copper, lead and zinc) and of cocoa, expressed in United States dollars and in pounds sterling, rose appreciably, while those of other products were maintained (tin) or fell sharply (coffee and sugar). In most cases, however, prices stagnated or fell appreciably in terms of the various currencies in which their imports were typically paid for. Only the prices for certain agricultural products, such as natural rubber, palm

nuts and kernels and copra, rose significantly as a result of flagging world production.

For most of the ACP States, especially those with average income and the few ACP oil-producing countries, the combined result of all these trends was to erode both the balance of payments on current account and economic growth to below 1977 and 1976 levels. Moreover, in 1978 the African countries in the Sahel region affected by the persistent drought of the summer of 1977 were faced with a large shortfall in food production and, despite international food aid, this accentuated the imbalance in their external accounts. Fortunately, the 1978-79 crop year promises a good harvest.

In **Greece**, growth in GDP was about 5% compared with 3.2% in 1977. This improved performance was especially due to good harvests, higher industrial production, sustained private building and healthy earnings from tourism. However, the low level of industrial investment persisted and, despite some improvement, inflation stayed high. The deficit in the balance of payments on current account widened despite a fresh upturn in invisible trade. Net inflows of capital nevertheless produced a further increase in foreign currency reserves.

In **Turkey**, GDP again flagged and will probably be seen to be little more than 2.7% for the year, compared with 4% in 1977 or more than 7% during the period 1971-76. Industrial production suffered from an increasing shortage of energy and imported supplies. The level of investment remained very low, while inflation and unemployment reached alarming proportions. The Government took a number of austerity measures and decided on a fresh de-

valuation of the Turkish lira so as to slow down public and private consumption, and reduce the balance of payments deficit on current account. Against the background of these measures, Turkey was able to conclude a stand-by loan with the IMF, certain of the terms of which are still being discussed, and entered into negotiations for possible rescheduling of its external short-term debt. Notwithstanding a slight increase in exports and a smaller import bill, its balance of payments situation became critical.

In **Portugal**, the recovery programme aimed at reducing the balance of payments deficit and slowing the rate of inflation was continued; it was accompanied by some slackening in the economic growth rate to 3.5% as against 5.5% in 1977. Earnings from exports and tourism coupled with remittances from Portuguese workers abroad increased more rapidly than imports and the deficit in the balance of payments on current account was considerably reduced by comparison with 1977. Despite the fight against inflation, the rate for the year was still 25%. Unemployment remained high.

In **Yugoslavia**, poor harvests and a slower rate of export growth were partly offset by the growth in industrial production sus-

tained by the high level of consumption and investment. The rate of economic growth fell slightly from 7.3% in 1977 to around 6%, and inflationary pressures mounted, while rising unemployment reached 14% of the working population. However, the deficit in the balance of payments on current account was reduced, thanks chiefly to import controls and increased earnings from invisible trade.

The economies of most of the **Maghreb and Mashreq countries** have a number of features in common: a predominance of jobs in agriculture, industrialisation still in its infancy and good tourism potential; their foreign earnings derive largely from exports of raw materials, such as oil, gas, phosphates and a small number of agricultural products (e.g. citrus fruit) and industrial goods (textiles); and most of them suffer from endemic underemployment.

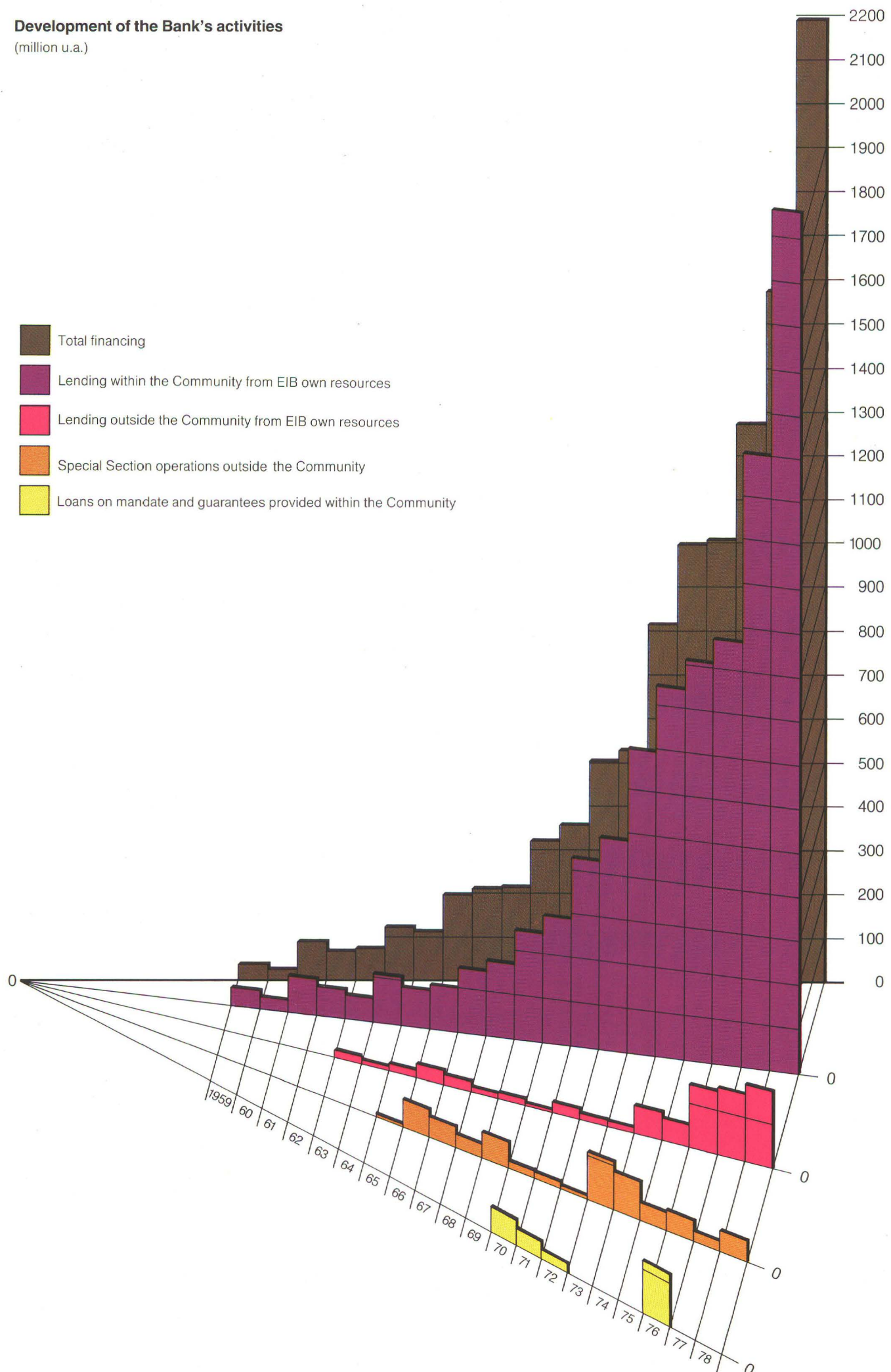
In 1978, these countries considered together achieved economic growth of the order of between 5% and 9% and, in the case of Algeria, even 12%; they were faced with more or less acute inflation and balance of payments problems. The value of their imports rose sharply, under the influence of rapidly expanding domestic demand, rising import prices and extreme dependence on imported food

despite their predominantly agricultural economies. The increase in export earnings was relatively slower, mainly because export prices had stagnated somewhat and there were problems in obtaining outlets for their industrial products on overseas markets. For a number of these countries, remittances from emigrant workers and revenue from tourism represent important sources of foreign exchange. The financing of investment underpinning economic development hinges on the amount of foreign aid and loans which these countries are able to obtain. The situation varies greatly from one country to another, however, especially with regard to their scope for obtaining further foreign credit.

The particular situation of three of these countries calls for separate mention. In **Lebanon**, armed hostilities caused substantial destruction which will be costly to make good. In **Malta**, economic growth was slightly brisker, but the imminent closure of the naval base is likely to aggravate unemployment. With its heavy defence expenditure and very high inflation, **Israel** experienced another year of economic stagnation and balance of payments difficulties. Despite large transfers of capital from abroad, the country's indebtedness, which was already considerable, increased further.

Development of the Bank's activities

(million u.a.)



Financing provided in 1978

Finance contracts signed by the European Investment Bank in 1978 represented a total amount of 2 188.3 million units of account⁽¹⁾, compared with 1 571.5 million in 1977 and 1 273.3 million in 1976. This increase of 39 % over the previous year follows an increase of 23 % in 1977.

The Bank mainly grants loans from its own resources and provides guarantees. It also acts as the agent of the Member States or the Community in providing financing from budgetary funds, notably in non-member countries, in furtherance of the Community's policy of economic and financial cooperation; such financing is accounted for off balance sheet in the Bank's Special Section; it will in future be included in the statistics and reports of

Bank activity, if the decision to provide financing comes within the competence of the EIB's Board of Directors.

The amount of loans from own resources and guarantees outstanding rose from 6 966.2 million at 31 December 1977 to 8 352.7 million at 31 December 1978, an increase of 20 %. A breakdown of loans outstanding by principal form of guarantee is given under Note 2 of Annex B to the Financial Statements (page 61).

(¹) Except where otherwise indicated, all amounts quoted are expressed in units of account (see page 6). Differences between the totals shown and the sum of individual amounts are due to rounding.

Table 1: Financing provided in 1978, from 1958 to 1972⁽¹⁾ and from 1973 to 1978⁽²⁾

Broad breakdown by type of operation and project location

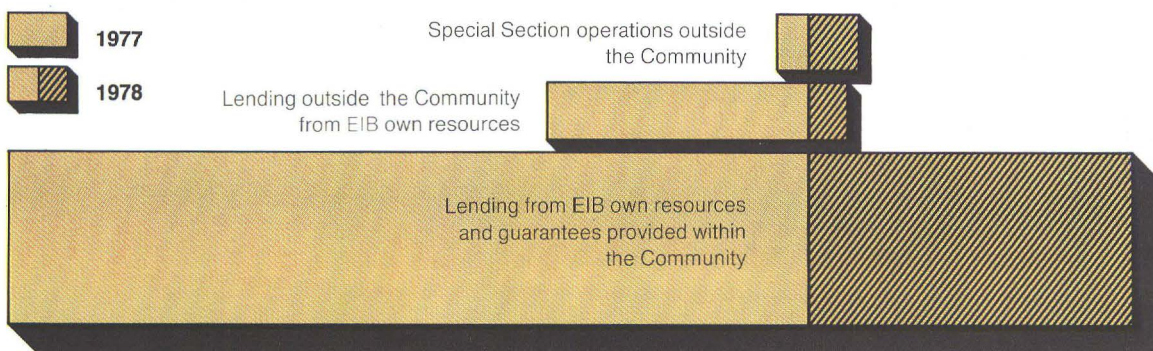
	1978			1958-72			1973-78		
	Number	Amount (million u.a.)	%	Number	Amount (million u.a.)	%	Number	Amount (million u.a.)	%
Loans from EIB own resources and guarantees									
within the Community	95	1 966.5	89.9	310	2 455.5	86.4	436	6 917.8	88.1
outside the Community	18	173.9	7.9	41	155.7	5.5	65	589.2	7.5
Total	113	2 140.4	97.8	351	2 611.2	91.9	501	7 507.0	95.6
Special Section operations (see page 59)									
outside the Community	19	47.8	2.2	57	230.8	8.1	75	344.9	4.4
Grand Total	132	2 188.3	100.0	408	2 842.0	100.0	576	7 851.9	100.0

(¹) Community of Six.

(²) Community of Nine.

Financing provided in 1978 and 1977

Breakdown by type of operation and project location



Operations within the Community

In 1978, loans granted for investment projects located in Member Countries amounted to 1 966.5 million, compared with 1 401.3 million in 1977; they account for 89.9 % of all financing provided in 1978, and 91.9 % of all loans granted from the Bank's own resources.

This upturn of 40.3 %, as against 29 % in 1977, was achieved against a background of continuing economic difficulties and goes some way to meeting the wish expressed by the European Council on 25 and 26 March 1977 for the Bank to step up its activity in favour of creating jobs, raising the level of investment and halting divergence in Member Countries' economic performance. Projects for which the Bank provided financing conform to its statutory terms of reference: regional development projects, projects for modernising or converting enterprises, and projects of common interest to several Member Countries or to the Community as a whole.

Lending for capital investment for the development or conversion of handicapped regions rose by more than 50 % and accounted for almost three quarters of Bank financing in Member Countries compared with a little over two thirds in 1977. In particular, Bank lending in the Italian Mezzogiorno almost doubled, compared with the two previous years, and represented nearly half of financing for regional development projects.

The Bank also increased its support for projects of common interest to several Member Countries or the Community as a whole, and especially projects which will contribute towards improving the Community's energy supplies.

Taken as a whole, the volume of loans granted for projects in the energy, transport and telecommunications sectors increased sharply, whereas lending to industry fell back to its 1976 level, reflecting the very weak demand for financing from businesses in most sectors. On the other hand, a growing number of small and medium-sized projects benefited from allocations from ongoing global loans and there was a further upturn in the number of global loans concluded during the year.

Loans granted in 1978 contributed towards financing capital investment amounting to around 6 900 million compared with 6 200 million in 1977 (+ 11 %). On average they covered 28.1 % of the cost of the projects concerned as against 23.4 %

during the period 1973-77; this was the result of the higher upper limits fixed for Bank lending. The investment financed should lead directly to the creation of some 11 000 permanent jobs and secure around 10 000 others, mainly in industry.

The provision of plant and equipment for the energy sector and various infrastructure projects also helps to create a large number of permanent jobs, but mainly indirectly from the productive activities fostered by the investment. Moreover, the work and supplies entailed in the construction of such plant — as in the case of industrial installations — also has appreciable temporary, direct and indirect, effects on the employment situation during construction periods which are occasionally lengthy. Investment projects which the Bank helped to finance in 1978 will probably create temporary employment roughly equivalent to an estimated 620 000 man-years, or the equivalent of around 150 000 jobs during the first two years, but progressively fewer thereafter.

The Bank's financing operations can be considered from three viewpoints: the economic policy objectives which they help to attain, their breakdown by economic sector and the location of the investment projects financed.

The economic policy objectives set for EIB financing within the Community are defined in Article 130 of the Treaty of Rome. In practice the Bank finances:

— in the first place, projects contributing to the economic advancement of development or conversion areas — regional development projects;

— projects of common interest to several Member Countries or benefiting the Community as a whole
 — projects of common European interest;

either because they contribute towards European economic integration (communications infrastructure: motorways, railways, inland waterways, telecommunications; projects arising out of close technical and economic cooperation between undertakings in different Member Countries . . .),

or because they contribute towards the attainment of Community objectives such as environmental protection, the introduction of

advanced technologies and, above all, more diversified and more reliable energy supplies,

— projects to modernise or convert enterprises or to create fresh activities called for by structural difficulties in certain sectors.

Projects for which the Bank provides financing can generally be classified by reference to a single objective, but certain projects contribute simultaneously to more than one objective. For example, a project classified as being of common European interest might also contribute to regional development. Accordingly, in 1978 loans totalling 176.6 million were granted for regional development projects, which were also of common interest to several Member Countries (153.1 million) or which contributed to industrial modernisation or conversion (23.5 million).

Financing provided within the Community in 1978 and from 1958 to 1978

Breakdown by major economic policy objective

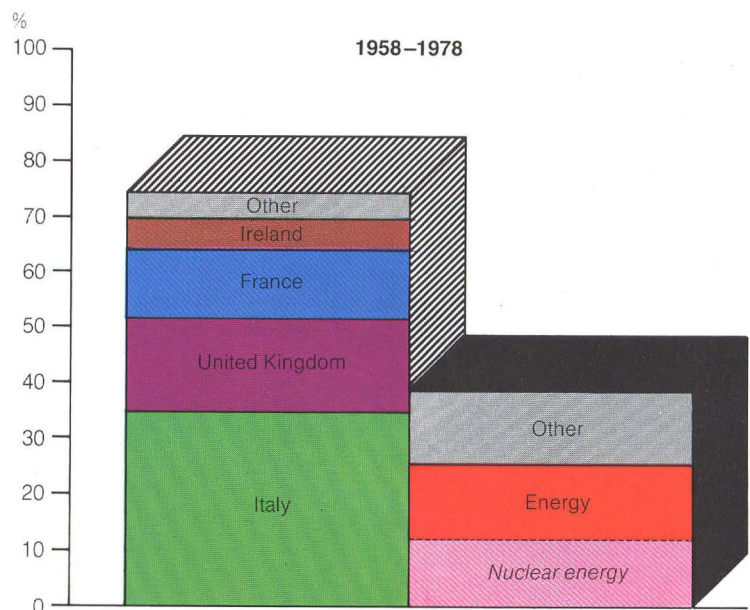
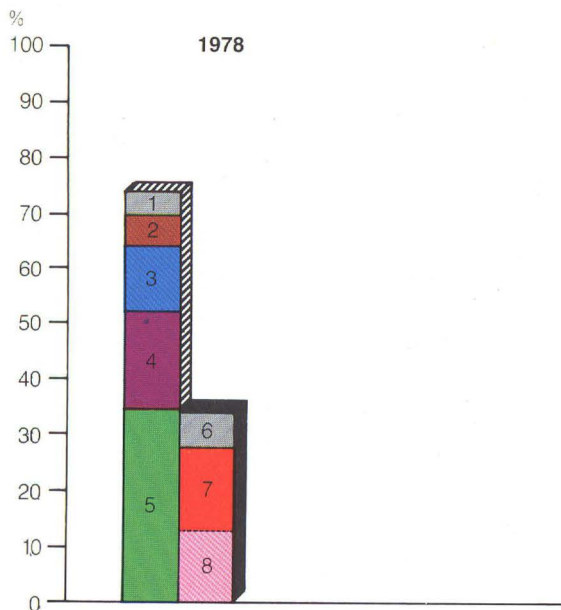


Table 2: Financing provided within the Community in 1978 and from 1958 to 1978
Breakdown by economic policy objective

Objective	1978		1958-78 (1)	
	Amount (million u.a.)	%	Amount (million u.a.)	%
Regional development	1 457.6	100.0	6 980.5	100.0
Belgium	—	—	75.1	1.1
Denmark	63.8	4.4	119.3	1.7
Germany	2.2	0.2	368.7	5.3
France	241.0	16.5	1 163.8	16.7
Ireland	110.0	7.5	353.8	5.1
Italy	688.7	47.3	3 267.7	46.8
Luxembourg	—	—	4.0	—
Netherlands	—	—	70.5	1.0
United Kingdom	351.9	24.1	1 557.6	22.3
Modernisation and conversion of undertakings	23.5	100.0	212.4	100.0
Common European interest	662.0	100.0	3 536.6	100.0
Energy	545.4	82.4	2 410.2	68.2
Thermal power stations	42.5	6.4	85.8	2.4
Hydroelectric and pumped storage power stations	35.7	5.4	177.0	5.0
Nuclear	243.0	36.7	1 115.2	31.5
Geothermal power stations	29.1	4.4	29.1	0.8
Development of oil and natural gas deposits	59.5	9.0	401.5	11.4
Solid fuel extraction	—	—	27.9	0.8
Gaslines and oil pipelines	130.1	19.7	568.3	16.1
Energy saving	5.5	0.8	5.5	0.2
Communications	116.6	17.6	823.3	23.1
Transport	116.6	17.6	733.2	20.6
Railways	—	—	103.9	2.9
Roads, bridges and tunnels	93.1	14.1	543.9	15.4
Shipping	7.4	1.1	47.9	1.3
Airlines	16.1	2.4	32.6	0.9
Other	—	—	4.9	0.1
Telecommunications	—	—	90.1	2.5
Other infrastructure	—	—	16.3	0.5
Protection of the environment	—	—	20.6	0.6
Industrial cooperation	—	—	243.6	6.9
Research	—	—	2.8	0.1
New technology	—	—	19.7	0.6
— Deduct to allow for duplication in the case of financing justified on the basis of several objectives — 176.6 — 1 356.2				
Total	1 966.5		9 373.3	

(1) Amounts at current prices and exchange rates. A summary of financing provided over such a long period should be interpreted cautiously; data for successive years are affected by price movements and exchange rate variations occurring between 1958 and 1978.

Lending for regional development projects

In Italy, loans in support of regional development rose by more than 80 % from 378.5 million in 1977 to 688.7 million in 1978, of which projects located in the Mezzogiorno accounted for 674.7 million. Industrial projects (127 million), especially in the motor industry (65 million), and small and medium-scale ventures (32.6 million via two global loans) received a fair share of the funds, but the increase in lending reflected Bank support for major infrastructure programmes: there was a threefold rise in lending for road and telecommunications infrastructure (226.4 million), energy facilities (187.7 million) and water supply, sewage disposal and irrigation schemes (147.7 million).

More than half the credit advanced was for projects in Sicily and Sardinia, whose development problems are exacerbated by their remoteness.

In Sicily, two major operations were mounted for extending the electricity grid (46.6 million) and for the first section of the Algeria-Italy gasline (55.4 million), a most valuable project in terms of the Community's energy supplies and the development of the Mezzogiorno. Three loans (68.7 million) were provided for improved road and rail access, water supplies and sewage installations for industrial estates at Syracuse, Ragusa and Gela.

A loan for 35.1 million was granted towards a similar project covering industrial estate development not only at Catania in Sicily, but also on the mainland at Avellino in Campania and Taranto

Lending for regional development showed a 51 % upturn compared with 1977 to 1 457.6 million. Almost half the funds granted were given over to projects located in Italy, almost a quarter went to the United Kingdom, 16.5 % to France, 7.5 % to Ireland and the remainder to Denmark and Germany. They were used to finance water supply, sewage disposal and irrigation schemes (357 million), telecommunications (305.2 million), roads, harbour installations and airports (292.8 million), energy facilities, chiefly in Italy, (255.2 million all told) and industrial ventures (247.4 million).

Almost three quarters of all regional financing benefited areas suffering a rate of unemployment at least 20 % higher than the Community average. More than half the funds were taken up by projects in priority regions, i.e. the Mezzogiorno, Ireland and Greenland.

in Apulia. Completing the list for Sicily were two loans, totalling 27.8 million, for restructuring and enlarging a motor works at Termini Imerese near Palermo, one of the largest industrial plants on the island. The project in question, like that at Cassino in Latium (see opposite) will help to further relocation in the South of the motor industry, hitherto centred in Piedmont and Lombardy.

In Sardinia, two loans (69.6 million) towards the development of telecommunications and a 28 million loan for port and road infrastructure at Cagliari will help to improve the island's internal and external communications. In addition, the Bank granted two loans, for 48.9 and 12 million, to finance irrigation schemes in the Campidano and Chilivani plains, which will boost the agricultural potential of Sardinia and help it to move into more profitable crops, in line with Community aims for Mediterranean farming.

Campania enjoys fairly healthy economic potential, but its development is inhibited by the inadequacy of its energy and water supplies. Three loans, to improve the electricity grid (34.3 million), construct a peak-load gas-turbine generating station at Maddaloni (18.6 million) and tap new water resources to supply the provinces of Naples and Caserta (46.2 million), should help to mitigate this problem.

In another operation, 25.4 million was advanced for extensions to the power grid in Apulia, in order to cater for the industrialisation of this region.

In **Latium**, the Bank channelled 45.6 million into two industrial projects for enlarging and restructuring a motor works at Cassino, where a new, medium-sized car is assembled, and for improving a TV colour tubes plant at Anagni.

In **Calabria**, one of the Community's most remote and forgotten regions, a loan for 13.8 million was granted for an irrigation scheme on the coastal plain, a project which, like those in Sardinia mentioned above, accorded with the aims of modernising agriculture and husbanding water resources in the Mediterranean area. The region's energy supplies will be reinforced by two other loans (7.4 million in total) towards the development of a natural gas deposit in the Ionian Sea. In **Abruzzi**, the Bank lent 7 million for two industrial projects: one involving construction by a German promoter of a pharmaceuticals plant in the industrial development zone at L'Aquila and the other enlargement and modernisation of a battery factory at San Salvo. The Abruzzi region also attracted funds for extensions to the telephone system (51.8 million), a project from which **Molise** and parts of southern **Latium** similarly stood to gain.

By way of continued support for productive enterprise in the **Mezzogiorno**, the Bank granted further global loans to intermediary institutions, who on-lend the proceeds piecemeal to sponsors of small and medium-scale ventures. A 14.1

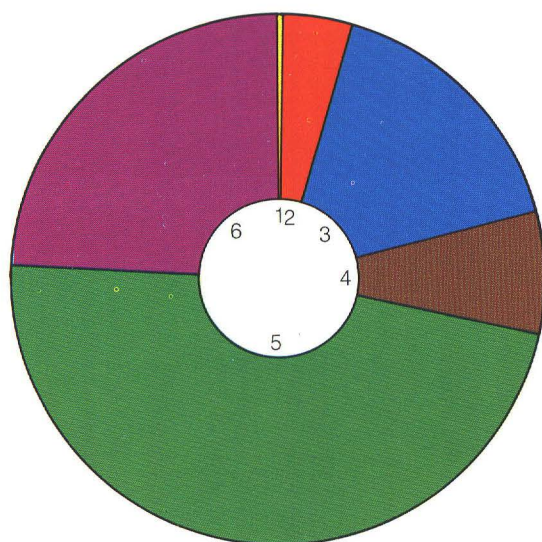
million global loan was granted to the Cassa per il Mezzogiorno to finance projects aimed at improving stock-farming, and a fifth global loan (18.5 million) went to ISVEIMER — Istituto per lo Sviluppo Economico dell'Italia Meridionale — which since 1969 has channelled 130 allocations worth 69.2 million in all into ventures in the mainland Mezzogiorno.

From global loans already operative, 103 sub-loans totalling 52.8 million were granted in 1978 to small and medium-scale industrial and stock-farming ventures, compared with 91 allocations worth 37.7 million in 1977. The ventures so financed were concentrated mainly in Latium, which received 22 sub-loans totalling 18.5 million, Apulia and Campania — each with 21 sub-loans, but receiving 10.4 and 5.3 million respectively — Abruzzi (10 sub-loans; 5.1 million), Sicily (9 sub-loans; 5.3 million), Sardinia (6 sub-loans; 3 million), The Marches (4 sub-loans; 2.5 million), Calabria (6 sub-loans; 1.5 million) and Molise (2 sub-loans; 400 000). The average sum advanced was about 500 000, corresponding to the average for the 1969-78 period.

Outside the Mezzogiorno, the Bank helped to finance a tube mill (14 million) at Dalmine in a part of Lombardy affected by the crisis in the steel industry. Reorganisation of the mill was essential for maintaining job stability in the area.

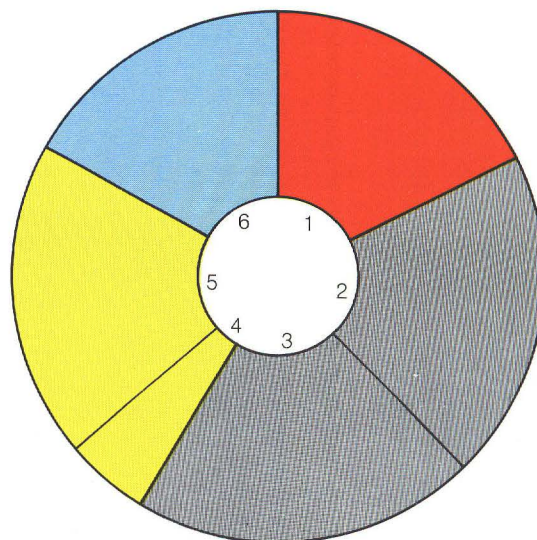
Financing provided for regional development in 1978

Breakdown by project location

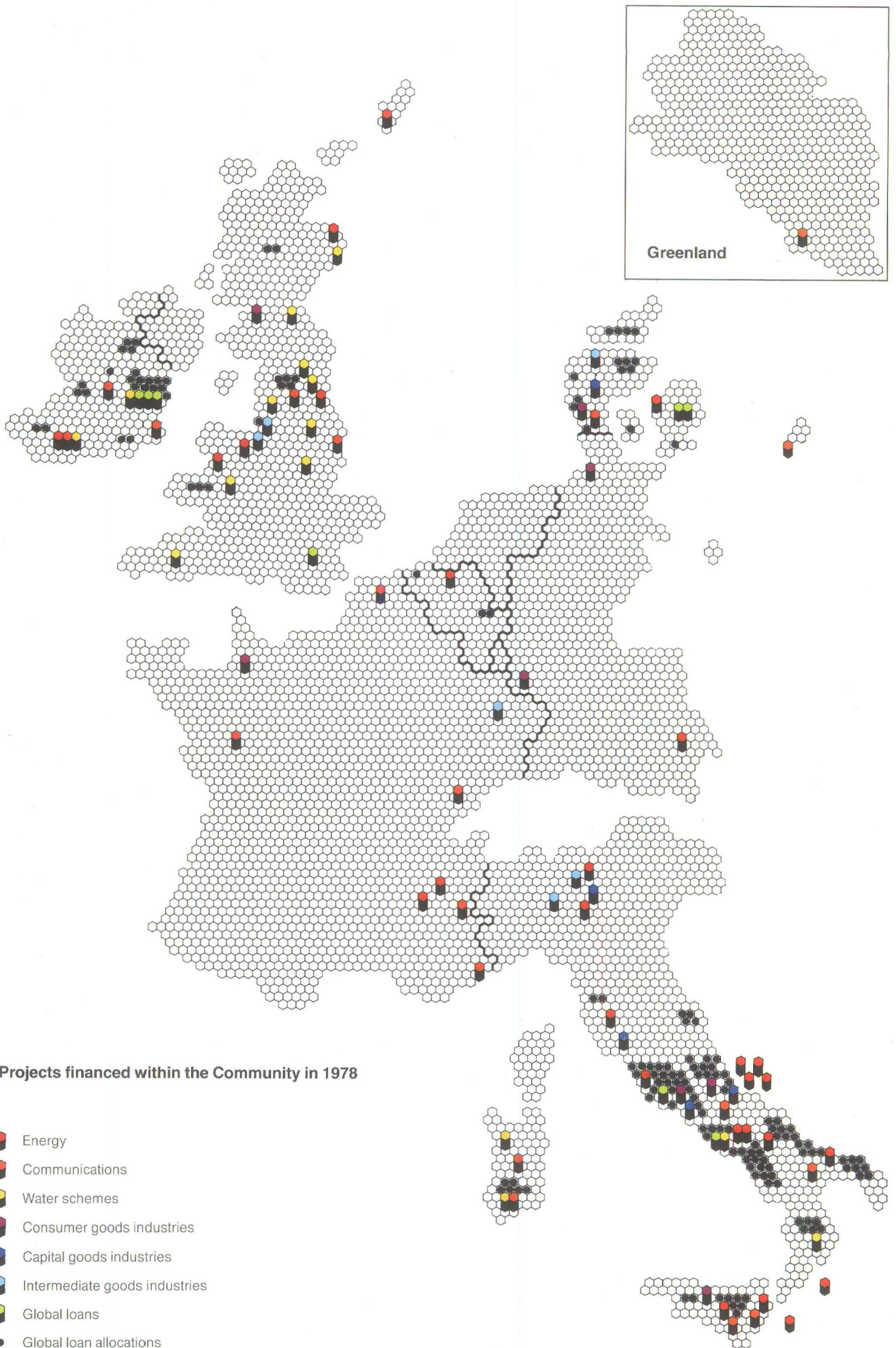


- | | |
|----------------|------------------------|
| 1 Germany 0.2% | 4 Ireland 7.5% |
| 2 Denmark 4.4% | 5 Italy 47.3% |
| 3 France 16.5% | 6 United Kingdom 24.1% |

Sectoral breakdown



- | | |
|----------------------------|-------------------|
| 1 Energy 17.5% | 4 Irrigation 5.1% |
| 2 Transport 20.1% | 5 Water 19.4% |
| 3 Telecommunications 20.9% | 6 Industry 17.0% |



Projects financed within the Community in 1978

-  Energy
-  Communications
-  Water schemes
-  Consumer goods industries
-  Capital goods industries
-  Intermediate goods industries
-  Global loans
-  Global loan allocations

In the United Kingdom, 351.9 million went to regional development projects situated mainly in the North of England and Scotland. North of the border, 68.5 million was made available for projects connected with the extraction of North Sea oil and gas: 16.1 million for provision of a heliport and extension of existing facilities at Sumburgh airport, on the largest of the Shetland Islands; 37.6 million for Peterhead power station, designed to run on associated gas from producing oilfields; 14.9 million for a water supply and sewage disposal scheme and road improvements in the Aberdeen and St Fergus industrial zones, where North Sea gas is piped ashore.

A loan of 55.3 million went towards high-speed diesel trains for the east coast London-Aberdeen run, an investment which will cut journey times and increase the frequency of the service, thus helping Scotland and the North of England in some measure to counter the disadvantages of remoteness.

In many parts of the country, but chiefly the older industrial areas, the Bank financed several water catchment and supply schemes and sewage disposal systems supporting the development of new industrial activity, tourism and farming. Credit was advanced to various regional water boards, usually through the National Water Council: in the North, for equipping the Tyneside area (15 million) and for construction work on the Kielder Dam (9.9 million on top of the 34 million made available for this project since 1975); in the North-West, chiefly for Merseyside (44.6 million); in Yorkshire and Humberside and the East Midlands (57.2 million) for various water schemes, including farmland drainage in the East Midlands; in Wales (14.1 million), in the Lothian Region in Scotland (12.5 million) and in the South-West (6 million).

If 1.5 million granted towards the improvement of telecommunications in the Hull area (Yorkshire and Humberside) is included, the Bank's financing of regional development infrastructure totalled 284.5 million in 1978.

Credit for industrial investment projects came to 67.4 million: electrolytic copper refining installations at Prescott and nitric acid and ammonium nitrate facilities at Ince, both in the North-West, attracted loans totalling 14.9 million; a soft drinks bottling plant at Shieldhall near Glasgow attracted a reorganisation and modernisation loan for 7.5 million. A second contract of mandate and guarantee for 45 million was signed with the British Government, under which, with the Bank's approval, finance will be passed on to small and

medium-scale industrial ventures in assisted areas, with the Government bearing the exchange risk and furnishing the requisite guarantees. Under the first such contract signed in 1977, 11 allocations have been made for a total of 8.3 million, including 5 in the North (4.7 million), 3 in Wales (1.8 million), 2 in Scotland (600 000) and 1 in the North-West (1.1 million).

In France, the Bank granted two loans (182.3 million in total) for extensions to the telecommunications network in the Loire Valley, which faces serious problems of under-industrialisation, and in the Nord-Pas-de-Calais region, where staple industries are in decline.

Funds were also given over to constructing the Besançon-Beaune section of the Mulhouse-Beaune motorway (35.1 million), which will serve the handicapped areas of southern Alsace and Haute-Saône.

In addition, two loans (23.6 million) went towards industrial projects that will safeguard a considerable number of jobs in small towns and rural areas. The first of these involved rationalisation of dairy and cheese-making activities in Lower Normandy, Brittany and the Loire Valley, and the second, restructuring of steel plants in Lorraine — in particular at Neuves-Maisons — and Nord-Pas-de-Calais.

Lending in Ireland for regional development projects totalled 110 million, as against 79.7 million in 1977.

Three loans will help to further the development of the Cork area in the South-West, set to become one of the country's major industrial centres. In one operation, 30 million went for construction of Aghada power station, which is to burn natural gas from an offshore field near Cork, alternative economic uses for which have yet to be found. The other two loans, each for 15 million, will help to set up an industrial port and to lay on water supplies for a number of industrial estates. A 20.2 million loan contributed to water supply and sewage disposal works serving the Greater Dublin area, while improvements to the road system, in particular between Dublin, Cork and Galway and including a number of main roads to Northern Ireland towns, attracted an advance of 15 million. Finally, there were three global loans: two, for 3.7 and 7.5 million, were signed with The Industrial Credit Company, while the third, for 3.7 million, went to The Agricultural Credit Corporation, all three to be used for financing small and medium-scale industrial and agricultural ventures.

During 1978, 23 allocations (2.7 million) were drawn from global loans already operative, mainly for ventures in the East and North-East regions. The average sub-loan was for slightly under 120 000 units of account, an exceptionally modest figure; in fact, some allocations came within the 25 000 to 50 000 range.

Bank financing for projects promoting regional development in Denmark totalled 63.8 million, three times the 1977 figure. Several loans were for industrial projects: expansion of two factories, one producing mineral wool at Øster Doense (1.3 million) and one assembling electric motors at Bjerringbro (3 million); rationalisation of a cooperative dairy at Esbjerg (600 000) and support for small and medium-scale ventures in development areas under two new global loans (7.5 million) signed with the Danish Government. There were 15 allocations (5.8 million) from

previous global loans, including 3.3 million in the North Jutland Region alone. A loan for 11.3 million was granted for the purchase of two cargo vessels, a tanker and a freezer ship for Greenland services. The Bank also part-financed construction of the Christiansfeld-German frontier section of the South Jutland motorway (37.8 million) and modernisation of the port of Rønne on Bornholm Island (2.2 million).

In the other Member Countries, lending for projects offering regional benefits was less extensive: in Germany, two loans were granted, one towards construction of a meat products factory at Saarbrücken (1.4 million), and one for extension of a pharmaceuticals plant at Cuxhaven in Lower Saxony (900 000); in Belgium, three sub-loans, for an aggregate of 2.7 million, took up the remainder of a global loan concluded in 1976.

Lending for projects of common European interest

Following Community guidelines, the Bank put funds towards development of **nuclear power station plant** representing aggregate installed capacity of 1 900 MW, making for an annual saving of 2.7 million tonnes of oil equivalent. The plants in question are located in Belgium, at Doel in the province of Antwerp (62.2 million), in Italy, at Montalto di Castro in Latium (37.6 million) and in the United Kingdom at Hartlepool in the North (35.7 million). In France, a loan for 48.9 million was used to finance construction of the Super-Phénix fast breeder reactor being built at Creys-Malville in the Rhône-Alpes region by a European consortium of electricity utilities; this reactor involves a much lower specific consumption of uranium than can be obtained with light water reactors.

Projects by undertakings producing for the electricity generating sector attracted three loans for a total of 58.5 million including two for development of uranium enrichment facilities. A loan for 49.2 million was made available for the Eurodif gaseous diffusion uranium enrichment plant at Tricastin in Rhône-Alpes with an annual capacity of 10 800 tonnes USW (units of separative work). Another loan for 7.5 million was granted for the Urenco facility at Capenhurst in North-West England. Applying centrifuge technology, this will in the initial stages have a capacity of 400 t. USW per annum. Once both plants come into production, they will be able to meet most of the enriched uranium requirements of the Community's nuclear power stations. It was in fact in 1973 that the Council of Ministers of the European Communities adopted a resolution calling for the creation of adequate uranium

Lending under this heading (see page 22) totalled 662 million, an increase of more than a third on the 1977 figure.

Over four fifths of the total — 545.4 million — funded projects designed to improve the Community's energy situation, reduce its dependence on outside supplies and diversify its own sources of supply and fuel types. Loans were advanced for nuclear power stations, uranium enrichment plants, development of hydrocarbon deposits, gaslines, hydroelectric, coal-fired and geothermal power stations and for energy-saving equipment.

These projects will collectively cut back Community oil imports by about 15 million tpa.

enrichment capacity. The third loan in this sector was for 1.9 million, and was granted to a mechanical engineering concern at Brescia in Lombardy producing nuclear power station equipment.

In addition, in its role as agent for Euratom, the Bank joined with the Commission of the European Communities in signing contracts for loans to finance the second phase of Mülheim-Kärlich nuclear power station in Germany (33.2 million) and the Alto Lazio nuclear generating plant in Italy (37.5 million). These operations, which are accounted for off balance sheet in the Special Section (see page 59), are managed by the Bank but do not figure in its operating statistics, as the financing decisions are taken by the Commission.

Bank funding of oil and gas extraction and transport projects rose to 189.6 million, with loans going to Germany (43.2 million) and Italy (146.4 million). The German project covered various sections of the MEGAL gasline system, linking the Czechoslovak with the French frontier and putting a line through from the Austrian frontier to Schwandorf in Bavaria: these will be used to supply the Community with Russian natural gas. Financing in Italy went in support of projects to open up a number of smaller gasfields (35.1 million) in the Adriatic and Ionian Seas, the purchase of a semi-submersible pipelaying vessel for submarine oil and gas lines, the development of two underground gas storage reservoirs and consolidation of the country's gasline grid. Substantial capital investment is needed to connect this with the European system's supplies of Dutch and Soviet gas and, in the future, with a

transmission line from Algeria. The Bank has, accordingly, provided several capital equipment loans for laying large-diameter cross-country pipelines (12 million), linking gaslines in Lombardy (10.3 million) and constructing a section of the Algeria-Italy gasline (55.4 million) connecting Gagliano in Sicily with Sant'Eufemia in Calabria via the Strait of Messina. A loan for 9.2 million was granted to undertakings producing compressors for gasline booster stations.

As a follow-up to an advance of 8.4 million in 1977, a loan for 42.6 million went towards the conversion for coal-firing of a 600 MW unit at Asnæs power station on the Island of Zealand, near Copenhagen, with a view to cutting down on Denmark's oil imports. A loan for 35.7 million was granted for the pumped storage electricity generating scheme at Dinorwic in North Wales, which will use power generated at off-peak hours, mainly by coal-fired plants, to build up a head of water for operating hydroelectric facilities to meet peak demand.

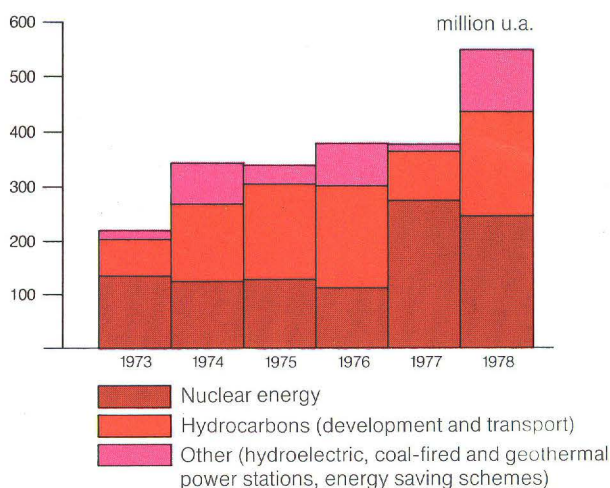
In 1978, the Bank broached new fields in its lending for projects designed to reduce the Community's energy dependence. It advanced 29.1 million towards construction of five geothermal generating stations in Tuscany, one of the few areas in Europe that offers suitable geological conditions, and 900 000 for preparatory work on tapping an oilfield off Abruzzi. It also granted a 4.2 million loan for installing energy-saving equipment in two steelworks in Lombardy undergoing modernisation, and a 1.3 million loan for an industrial plant in Denmark to raise production capacity for mineral wool to be used as thermal insulation in buildings.

The net impact of these investment projects in terms of reduced Community oil imports can be estimated at about 15 million tpa, or 3.2 % of the overall total for 1978.

Intra-Community transport infrastructure attracted loans totalling 116.6 million, four times as much as in 1977. One operation for 35.1 million benefited a section of the Mulhouse-Beaune motorway which will link the French and German systems and improve traffic flows between the north-eastern and south-western parts of the Community. A loan for 10.7 million went towards the Fréjus Tunnel, which will open up a new route from the Rhône Valley to Turin, accessible the whole year round. Funds of 9.5 million were advanced for the La Turbie-Roquebrune section of the 'La Provençale' motorway, which is the missing link on the North-west Europe—Mezzogiorno artery, several

sections of which have been financed by the Bank in the past. A 37.8 million loan was granted for a section of the South Jutland motorway linking Christiansfeld with the German frontier, and, like the Mulhouse-Beaune motorway, furthering the development of the regions it serves. Credit worth 7.5 million went towards the purchase of a new car ferry to ply routes between Ireland and Great Britain. The list is completed by a loan for 16.1 million, used to finance Sumburgh airport in the Shetlands, which provides the transit point for helicopter services to and from North Sea oil and gas fields.

Financing provided for energy projects between 1973 and 1978



Lending for industrial modernisation and conversion projects

Slackening demand for iron and steel products and intense international competition have highlighted the dire structural problems besetting European undertakings in the steel sector. In line with operations mounted by the European Coal and Steel Community, the Bank channelled funds towards correcting structural difficulties. Two loans totalling 23.5 million were granted, the first, in Italy, for the installation of a medium-diameter seamless tubes mill in a factory at Dalmine in Lombardy, and

Sectoral breakdown

Lending in the energy sector came to almost double the 1977 total. While maintaining a high volume of financing for nuclear projects (241 million), the Bank also appreciably increased its loans for oil and gas extraction and transport ventures (180.4 million), electricity transmission lines (106.3 million) and thermal, hydroelectric and geothermal power stations (193.4 million). Three quarters of the funds in question went for projects of interest to several Member Countries, and the remainder for installations offering regional benefits.

Loans for communications infrastructure and water schemes account for half of the year's financing (982.6 million). Most of the transport infrastructure financed (320.4 million) will improve access to outlying areas. Loans for telecommunications reached an exceptionally high level in 1978 (305.2 million), with funds going to a number of regions in France, Italy and the United Kingdom where

The Bank's contribution to financing projects aimed at modernising or converting undertakings, or creating fresh activities took the form of loans for steel plant reorganisation and loans in conversion areas for projects already mentioned in the regional development context.

the second for steelworks rationalisation in northern and eastern France, in particular at Neuves-Maisons near Nancy. These projects offer major economic benefits for the regions concerned.

Financing offered for regional development purposes also included 25.4 million for industrial projects ushering in modernisation or the creation of new activities in old-established industrial areas.

Loans for investment in the energy sector amounted to 721.3 million or more than one third of all financing within the Community. Credit for transport and telecommunications infrastructure totalled 625.6 million, water supply, sewage disposal and irrigation schemes took up a further 357 million and 262.6 million went to productive enterprise, chiefly the motor and food industries, and to numerous small and medium-scale industrial and, to a lesser extent, farming ventures.

existing facilities are inadequate. Financing of water supply, sewerage and sewage disposal schemes and irrigation projects increased once again (282.2 million), as a result of the fairly high priority accorded to works of this kind in the regional development programmes of the United Kingdom, Italy and Ireland.

In some cases, the Bank's loans financed composite projects encompassing the main transport, water and sewage disposal infrastructure for certain industrial estates. In southern Italy, funds were given over to water schemes designed to cater simultaneously for the needs of industry, the tertiary sector, agriculture and households.

Lending to productive enterprise ran to 262.6 million, as against 420 million in 1977. About half the overall volume of Bank lending went to projects in the consumer goods sector, a third for

Table 3: **Financing provided within the Community in 1978**

Sectoral breakdown

Sector	Number		Amount (million u.a.)		% of total
	Total	of which global loan allocations	Total	of which global loan allocations	
Energy, communications and other infrastructure	67		1 703.9		86.6
Energy	27		721.3		36.7
Production	20		494.0		25.1
<i>Nuclear</i>	6		241.1		12.3
<i>Thermal power stations</i>	4		128.7		6.5
<i>Hydroelectric power stations</i>	1		35.7		1.8
<i>Geothermal power stations</i>	1		29.1		1.5
<i>Development of oil and natural gas deposits</i>	8		59.5		3.0
Transmission	7		227.3		11.6
<i>Power lines</i>	3		106.3		5.4
<i>Gaslines and oil pipelines</i>	4		120.9		6.2
Communications	21		625.6		31.8
Transport	15		320.4		16.3
<i>Railways</i>	1		55.3		2.8
<i>Roads</i>	7		185.1		9.4
<i>Shipping and inland waterways</i>	6		63.9		3.3
<i>Air transport</i>	1		16.1		0.8
Telecommunications	6		305.2		15.5
Water	19		357.0		18.2
Agricultural development	3		74.8		3.8
Water catchment, treatment and supply	16		282.2		14.4
Industry, agriculture and services	183	155	262.6	72.2	13.4
Industry (1)	149	129	228.3	65.6	11.7
Mining and quarrying	1	1	0.5	0.5	
Metal production and semi-processing	5	1	36.6	1.4	1.9
Construction materials	12	11	8.3	7.1	0.4
Woodworking	9	9	2.4	2.4	0.1
Glass and ceramics	3	3	1.4	1.4	0.1
Chemicals	11	8	15.0	2.0	0.8
Metalworking and mechanical engineering	28	26	24.7	13.6	1.3
Motor vehicles, transport equipment	5	2	68.2	3.1	3.5
Electrical engineering, electronics	11	8	17.7	4.0	0.9
Foodstuffs	33	29	36.8	13.4	1.9
Textiles and leather	3	3	0.7	0.7	
Paper and pulp	9	9	5.7	5.7	0.3
Rubber and plastics processing	13	13	8.5	8.5	0.4
Other	5	5	1.7	1.7	0.1
Building – civil engineering	1	1	0.1	0.1	
Agriculture, forestry, fishing	25	25	6.4	6.4	0.3
Services	1	1	0.2	0.2	
Unallocated amount of global loans (3)	8	—	27.7 (2)	—	1.4
Grand Total	250	155	1 966.5	72.2	100.0

(1) Of which industries producing: intermediate goods, 75.6 million; capital equipment, 38.7 million; consumer goods, 114.0 million.

(2) Difference between the sum of global loans granted in 1978 (99.9 million) and the sum of allocations from current global loans approved during the year (72.2 million).

(3) Including a contract of mandate and guarantee for financing small and medium-scale ventures in the United Kingdom (45 million).

intermediate goods and the rest to capital equipment manufacturers. The downturn in lending to industry compared to 1977 can largely be ascribed to a fall in demand for investment capital from the steel industry (36.6 million, compared with 171.6 million the previous year), especially in the United Kingdom. The motor industry, however, attracted the largest share of financing (68.2 million) for projects helping to shift part of FIAT's production capacity into southern Italy. Next in order came the foodstuffs industry: dairy products (France and Denmark), meat processing (Germany) and drinks (United Kingdom).

With the signing of eight global loans (99.9 million, as against 91.3 million in 1977) with intermediary institutions in the United Kingdom, Italy, Ireland and Denmark, the way was opened for directing credit allocations of between 25 000 and 50 000 and up to 4 million towards a large number of small and medium-scale ventures located in problem areas in these countries.

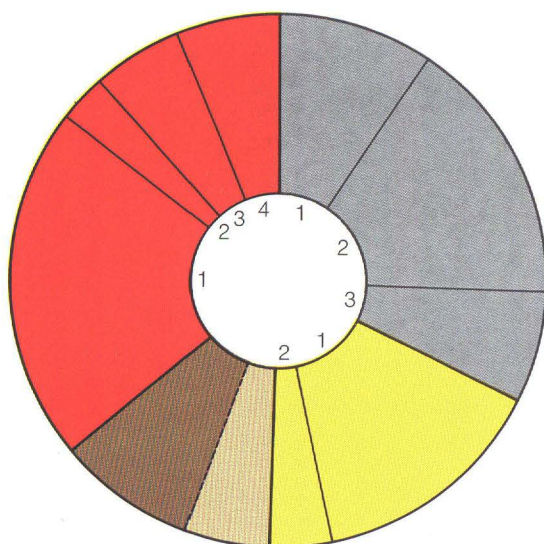
By dropping the lower limit on allocations from such lines of credit, the Bank was able to gear its global loans more towards independent firms employing less than 500 people: in the event, these attracted almost nine tenths of the sub-loans and more than three quarters of the funds disbursed.

The volume of credit drawn down from global loans again swelled considerably in 1978: 155 small and medium-scale ventures were allocated 72.2 million, compared with the 57.8 million that went to 133 ventures in 1977, although, at 460 000, the size of the average sub-loan remained more or less the same. Some two thirds of the ventures financed were located in Italy (103 allocations for a total of 52.8 million), with the remainder divided between the United Kingdom, Denmark, Ireland and Belgium. Close on 20 million went for 54 ventures in the agricultural and agro-industrial sectors, while 26 sub-loans channelled 13.6 million into the mechanical engineering sector. These apart, there was a high incidence of allocations for offshoots of the construction, rubber and plastics processing and paper and printing industries.

Global loan financing accounted for almost one third of all Bank lending for productive enterprise in 1978, making a singularly effective contribution to regional development by promoting the increasing diversification of industrial activity in labour-intensive sectors. Investment so financed should help to create 5 000 permanent jobs, or almost half of the employment opportunities directly stemming from the projects financed by the Bank in the course of the year. The investment per job directly created works out at 36 000 units of account, as compared with 111 000 for larger-scale industrial projects.

Financing provided within the Community in 1978

Sectoral breakdown



- Energy 36.7 %
 - 1 Electricity generation 22.1 %
 - 2 Development of oil and natural gas deposits 3 %
 - 3 Power lines 5.4 %
 - 4 Gaslines and oil pipelines 6.2 %
- Transport and telecommunications 31.8 %
 - 1 Roads 9.4 %
 - 2 Telecommunications 15.5 %
 - 3 Other 6.9 %
- Water schemes 18.2 %
 - 1 Water catchment, treatment and supply 14.4 %
 - 2 Irrigation 3.8 %
- Industry, agriculture and services 13.4 %
 - of which global loans 5.1 %

Breakdown by project location

As in the previous year, 71 % of the Bank's project financing in 1978 was concentrated in Italy, the United Kingdom and Ireland, where regional problems are not only widespread but particularly acute. There was also a sharp rise in financing in France and Denmark, due mainly to the provision of major energy installations and communications infrastructure.

Italy received by far the largest volume of finance from the Bank: 845.1 million (Lit 908 700 million), compared with 425.7 million in 1977. This represented 43 % of all Bank lending within the Community, compared with an average share of slightly over 35 % during the period 1973-78.

The bulk of the funds went for investment in the Mezzogiorno and 39 % of the total to the energy sector in recognition of Italy's heavy dependence on oil imports and the poor energy supply situation in the South. Large sums were again

granted for various other forms of basic infrastructure. In accord with Community guidelines, several loans assisted projects aimed at improving agricultural productivity in the Mezzogiorno. The volume of credit for industrial projects also remained quite high.

In the United Kingdom, financing totalled 430.8 million (£286.3 million), compared with 489.6 million the previous year. Once again, close on 40 % of the funds went to the National Water Council for water supply and sewage disposal

Table 4: **Financing provided within the Community in 1978, from 1958 to 1972 and from 1973 to 1978**

Breakdown by project location

Location	1978			1958-72 (1)			1973-78 (1)		
	Number	Amount (million u.a.)	% of total	Number	Amount (million u.a.)	% of total	Number	Amount (million u.a.)	% of total
Member Countries									
Belgium	1	62.2	3.1	6	67.2	2.7	4	107.0	1.6
Denmark	9	106.3	5.4	—	—	—	33	192.2	2.8
Germany	3	45.5	2.3	44	353.6	14.4	32	485.4	7.0
France	9	359.3	18.3	56	570.5	23.2	62	1 238.1	17.9
Ireland	10	117.4	6.0	—	—	—	31	361.2	5.2
Italy	40	845.1	43.0	196	1 412.3	57.5	164	2 472.0	35.7
Luxembourg	—	—	—	3	9.0	0.4	—	—	—
Netherlands	—	—	—	5	42.9	1.8	4	62.3	0.9
United Kingdom	23	430.7	21.9	—	—	—	100	1 889.1	27.3
Non-Member Countries (2)	—	—	—	—	—	—	6	100.5	1.6
Total	95	1 966.5	100.0	310	2 455.5	100.0	436	6 917.8	100.0
(of which guarantees)	(—)	(—)	(—)	(9)	(110.1) (3)	(4.5)	(3)	(118.1) (4)	(1.7)

(1) See Note 1 to Table 2, page 23.

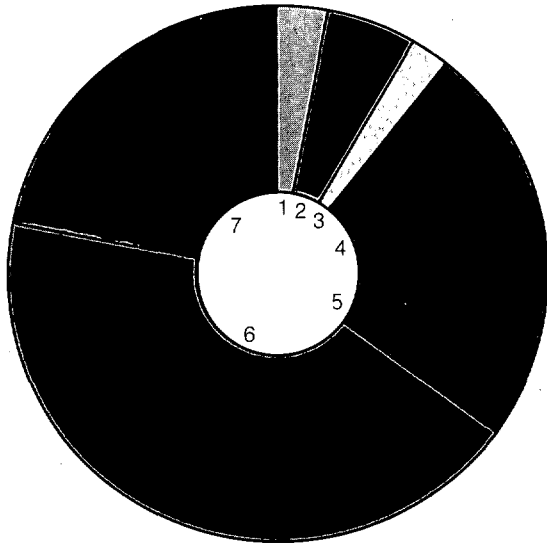
(2) Loans made in accordance with the second paragraph of Article 18 (1) of the Bank's Statute empowering the Board of Governors to authorise the Bank to contribute towards financing projects outside, but of direct interest to, the Community.

(3) Of which Italy: 90.2 million; Germany: 17.2 million; France: 2.7 million.

(4) Of which Germany: 101.6 million; Netherlands: 16.5 million.

Financing provided within the Community in 1978

Breakdown by project location



- | | |
|-----------------|-------------------------|
| 1 Belgium 3.1 % | 5 Ireland 6.0 % |
| 2 Denmark 5.4 % | 6 Italy 43.0 % |
| 3 Germany 2.3 % | 7 United Kingdom 21.9 % |
| 4 France 18.3 % | |

projects. Industrial lending was in support of projects in the private sector, which in most cases were given exchange risk cover by the Government.

Financing in France rose from 296.5 million to 359.3 million (Ffrs 2 038.4 million), half of which went for improving telecommunications in certain disadvantaged areas. Almost 100 million was advanced for two major nuclear projects (Eurodif and Super-Phénix), for which the Bank had provided credit the previous year.

Loans for projects located in Denmark trebled, rising from 32.7 million to 106.3 million (Dkr 747.5 million), which was more than the sum total of Bank lending in that country between 1973 and 1977. The funds went towards transport infrastructure, energy projects and industrial ventures; they included two new global loans for small and medium-scale ventures.

Lending in Ireland rose by almost 50 % to 117.4 million (€Ir 78.5 million), in contrast to 79.7 million in 1977. The credit was used for financing basic infrastructure and smaller projects in industry and agriculture.

In Belgium, a loan for 62.2 million (Bfrs 2 500 million) went towards a nuclear power station.

In Germany, most of the 45.5 million (DM 115.7 million) advanced was used to finance pipelines for transmission of natural gas from the Soviet Union, although about 2 million went towards two industrial projects.

Operations outside the Community

The Bank mounts financing operations outside Member Countries with the authorisation of its Board of Governors and in conjunction with agreements, financial protocols and decisions establishing cooperative links between the Community and various developing countries in the Mediterranean region, Africa, the Caribbean and the Pacific (ACP States — see page 12). In 1978, Bank finance for projects furthering the economic and social development of these countries totalled 221.7 million, of which 132.4 million went to the ACP States and 89.3 million to the Mediterranean region.

Financing outside the Community showed an overall increase of about one third over the previous year; lending from own resources (173.9 million), which accounts for some four fifths of the total, increased by 14.4 %, while operations mounted with budgetary funds provided by Member States or the Community increased almost threefold to 47.8 million.

The Mediterranean region

The new agreements, giving the Bank a future role in a number of Mediterranean countries, came into effect between August 1978 and February 1979. In 1978, the Bank and the Commission continued their joint preparatory work and project identification missions. The Bank appraised a number of projects in several countries, in order to be able to expedite financing operations, although in the event delay over approval of the regulations for implementing the various financial protocols ruled out the signing of the first batch of contracts in these countries, other than in Portugal and Greece.

The Bank's loans for projects in Mediterranean countries usually attract a 2 or 3-point interest subsidy financed out of the budget of the Community, which also guarantees the operations in question by furnishing 75 % cover for the sum total of credits advanced.

Portugal

The Financial Protocol which came into effect on 1 November provides for lending totalling 200 million from the Bank's own resources, 150 million of which is to attract 3-point interest subsidies from the Community budget. Towards the close of 1978, the Bank was able to grant three non-subsidised loans worth 35 million all told.

Portugal's leading chemicals concern, Quimigal, received two loans. The first, for 17 million, will help to finance modernisation of facilities producing nitrogen fertilizers, and the construction of ammonia and nitric acid plants near Lisbon. This project also ties in with the country's programme for raising agricultural output. The second loan, for 8 million, was for financing new production capacity for glass fibre, polyester resins and base material for the manufacture of polyurethanes. This project will widen the technology base of the Portuguese plastics sector and help it to move into a range of products for which market prospects look bright. Lastly, a loan for 10 million went towards increasing the capacity of a cement works and expanding the promoter's storage facilities.

In addition, 12 allocations totalling 5.6 million were drawn down from the 9 million global loan granted in 1977 to the Banco de Fomento Nacional (Portuguese National Development Bank). Half the funds in question went to the food processing sector, with the rest divided between the chemicals, metalworking and mechanical engineering, construction materials, and the glass and ceramics industries.

Yugoslavia

The Bank granted a 25 million loan towards the Trans-Yugoslavian Highway. The project covered 5 sections or 60 kilometers of road, including the

Table 5: **Financing provided outside the Community in 1978 and from 1963 to 1978**

Breakdown by project location

Location	1978			1963-78 ⁽¹⁾		
	Number	Amount (million u.a.)	% of total	Number	Amount (million u.a.)	% of total
Financing provided from EIB own resources						
Greece	1	20.0	9.0	23	136.4	10.3
Lebanon	1	3.0	1.3	1	3.0	0.2
Portugal	3	35.0	15.8	12	185.0	14.0
Turkey	—	—	—	2	25.0	1.9
Yugoslavia	1	25.0	11.3	2	50.0	3.8
ACP-OCT	12	90.9	41.0	66	345.5	26.2
Cameroon	—	—	—	12	35.4	
Congo	—	—	—	1	9.0	
Ivory Coast	—	—	—	14	72.8	
Gabon	—	—	—	4	4.4	
Ghana	—	—	—	1	10.0	
Upper Volta	—	—	—	1	0.5	
Fiji	1	12.5		1	12.5	
Mauritius	—	—	—	3	6.7	
Kenya	1	12.0		6	39.9	
Liberia	2	7.4		2	7.4	
Malawi	—	—	—	2	9.5	
Mauritania	—	—	—	1	11.0	
Niger	1	1.5		1	1.5	
Nigeria	1	25.0		1	25.0	
Papua New Guinea	1	7.0		1	7.0	
Caribbean Region	1	3.0		1	3.0	
Senegal	—	—	—	2	3.9	
Swaziland	1	10.0		1	10.0	
Tanzania	1	5.0		1	5.0	
Togo	—	—	—	3	22.3	
Trinidad and Tobago	1	5.0		1	5.0	
Zaire	—	—	—	3	34.2	
Zambia	1	2.5		1	2.5	
New Caledonia	—	—	—	2	7.0	
Total	18	173.9	78.4	106	744.9	56.4
Special operations ⁽²⁾						
Turkey	1	6.3	2.8	56	370.0	28.0
ACP-OCT ⁽³⁾	18	41.5	18.7	76	205.7	15.6
Cameroon	—	—	—	7	26.2	
Congo	1	3.2		4	9.8	
Ivory Coast	1	0.2		13	38.1	
Benin	—	—	—	1	3.3	
Gabon	—	—	—	3	10.3	
Ghana	—	—	—	1	2.0	
Guyana	1	3.2		1	3.2	
Upper Volta	—	—	—	3	9.5	
Kenya	1	0.1		2	1.2	
Liberia	1	0.3		1	0.3	
Madagascar	—	—	—	1	1.9	
Malawi	—	—	—	1	1.0	
Mali	1	3.6		1	3.6	
Mauritania	—	—	—	1	2.7	
Niger	1	0.9		1	0.9	
Papua New Guinea	1	1.9		1	1.9	
Rwanda	—	—	—	1	3.0	
Senegal	1	0.2		4	6.7	
Seychelles	1	0.6		1	0.6	
Sudan	1	6.5		1	6.5	
Surinam	—	—	—	1	1.9	
Tanzania	—	—	—	2	7.4	
Chad	—	—	—	2	8.7	
Togo	—	—	—	3	5.3	
Zaire	4	19.8		8	35.8	
Zambia	2	0.6		2	0.6	
Netherlands Antilles	—	—	—	1	4.4	
Caribbean States	—	—	—	1	1.0	
New Caledonia	—	—	—	2	3.4	
Reunion	—	—	—	2	2.8	
Guadeloupe	—	—	—	1	0.7	
French Guiana	1	0.4		1	0.4	
Martinique	—	—	—	1	0.6	
Total	19	47.8	21.6	132	575.7	43.6
(of which risk capital operations)	(15)	(25.3)	(11.4)	(36)	(66.2)	(5.0)
Grand Total	37	221.7	100.0	238	1 320.6	100.0

(1) See Note 1 to Table 2, page 23.

(2) Operations on special conditions financed from the resources of Member States directly (Turkey) or through the intermediary of the European Development Fund (ACP-OCT) and accounted for off balance sheet in the Bank's Special Section.

(3) See Table 13 for breakdown of operations according to type of financing and the convention to which they relate.

Belgrade throughway, the link with the Greek frontier and the Ljubljana bypass, where there is an interchange with a motorway currently under construction to Trieste, to connect with the Italian motorway system. This loan took up the balance of the 50 million that the Bank's Governors in December 1976 authorised the EIB to lend from its own resources following the Belgrade Declaration on cooperation between the Community and Yugoslavia.

Greece

In 1978, the Bank granted a second global loan, for 20 million, to the National Investment Bank for Industrial Development (NIBID) under the new Financial Protocol. Sub-loans from this will be used for the development of small and medium-sized undertakings and should facilitate the structural adaptation of Greek manufacturing industry to the Common Market.

Turkey

A loan for 6.3 million from special resources was granted towards a paper mill at Dalaman in Western Anatolia, where capacity for coated paper and board is to be increased to meet demand, within a rapidly expanding market, for items such as labels, packaging and magazines. The project also provides for installation of effluent treatment facilities for the entire mill, the first of their kind in Turkey, in line with the recommendations of the Barcelona Convention on reducing pollution in the Mediterranean.

This loan used up what remained of the 195 million set aside for lending on special conditions under the second Financial Protocol which came into effect in 1973.

Lebanon

A first loan, for 3 million from the Bank's own resources, was granted under the heading of 'exceptional aid' authorised in November 1977 by the Bank's Board of Governors, which earmarked 20 million for reconstruction in Lebanon. This first loan will part-finance the installation of three additional 70 MW generating sets at Jieh thermal power station near Beirut.

African, Caribbean and Pacific (ACP) States and Overseas Countries and Territories (OCT)

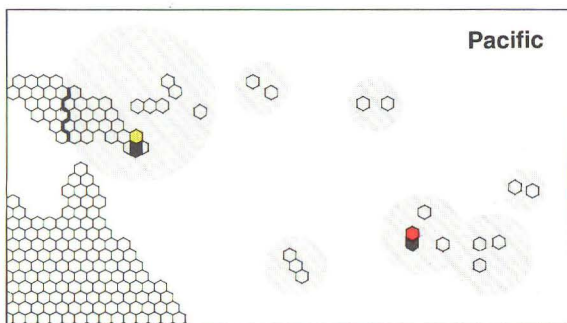
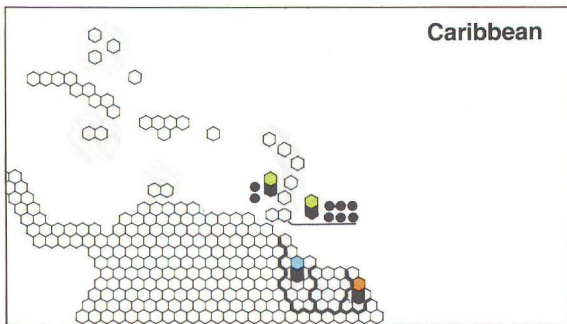
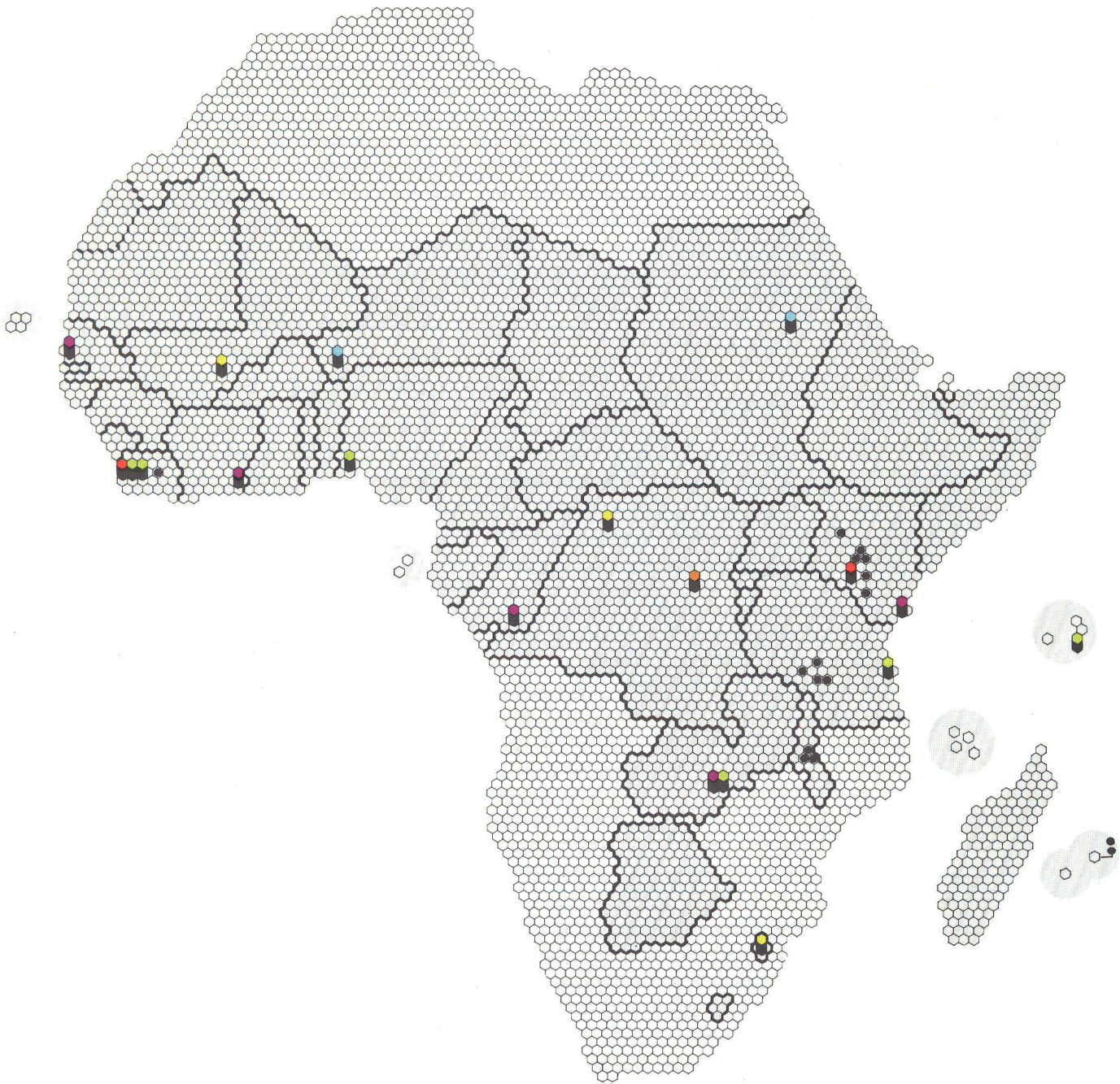
In 1978, the Bank mounted 30 financing operations for a total of 132.4 million in support of 24 projects in fourteen African and two Pacific countries and in the Caribbean. These included three special operations, involving 16.3 million, which use up the residue of European Development Fund (EDF) resources available for special loans under the second Yaoundé Convention and the Council Decision concerning the OCT. Under the Lomé Convention, twelve loans for a total of 90.9 million were granted from the Bank's own resources, each carrying a 3% interest subsidy financed from the EDF, and fifteen risk capital operations were mounted totalling 25.3 million, also drawn from the EDF.

This brought the number of financing operations carried by the Bank since the Lomé Convention came into effect on 1 April 1976 to 64, and the funds so deployed to 262.6 million ('), comprising 31 loans from own resources for a total of 199.4 million and 33 risk capital operations for a total of 63.2 million (').

Risk capital made available by the Bank under mandate from and for the account of the Community is employed for financing shareholdings or lending to an ACP State or a national development agency to bolster enterprises' equity bases. It can also be used for providing quasi-capital assistance in the form of subordinated or conditional loans. Subordinated loans are repayable only after priority loans have been paid off; repayment terms for conditional loans or the period for which these are made available is linked to fulfilment of conditions specified at the time of signature of the contract. Several such loans have gone in tandem with loans from the Bank's own resources. The flexibility of this medium, the terms and conditions of which are tailored to individual projects, can accommodate all manner of financing needs, particularly in the least developed ACP States.

1978 saw the Bank mounting its first operations in a number of countries: Fiji, Guyana, Liberia, Mali, Niger, Nigeria, Papua New Guinea, Seychelles, Sudan, Swaziland, Trinidad and Tobago and Zambia.

(') After deducting 500 000 to allow for partial cancellation of two financing operations concluded in 1976.



Projects financed in the ACP States and the OCT in 1978

-  Energy
-  Communications
-  Consumer goods industries
-  Intermediate goods industries
-  Services
-  Global loans
-  Global loan allocations

In **Nigeria**, a global loan for 25 million granted to the Nigerian Industrial Development Bank Ltd (NIDB) will be drawn down to finance medium-scale industrial ventures across the country.

In **Zaire**, one conditional loan for 4 million was earmarked for the palm oil mill at Gosuma (Ubangi region) run by the state-owned Palmeraies du Zaire; another for 30 000 is to be used to complete a technical and economic study of a project for extending the plantation.

Two operations totalling 12.1 million supported projects in **Kenya**:

(i) a loan for 12 million was advanced to the Kenya Government for on-lending to the Tana River Development Authority as a contribution towards regulating the flow of the river and boosting the country's hydroelectric generating capacity. The venture will enhance agricultural potential and around 25 000 families will find employment on the 80 000 ha of land developed through this scheme. The Commission of the European Communities, drawing on funds from the fourth EDF, and the Federal Republic of Germany are providing long-term finance for the project which is also attracting a grant from the United Kingdom;

(ii) a loan from risk capital worth 100 000 was made available to the Kenya Tourist Development Corporation (KTDC) for conducting a study of tourism and hotel potential in coastal areas.

In **Swaziland**, a loan for 10 million was granted to the Royal Swaziland Sugar Corporation for establishing a new sugar plantation and mill with a capacity of 125 000 tonnes of raw sugar a year; about 3 000 jobs will be created. The Commonwealth Development Corporation (CDC), Deutsche Entwicklungsgesellschaft (DEG) and the International Finance Corporation (IFC) are co-financing the venture.

In **Liberia**, the Bank made three loans worth a total of 7.7 million:

(i) the first, for 4.9 million, went to the Liberia Electricity Corporation (LEC) for upgrading Bushrod power station, near Monrovia, by installing two diesel generators. The project is also being backed by the World Bank, the Saudi Development Fund and the Arab Bank for Economic Development in Africa;

(ii) two operations were mounted in support of the Liberian Bank for Development and Investment (LBDI); these comprise a global loan for 2.5 million and a loan from risk capital for 300 000 for acquiring a stake in LBDI on behalf of the EEC.

The ultimate recipients will be promoters of small and medium-scale projects in industry and tourism.

In **Sudan**, a conditional loan for 6.5 million was granted to the Gezira Managil Textile Company Ltd for a mill which will produce up to 12 million meters of cotton fabric a year for the domestic market. The project, co-financed by IFC, should lead to the direct creation of 900 jobs.

In **Tanzania**, a global loan for 5 million was channelled to the Tanganyika Development Finance Company Ltd (TDFL) which will use the proceeds to support a range of medium-scale industrial ventures.

A loan worth 3.6 million financed from risk capital was made available to the Republic of Mali for constructing a rice mill at Dioro, near Ségou.

In **Zambia**, the EIB mounted three operations totalling 3.2 million: it acquired, on behalf of the Community, a 600 000 holding in the Development Bank of Zambia (DBZ), granted a global loan to this bank for 2.5 million for financing smaller-scale ventures in industry and possibly tourism, and provided a loan for 80 000 from risk capital for studying the feasibility of expanding Chilanga cement works.

In the **Congo**, a conditional loan for 3.1 million will enable the State to subscribe to the share capital of a company responsible for constructing a 173-room hotel at Brazzaville. The Caisse Centrale de Coopération Economique (CCCE) has also advanced funds for the hotel.

Niger received two loans totalling 2.4 million for modernising a textile mill at Niamey: 1.5 million went to Société Nouvelle Nigérienne du Textile, while 900 000 was provided in the form of a conditional loan to the Republic of Niger to finance its stake in the firm's capital. The mill is designed to meet domestic requirements and employs a workforce of 830.

In the **Seychelles**, the Bank acquired a 600 000 holding on behalf of the Community in the Development Bank of Seychelles (DBS) to support smaller scale investment projects.

Two conditional loans, each for 200 000, were granted for feasibility studies on developing local resources through exploiting by-products of phosphate mined at Taiba in **Senegal** and through large-scale processing of manioc in the **Ivory Coast**.

Two projects received Bank support in the **Pacific** region.

In **Fiji**, a loan for 12.5 million was made available to the Fiji Electricity Authority for constructing a dam and power station with an installed capacity of 38 MW. The project, which will enable electricity to be generated using local resources rather than imported oil, is being co-financed by the World Bank, the Australian Government, the Commonwealth Development Corporation and the Asian Development Bank.

In **Papua New Guinea**, the EIB assisted construction of a palm oil mill, together with storage and loading facilities, through a loan for 7 million from the Bank's own resources to the Higaturu Processing Proprietary Ltd (HPPL) and a conditional loan worth 1.9 million to the Government of Papua New Guinea for part-financing its contribution towards HPPL's capital increase. The mill, also being financed by the Commonwealth Development Corporation, will produce around 43 000 tonnes of oil a year with a payroll of 160.

Finally, three loans were provided in the **Caribbean** region.

The Bank made two global loans available for drawdown by promoters of small and medium-scale industrial and tourism ventures; the first, in **Trinidad and Tobago**, was a 5 million line of credit opened with the Trinidad and Tobago Development Finance Company Ltd (TTDFC); the

second, in the **Caribbean Community (CARICOM)**, comprising 16 overseas states and territories, was for 3 million placed at the disposal of the Caribbean Development Bank (CDB). The **Cooperative Republic of Guyana** received a conditional loan for 3.2 million for developing the country's forestry resources. The bulk of output from the project, which involves constructing a sawmill complex and a township housing some 420 workers, will be exported to North America and Europe. The Commission, the World Bank and the Inter-American Development Bank are also financing the venture.

Three operations fully absorbed the 16.2 million balance of EDF special loan finance remaining under the second Yaoundé Convention: in **Zaire**, 14 million was earmarked for improving and asphaltting the Penetungu-Lubutu section of the road linking Bukavu, chief town of the Kivu region, and Kisangani, chief town of the Upper Zaire region; 1.8 million also went for construction of the palm oil mill at Gosuma (Ubangi region) and, in the **French Department of Guiana**, 500 000 was made available for constructing a fishing wharf at Le Larivot.

Under the Lomé Convention, the Bank is also responsible for collecting principal and interest on special loans granted from EDF resources and appraised, approved and managed by the Commission. These operations are recorded off balance sheet in the Special Section (see page 59) and do not figure in EIB operating statistics.

Operations between 1958 and 1978

Since its inception in 1958, the European Investment Bank has provided finance totalling 10 693.9 million units of account at current prices, or some 15 000 million at 1978 prices; almost 50 % of this has been made available over the past three years. The Bank's contribution has averaged 22 % of the investment cost, totalling around 69 000 million at 1978 prices, for which it has provided long-term finance. Projects within the Community have attracted around 13 200 million (9 373.3 million at current prices) or 87.1 % of the total.

Financing provided within the Community has helped to fund investment ⁽¹⁾ totalling some 57 500 million at 1978 prices ⁽²⁾ which in turn was expected to create directly close on 180 000 permanent jobs and safeguard a further 76 000. A far higher number of job opportunities has been created through investment in energy and infrastructure projects — although no figure has been put

77 give a breakdown of financing up to and including 1978 according to economic policy objective, project location and sector.

Details of the Bank's activity since it was established are contained in the brochure published in 1978 on the occasion of its twentieth anniversary ⁽³⁾. The following paragraphs deal only with trends in Member Countries since enlargement of the Community in 1973 and summarise operations under the various financial cooperation agreements with non-Community countries.

Annual financing provided from EIB own resources between 1959 and 1978 at 1978 prices



to this — as a result of the spin-off in associated manufacturing industry and the temporary multiplier effects, both direct and indirect, during the construction period.

Trends in annual Bank activity are shown in the graph on page 18 and the graph above. Table 2 on page 23, Table 4 on page 35 and Table 9 on page

⁽¹⁾ This represents the total amount of fixed investment in respect of all projects backed by the Bank, calculated from data used in establishing the promoters' financing plans when the Bank's Board of Directors approved the relevant financing operations.

⁽²⁾ Constant price evaluations are based on national price indices derived from gross fixed capital formation, adjusted to take account of indexed changes in the rates for converting national currencies into units of account.

⁽³⁾ Obtainable on request.

Operations within the Community (1973-78)

Between 1973, when the Community was enlarged, and the end of 1978, the EIB provided loans and guarantees within the Community for a total of 6 917.8 million at current prices, or close on three quarters of the sum total of financing operations mounted in Member Countries since 1958.

provided in the Community since 1973. The Bank mounted 137 operations, mostly in support of larger scale projects in basic industries, and opened up 45 global loans totalling more than 500 million. 722 allocations (338.8 million) were drawn down from these lines of credit for smaller businesses in a wide range of sectors where ventures are far more labour-intensive than large-scale projects (29 000 units of account per job created, compared with 99 000 units of account).

Breakdown by economic policy objective

Over the past six years, lending for projects offering regional benefits has trebled, showing an average increase of 16.2 % a year at 1978 prices and accounting for over two thirds (70.5 %) of EIB financing in the Community.

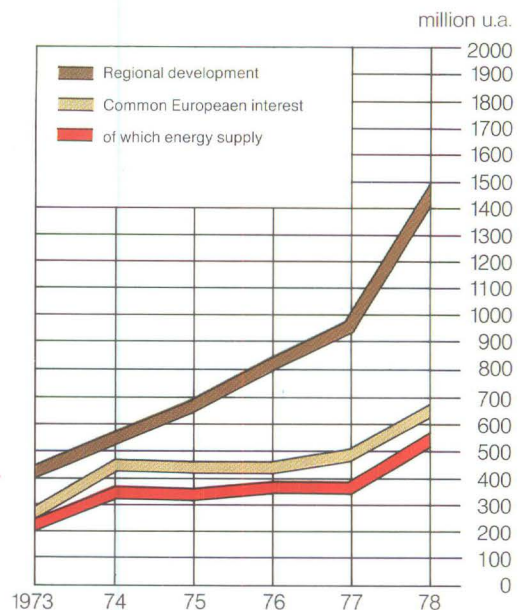
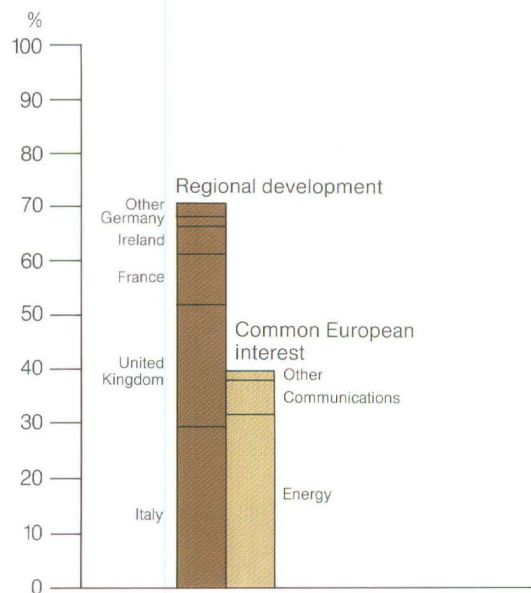
The majority of loans for projects of common interest to several Member Countries was directed towards improving the Community's energy supplies. Credit for installing nuclear plant totalled 1 012.3 million or close on half of all finance for energy between 1973 and 1978. Projects helping to improve communications within the Community also attracted a substantial volume of funds.

Sectoral breakdown

The sharp upturn in financing provided since 1973 can be ascribed chiefly to the high individual cost of projects relating to the energy sector, transport, telecommunications and water schemes.

Lending to industry totalled more than 1 700 million, or almost a quarter of all financing

Breakdown by economic policy objective



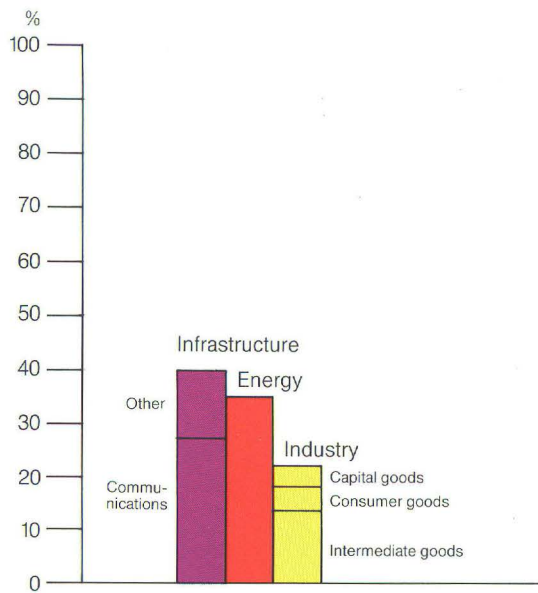
Breakdown by project location

More than two thirds of projects financed within the Community were located in Italy, the United Kingdom and Ireland where regional problems are most acute (see Table 4, page 35).

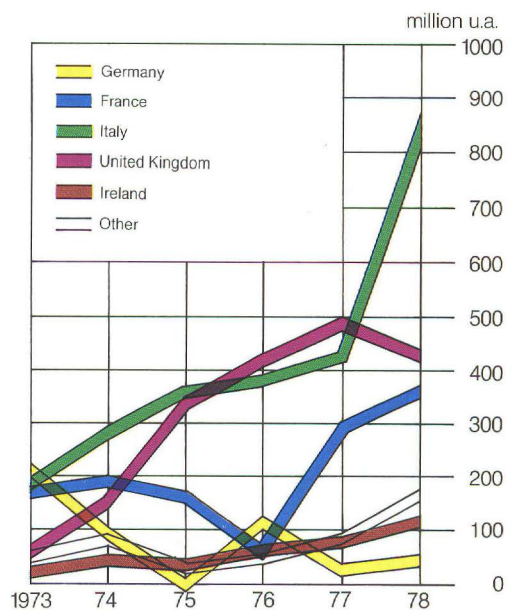
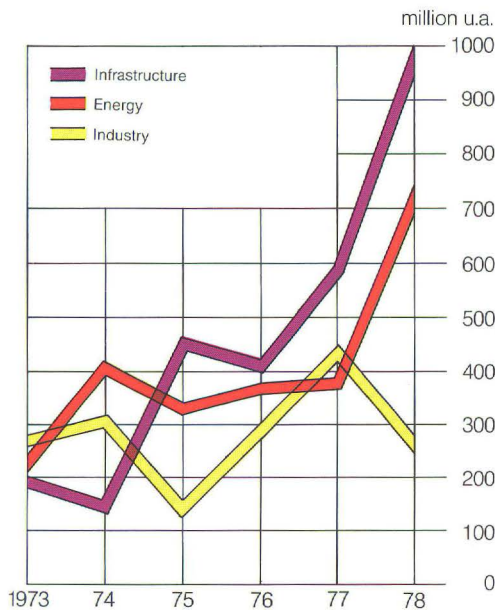
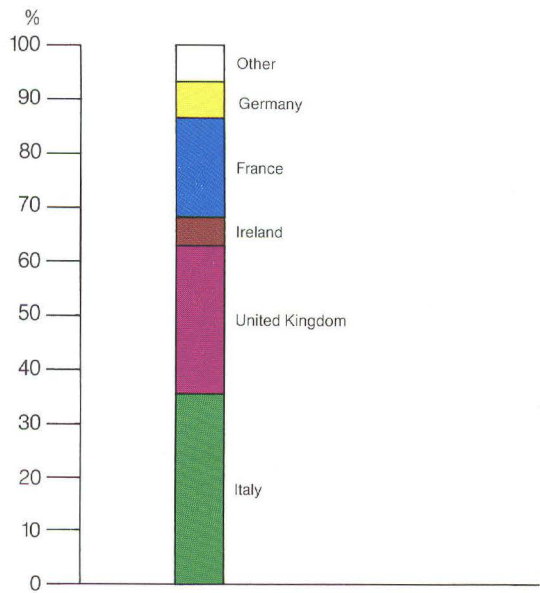
The Mezzogiorno alone attracted 1 958.9 million, or nearly 30 % of total financing in Member Countries.

The large volume of funds advanced in the United Kingdom went towards tapping oil and gas resources in the North Sea, restructuring the steel industry and realising large-scale water schemes. In France, particularly over the past two years, substantial backing has been provided for energy projects and major communications infrastructure.

Sectoral breakdown



Breakdown by project location



Operations outside the Community

Since 1963, the Bank has assisted in implementing the Community's policy of economic and financial cooperation with an increasing number of developing countries. Operations have been mounted under the various agreements, financial protocols and decisions concerning Greece, Turkey, the African, Caribbean and Pacific States, the Overseas Countries and Territories, Portugal, Yugoslavia and Lebanon.

Between 1963 and 1978, these countries received a total of 1 320.6 million, comprising 744.9 million from the Bank's own resources and 575.7 million from budgetary funds made available to the Bank by Member States either directly or through the European Development Fund⁽¹⁾ (see Table 13, page 38).

The graph showing operations outside the Community as a percentage of overall Bank activity, reveals marked fluctuations which can be ascribed chiefly to the hiatus in activity between the expiry of one convention, generally concluded for five years, and entry into force of the next.

(¹) Loans on special conditions and risk capital operations arranged by the Bank under mandate from and for the account of Member States or the European Economic Community (European Development Fund) and accounted for under the EIB's Special Section (see page 59).

Mediterranean countries

Financing provided between 1963 and 1978 in the Mediterranean countries, including Portugal, totalled 769.4 million, or 58 % of all funds advanced by the EIB outside the Community. This includes 399.4 million from the Bank's own resources.

Between 1965 and 1978, 58 operations were mounted in Turkey under the first two Financial Protocols for a total of 395 million, including 25 million in the form of loans from the Bank's own resources (see Table 6, below).

EIB activity outside the Community in relation to the Bank's total activity (1963–78)

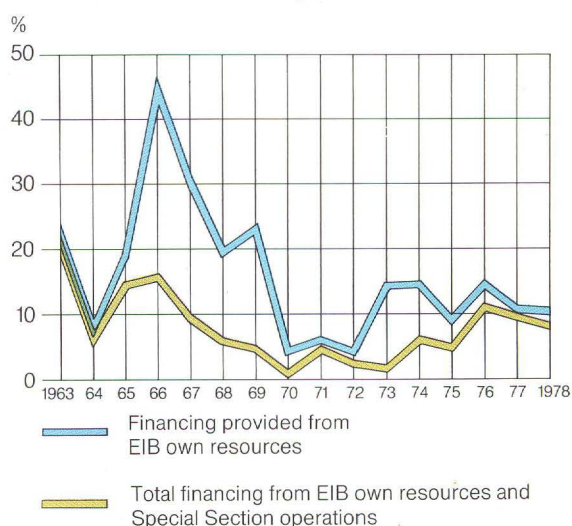


Table 6: Loans granted in the Mediterranean region between 1963 and 1978

	Number		Amount (million u.a.)		% of total
	Total	of which global loan allocations	Total	of which global loan allocations	
Greece	41	18	136.4 ⁽¹⁾	8.9	17.7
Portugal	46	34	185.0 ⁽¹⁾	20.6	24.0
Turkey					
– loans from budgetary funds ⁽²⁾	95	39	370.0	17.5	48.1
– loans from own resources	26	24	25.0	25.0	3.3
Yugoslavia	2	—	50.0	—	6.5
Lebanon	1	—	3.0	—	0.4
Total	211	115	769.4	72.0	100.0

(¹) Partly attracting an interest subsidy financed by Member States.

(²) Loans on special conditions on behalf of, and from resources provided by, Member States.

A sectoral breakdown of projects financed (see Table 14, page 82) shows a preponderance of industrial (39%) and energy (35%) projects. The Turkish Government received two global loans from budgetary funds for financing preinvestment expenditure, and seven other global loans totalling 33.8 million were also made available, 25 million being drawn from EIB own resources and 8.8 million from budgetary funds. The entire amount has been on-lent for 63 small and medium-scale industrial ventures.

Investment schemes supported by the EIB since 1965 are, as a whole, estimated to have contributed directly to the creation of around 25 000 jobs and the reduction of seasonal underemployment in several agricultural areas.

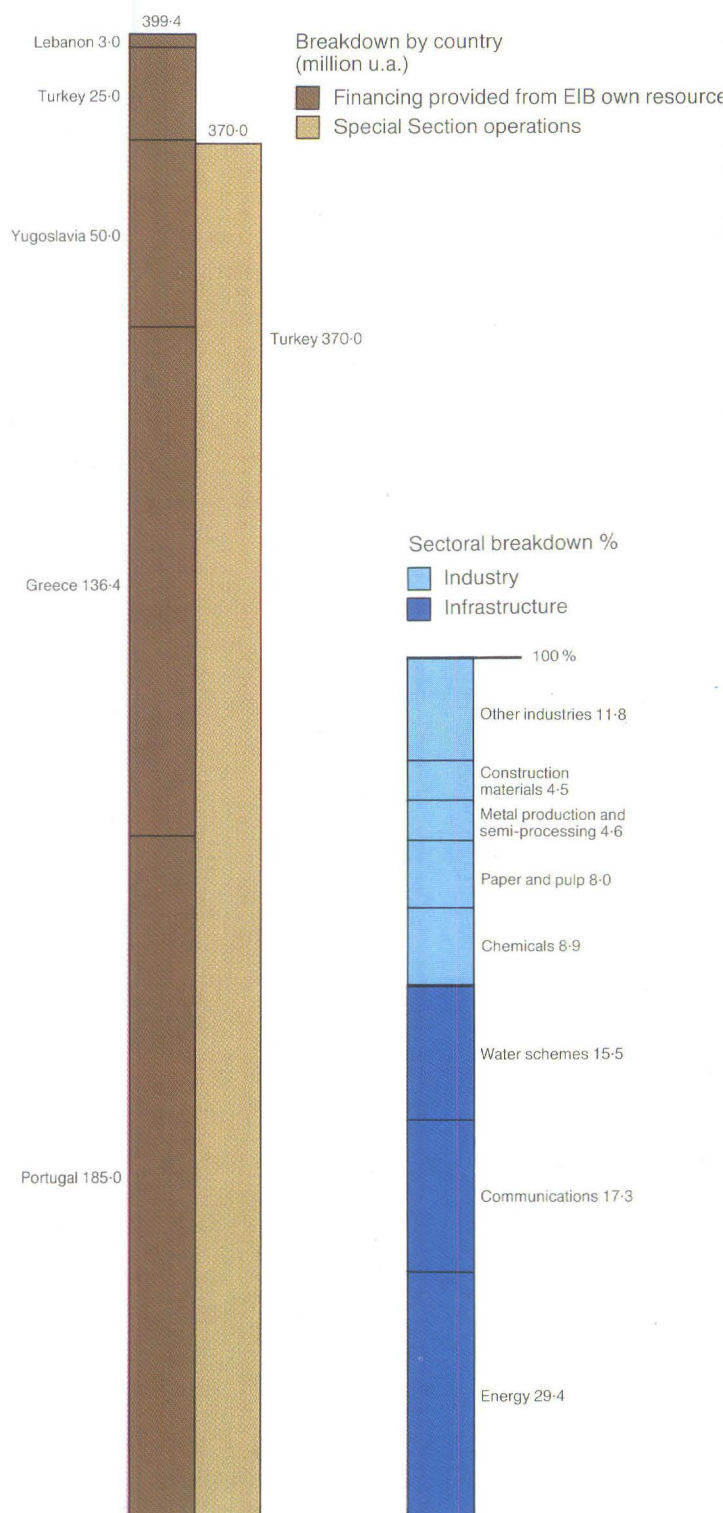
In Greece, between 1963 and 1978 the Bank granted 23 loans, totalling 136.4 million, from its own resources under the first two Financial Protocols, with close on 60% earmarked for agricultural development, transport infrastructure and energy projects. Lending to industry amounted to 57 million overall; 18 sub-loans totalling 8.9 million were taken up from the first of two global loans in support of small and medium-scale ventures. These operations will together contribute to the direct creation of some 7 000 jobs and substantially improve working conditions in areas served by irrigation projects.

Between 1976 and 1978, the Bank made 12 loans from its own resources in Portugal for a total of 185 million, initially under the heading of exceptional emergency aid and subsequently under the Financial Protocol.

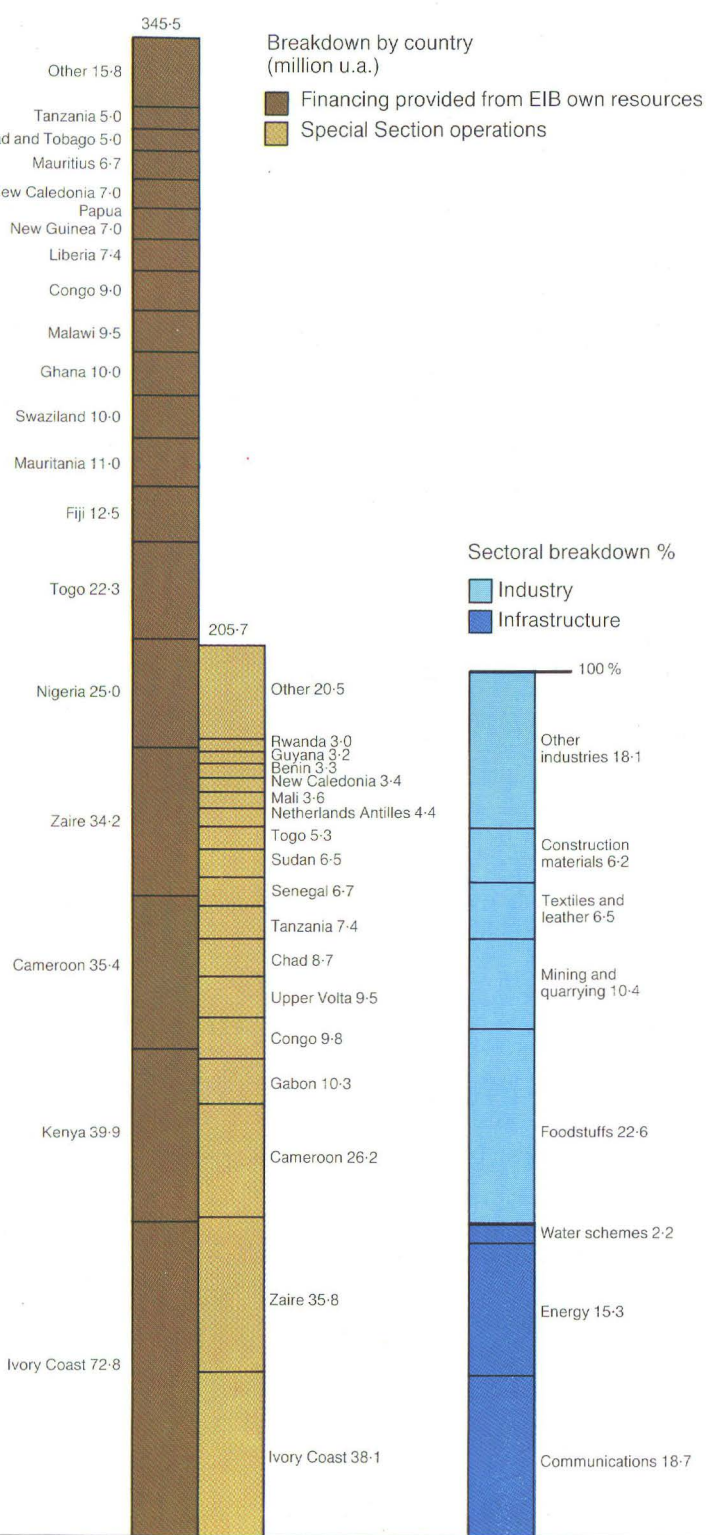
Funds were advanced for power stations (55 million), irrigation projects (27 million), port development schemes (24 million) and industry (79 million). Finally, 34 allocations totalling 20.6 million were drawn down from two global loans for small and medium-scale ventures.

In Yugoslavia, two loans worth a total of 50 million were granted for electricity transmission lines and the Trans-Yugoslavian Highway, projects of interest both to Yugoslavia and the Community. A first exceptional aid loan for reconstruction in Lebanon took the form of finance (3 million) for a power station.

Financing provided in the Mediterranean region



Financing provided in the ACP States and the OCT



African, Caribbean and Pacific States

The two Yaoundé Conventions concluded with the Associated African States, Madagascar and Mauritius (AASMM) and the two Decisions concerning the Overseas Countries and Territories (OCT) fixed a ceiling of 170 million for operations funded from the Bank's own resources and 140.5 million for loans on special conditions and contributions to the formation of risk capital financed from the European Development Fund.

Between 1964 and 1978, the Bank advanced a total of 288.1 million in support of projects in the AASMM and OCT. Of this, 146.1 million took the form of loans from own resources, while the EDF was drawn on to the extent of 139.5 million in loans on special conditions and 2.5 million in contributions to the formation of risk capital (*).

Financial cooperation with the African, Caribbean and Pacific States and in the Overseas Countries and Territories (ACP States and OCT) provided for over five years under the Lomé Convention and the Decision of the Council of 29 June 1976 has resulted in the conclusion of Bank financing operations totalling 262.6 million since the Convention entered into force on 1 April 1976. Loans from the EIB's own resources ran to 199.4 million and risk capital assistance from the European Development Fund to 63.2 million. Industry, energy infrastructure projects (together 255.2 million) and tourism (7.4 million) were the recipients.

The Bank made available 78.1 million for agro-industrial complexes and 40.2 million for a variety of industrial projects; 10 million went to the chemicals and metallurgical industries and 65.9 million to the energy sector. With small and medium-scale ventures in mind, 16 global loans totalling 61 million (56 million from the Bank's own resources and 5 million from risk capital funds) were channelled to development banks.

Loans funded from EIB own resources under the Lomé Convention carry a 3-point interest subsidy financed from European Development Fund resources.

Financing provided between 1964 and 1978 for projects in the ACP and OCT under the various conventions and decisions totalled 551.2 million, or 42% of overall Bank activity outside the Community.

(* See Note 4 to Table 13, page 81.

Resources

In June 1978, the EIB's subscribed capital was doubled to 7 087.5 million. During the year the Bank raised a total of 1 949.7 million on the capital markets.

At 31 December 1978, the Bank's total resources (comprising paid-in capital, reserves and provisions, the balance of the profit and loss account and borrowing proceeds) stood at 7 869.9 million compared with 6 430.9 million at 31 December 1977.

The additional 1 439.0 million resulted from a net increase in borrowed funds of 1 295.5 million, taking into account adjustments in conversion rates, 105.5 million in net income and 38 million in the form of contributions to the capital increase decided in 1975. Payments in respect of the capital increase approved in 1978 will commence in 1980 with the first of eight six-monthly instalments totalling 354 375 000, which will raise paid-in capital to 911.25 million (see page 9 and Annex A to the Financial Statements, page 60).

In 1978, the Bank made calls on the financial markets amounting to 1 949.7 million overall, compared with 1 161.5 million in 1977 and 748.9 million in 1976. Of this, 1 823 million was raised through public issues or private placings on the

capital markets, 39.9 million from medium-term interbank operations and 86.8 million from the sale to third parties of participations in Bank loans. These participations, guaranteed by the EIB, are taken up by institutional investors for whom a sound investment offering a good return is more important than ready convertibility.

Securities floated through public issues are quoted on the principal stock exchanges in the countries of issue and on the Luxembourg Stock Exchange in the case of securities issued on the international capital market in Europe. Lead managers of the issuing syndicates are responsible for monitoring and supporting secondary market prices of securities which they have helped to place and they keep in close touch with the Bank's Finance and Treasury Department.

The substantial increase in borrowings was facilitated by the abundant liquidity on most financial markets throughout the year. However, uncertainty surrounding the outlook for interest rates and the rate for the US dollar led to a marked change in

Table 7: Funds raised from 1961 to 1978

Year	Number	Amount (million u.a.)			Participations by third parties in EIB loans (million u.a.)	Funds raised (million u.a.)
		Private issues	Public issues	Total		
1961	3	7.6	13.8	21.4	—	21.4
1962	2	—	32.3	32.3	—	32.3
1963	3	8.0	27.2	35.2	—	35.2
1964	5	13.5	53.3	66.8	—	66.8
1965	4	—	65.0	65.0	—	65.0
1966	6	24.0	114.5	138.5	—	138.5
1967	8	40.0	154.5	194.5	—	194.5
1968	13	112.5	100.0	212.5	—	212.5
1969	9	63.7	82.3	146.0	—	146.0
1970	7	66.6	102.3	168.9	—	168.9
1971	20	208.0	204.9	412.9	—	412.9
1972	19	133.4	328.6	462.0	17.5	479.5
1973	22	207.0	401.0	608.0	4.3	612.3
1974	16	704.2	121.3	825.5	—	825.5
1975	26	318.6	495.1	813.7	17.0	830.7
1976	17	221.0	510.9	731.9	17.0	748.9
1977	31	321.9 (1)	707.6	1 029.5	132.0	1 161.5
1978	43	509.0 (2)	1 353.9	1 862.9	86.8	1 949.7
1961-78	254	2 959.0	4 868.5	7 827.5	274.6	8 102.1

(1) Including 87 million in medium-term interbank operations.

(2) Including 39.9 million in medium-term interbank operations.

the breakdown of the different currencies in which Bank issues were denominated. A sharp upturn was recorded in the volume of funds raised in Community currencies (869.8 million compared with 370.4 million in 1977) which exceeded the amount of dollar-denominated issues. In addition to those currencies of Member Countries in which the Bank usually raises its funds (23 operations in 1978 worth 690.1 million in Deutsche Mark, Dutch guilders, Belgian and Luxembourg francs), three operations totalling 179.7 million were mounted in French francs (the Bank was the first to launch an issue on the Euro-franc market in 1978) and one in pounds sterling.

Although lower in relative terms, the US dollar's share in Bank borrowings remained substantial and showed a marked rise in absolute terms (861.8 million as against 521.6 million in 1977); dollar issues were launched on the international market, on the American domestic market for foreign issues and on a new market, that of Japan. A total of 440.5 million was raised on the American market through two public borrowings and two private placings, while six operations on the international market provided the Bank with a further 357 million. 80% of a dollar issue concluded by the EIB in August 1978 with a syndicate headed by a Japanese lead bank was placed on the Japanese market (64.3 million).

The Bank raised 109.6 million on the Swiss market via four issues, including three conversion operations.

To diversify its resources, the Bank made its second call on the Austrian market with a 21.7 million issue placed by an international syndicate.

Table 8 on page 74 gives details of borrowings during the year (funds raised through participation certificates are not included). After deducting repayments and allowing for exchange adjustments, total net borrowings outstanding at 31 December 1978 amounted to 6 707.9 million, compared with 5 412.3 million at 31 December 1977, representing an increase of 1 295.6 million of which 213 million was still to be received (*).

Since introducing a range of loan formulae in 1977, the Bank has tailored its **lending rates** to the currencies disbursed and the corresponding maturities. The base rates applicable to individual currencies and maturities are fixed by the Board of Directors in the light of the cost at which the Bank can obtain the currencies for the relevant periods. Hence, trends in the Bank's lending rates have merely reflected trends on the various capital

markets: higher rates for the pound sterling, the US dollar, the guilder and, to a lesser degree, the Deutsche Mark at the end of the year, relative stability of the Belgian franc, the Danish krone, the Swiss franc and the Yen, and lower rates for the Italian lira and French franc.

(*) See Annex C to the Financial Statements, page 62.

Results for the year

Operating profit for the year amounted to 111.2 million and will be appropriated to the statutory reserve and the supplementary reserve in accordance with Article 24 of the Statute which stipulates that a reserve fund of up to 10 % of the subscribed capital shall be built up progressively and that, as appropriate, additional reserves may also be set aside.

As in 1977, results for the past financial year were influenced by the expansion in Bank activity and the mounting volume of capital funds available.

Receipts of interest and commission on loans amounted to 560.8 million, whereas interest and charges on borrowings totalled 473.8 million, compared with 465.1 million and 391.3 million respectively in 1977. Growth in liquidity during the year, combined with a persistently high yield on currencies held longest as liquid funds made for a sharp upswing in income from investments which reached 57.7 million as against 43.4 million in 1977. Financial and other income, however, showed a downturn (7 million as against 9.9 million in 1977). Expenses and administrative costs amounted to 25.7 million as against 22.6 million in 1977, chiefly as a result of rising personnel expenses (cost of living award and slight increase in staff) and certain computerisation overheads.

After amortisation of issuing charges and redemption premiums of 16.3 million, compared with 13.2 million in 1977, operating profit amounted to 111.2 million as against 94.5 million in 1977.

On the basis of the conversion rates for the unit of account at 31 December 1978, results for the 1978 financial year were reduced by around 5.7 million to allow for an exchange loss in the value of net Bank assets not subject to adjustment under Article 7 of the Statute.

The Board of Directors has recommended that the Board of Governors transfer, from the provision for conversion rate adjustments, 5.7 million corresponding to the loss arising from reevaluation of net Bank assets not subject to adjustment under Article 7 of the Statute, and appropriate 30 million of the 111.2 million net income to the statutory reserve and the balance to the supplementary reserve.

At 31 December 1978, the balance sheet total stood at 9 645 million compared with 7 697 million at 31 December 1977, representing an increase of 25.3 %.

Administration

At its annual meeting on 19 June 1978, the Board of Governors reappointed the Board of Directors (18 directors and 10 alternates) for a further statutory period of 5 years. The terms of office of all directors (17 nominated by the Member States and 1 by the Commission of the European Communities) and alternates (9 nominated by the Member States and 1 by the Commission) were renewed until the 1983 annual meeting.

Sir Raymond BELL retired from the Management Committee on 30 June 1978 and was appointed Honorary Vice-President of the Bank by the Board of Governors. The Board of Directors and the Management Committee are sincerely grateful to Sir Raymond BELL for his valuable contribution towards expanding Bank activity since 1973 when the United Kingdom, Ireland and Denmark joined the Community.

The Governors appointed Mr C. Richard ROSS, former Deputy Secretary, Central Policy Review Staff, United Kingdom Government Cabinet Office, to replace Sir Raymond BELL and to complete his term of office up to 1982.

In this, the Bank's 20th anniversary year, the Governors also conferred the title of Honorary Vice-President on Mr Claude TIXIER, a member of the EIB's first Management Committee.

At their annual meeting on 19 June 1978, the Governors undertook their customary reappointment of the Audit Committee: Patrick L. McDONNELL, retiring Chairman, was returned to office as a member of the Committee for 1978, 1979 and 1980, and Mr Jørgen BREDSORFF is to chair the Committee until the balance sheet and profit and loss account for the 1978 financial year are approved at the 1979 annual meeting.

Compared with the expansion in Bank activity, the increase in staff remained modest: at 31 December 1978, there were 399 personnel compared with 382 at 31 December 1977.

In the Department for Operations outside the Community, Mr Robert CORNEZ, previously Adviser in this Department, became Head of the Loan Monitoring Section as from 1 October 1978.

In the Legal Department, on 1 May 1979 Mr Douglas FONTEIN, Deputy Manager since 1 November 1978, took over from Mr J. Nicolaas van den HOUTEN, who had been Manager since 1962. Mr van den Houten was appointed Special Adviser to the Management Committee.

The Board of Directors thanks the Bank's staff for their efforts throughout 1978 and for the high quality of their work.

Luxembourg, 8 May 1979

Chairman of the Board of Directors
Yves Le Portz

Balance Sheet at 31 December 1978

(in units of account – see notes to the financial statements, Annex E)

Assets	31. 12. 1978	31. 12. 1977
Receivable from Member States on account of called capital (Annex A)	392 343 750	75 937 500
Cash and Bank deposits		
At sight and up to one year's notice	415 490 898	336 583 794
At more than one year's notice	527 158	181 311
	416 018 056	336 765 105
Investments (Note B)		
For not more than one year	43 516 626	35 537 930
For more than one year	208 314 272	206 164 883
	251 830 898	241 702 813
Borrowing proceeds to be received	213 027 608	60 620 634
Receivable from Member States for adjustment of capital (Annex D)	36 494 391	60 306 080
Loans (Annex B)		
Disbursed	7 088 024 327	5 840 661 081
Undisbursed	778 366 598	685 612 085
	7 866 390 925	6 526 273 166
Contra accounts to guarantees		
In respect of loans under mandate	114 504 441	119 515 768
excluding those		
(a) in respect of loans granted by third parties	(162 200 904)	(156 365 528)
(b) in respect of participations by third parties in Bank loans	(209 630 496)	(164 085 364)
Land and buildings (Note G)	24 659 952	11 252 812
Accrued interest and commission	140 058 229	112 711 405
Unamortised issuing charges	95 497 047	75 240 417
Unamortised redemption premiums	2 130 341	2 805 377
	97 627 388	78 045 794
Special deposits for service of borrowings (Note E)	77 662 275	52 126 184
Miscellaneous (Note F)	14 435 484	21 722 539
	9 645 053 397	7 696 979 800

Liabilities	31. 12. 1978	31. 12. 1977
Capital (Annex A)		
Subscribed	7 087 500 000	3 543 750 000
Uncalled	6 176 250 000	2 986 875 000
	911 250 000	556 875 000
Statutory reserve (Note K)	200 000 000	150 000 000
Supplementary reserve (Note K)	274 260 330	229 802 815
Provisions (Note K)		
For conversion rate adjustments	18 385 047	19 433 352
For building	45 000 000	45 000 000
	63 385 047	64 433 352
Staff pension fund	18 251 664	14 193 572
Payable to Member States for adjustment of capital (Annex D)	24 454 840	41 597 932
Borrowings (Annex C)		
Bonds and notes	5 704 796 029	4 442 923 326
Other medium and long-term borrowings	1 003 074 902	969 357 470
	6 707 870 931	5 412 280 796
Redemption premiums	7 276 394	8 238 931
	6 715 147 325	5 420 519 727
Sundry creditors (Note C)	50 423 301	22 264 652
Undisbursed balance of loans	778 366 598	685 612 085
Guarantees		
On loans under mandate	114 504 441	119 515 768
On loans granted by third parties	(162 200 904)	(156 365 528)
On participations by third parties in Bank loans	(209 630 496)	(164 085 364)
Interest subsidies received in advance (Note D)	61 886 390	47 094 962
Accrued interest and commission and interest received in advance	221 293 406	175 498 059
Coupons and liabilities due and not yet paid (Note E)	77 662 275	52 126 184
Miscellaneous (Note F)	28 659 532	24 036 482
Balance of profit and loss account (Note K)	105 508 248	93 409 210
	9 645 053 397	7 696 979 800
Memorandum accounts		
Special Section		
Trust management funds		
– for the account of Member States	325 748 680	321 046 752
– for the account of the European Communities	309 241 284	213 601 897
Securities received as guarantee for loans under mandate	31 891 274	31 647 924
Securities received on deposit	108 941 956	122 442 982

Profit and Loss Account for the year ended 31 December 1978

(in units of account – see notes to the financial statements, Annex E)

Income	1978	1977
Interest and commission on loans	560 836 589	465 096 852
Interest and commission on investments	57 731 562	43 388 562
Management commission (Note J)	3 953 565	3 307 434
Financial and other income	6 990 075	9 934 511
Exchange differences (Note H)	<u>636 956</u>	<u>850 417</u>
	630 148 747	522 575 776
Expenditure		
Administrative expenses and charges	25 691 055	22 561 383
Interest and charges on borrowings	473 755 816	391 292 190
Amortisation of issuing charges and redemption premiums	16 351 976	13 240 679
Financial charges	2 663 438	442 953
Depreciation of net purchases of furniture and equipment (Note G)	<u>460 003</u>	<u>581 056</u>
	518 922 288	428 118 261
Operating profit	111 226 459	94 457 515
Loss arising from reevaluation of net Bank assets not subject to adjustment under Article 7 of the Statute (Note I)	<u>(5 718 211)</u>	<u>(1 048 305)</u>
Balance (Note K)	<u>105 508 248</u>	<u>93 409 210</u>

Statement of Special Section ⁽¹⁾ at 31 December 1978

(in units of account – see notes to the financial statements, Annex E)

Assets	1978	1977	Liabilities	1978	1977
Member Countries					
<i>From resources of the European Atomic Energy Community</i>					
Loans disbursed	167 150 406	96 127 081	Trust management funds	167 150 406	96 127 081
Total	167 150 406	96 127 081	Total	167 150 406	96 127 081
Turkey					
<i>From resources of Member States</i>					
Loans			Trust management funds	325 748 680	321 046 752
– disbursed	325 748 680	321 046 752	Undisbursed funds	35 190 705	38 794 509
– undisbursed	35 190 705	38 794 509	Total	360 939 385	359 841 261
Total ⁽²⁾	360 939 385	359 841 261			
African, Caribbean and Pacific Countries and Overseas Countries and Territories					
<i>From resources of the European Economic Community</i>					
First and Second Yaoundé Conventions					
Loans			Trust management funds	110 587 622	101 443 411
– disbursed ⁽³⁾	109 006 493	99 863 890	Undisbursed funds	29 254 633	23 700 083
– undisbursed ⁽³⁾	29 254 633	23 700 083			
Contributions to the formation of risk capital	1 581 129	1 579 521			
Lomé Convention					
Risk capital operations			Trust management funds	31 503 256	16 031 405
Amounts disbursed ⁽⁴⁾	31 503 256	16 031 405	Funds to be paid up	31 346 829	22 155 332
Amounts to be paid up ⁽⁴⁾	31 346 829	22 155 332	Total	202 692 340	163 330 231
Total	202 692 340	163 330 231	Grand Total	730 782 131	619 298 573
Grand Total	730 782 131	619 298 573			

N.B. Total amounts outstanding on special loans appraised and granted by the Commission under the Lomé Convention in respect of which the Bank has accepted an EEC mandate for recovering principal and interest at 31 December 1978 : 34 557 760 ; at 31 December 1977 : 2 851 861.

(1) The Special Section was set up by the Board of Governors on 27 May 1963; under a decision taken on 4 August 1977 its purpose was redefined as being that of recording operations carried out by the European Investment Bank under mandate for the account and at the risk of Member States, the European Economic Community and the European Atomic Energy Community.

(2) Initial amount of loan contracts signed for financing projects in Turkey under mandate for the account and at the risk of Member States: 370 215 000

Add:		
– exchange adjustments	12 695 192	
	382 910 192	
Less:		
– cancellations	215 000	
– repayments	21 755 807	
	<u>– 21 970 807</u>	
	<u>360 939 385</u>	

(3) Initial amount of loan contracts signed for financing projects in the Associated African States, Madagascar, Mauritius and the Overseas Countries, Territories and Departments (AASMM-OCTD) under mandate for the account and at the risk of the European Economic Community: 139 483 056

Add:		
– capitalised interest	1 178 272	
– exchange adjustments	7 351 650	+ 8 529 922
Less:		
– cancellations	1 283 756	
– repayments	8 468 096	– 9 751 852
	<u>– 1 221 930</u>	
	<u>138 261 126</u>	

(4) Initial amount of loan contracts signed for financing projects in the African, Caribbean and Pacific countries and the Overseas Countries and Territories (ACP-OCT) under mandate for the account and at the risk of the European Economic Community:

– conditional and subordinated loans	57 368 000	
– equity participations	3 820 801	
– subscription of convertible bonds	<u>2 500 000</u>	63 688 801
Less:		
– cancellations	557 525	
– exchange adjustments	281 191	– 838 716
	<u>62 850 085</u>	

Statement of changes in financial position for the year ended 31 December 1978

(in units of account — see notes to the financial statements, Annex E)

	1978	1977
Financial resources were provided by:		
Operations		
Net profit	105 508 248	93 409 210
Charges not requiring or providing cash		
– depreciation of net purchases of furniture and equipment	460 003	581 056
– amortisation of issuing charges and redemption premiums	<u>16 351 976</u>	<u>13 240 679</u>
	122 320 227	107 230 945
Increase in subscribed and called capital	354 375 000	—
Notes and bond issues	1 862 953 477	1 029 446 517
less adjustment of borrowings as a result of currency devaluations and revaluations	<u>– 324 584 405</u>	<u>– 113 904 583</u>
	1 538 369 072	915 541 934
Repayments of loans to the Bank	470 876 136	268 108 196
Decrease (increase) in amount receivable from Member States for adjustment of capital	23 811 689	(3 110 787)
Increase in amount payable on undisbursed loans	92 754 513	272 310 542
Increase in interest and commission payable and interest received in advance	45 795 347	17 809 407
Increase in sundry creditors, miscellaneous and staff pension fund	36 839 791	25 200 568
Increase in interest subsidies	14 791 428	24 181 758
Decrease (increase) in miscellaneous debtors	7 287 055	(12 399 452)
Total funds provided:	2 707 220 258	1 614 873 111
Financial resources were used for:		
Loans signed, less cancellations and participations	2 048 965 286	1 439 690 133
less adjustments of loans as a result of currency devaluations and revaluations	<u>– 237 971 391</u>	<u>– 130 731 596</u>
	1 810 993 895	1 308 958 537
Redemption of borrowings	243 741 474	226 829 798
Issuing costs on notes and bonds	35 933 570	15 976 967
Additions to land, buildings, furniture and equipment	13 867 143	8 760 299
Increase (decrease) in amount receivable from Member States on account of called capital	316 406 250	(37 968 750)
Increase in accrued interest and commission receivable	27 346 824	12 469 111
Decrease (increase) in amount payable to Member States for adjustment of capital	17 143 092	(2 724 250)
Increase in amount of borrowing proceeds to be received	152 406 974	44 027 567
Increase in cash, bank deposits and investments	89 381 036	38 543 832
Total funds used:	2 707 220 258	1 614 873 111

Annex A — Statement of subscriptions to the capital of the Bank

At 31 December 1978

In thousands of units of account — See notes to the financial statements, Annex E

Member States	Subscribed capital (1)	Available for call (2)	Paid in at 31. 12. 1978	To be paid in	Total paid in and to be paid in
Germany	1 575 000	1 372 500	115 312·5	87 187·5	202 500
France	1 575 000	1 372 500	115 312·5	87 187·5	202 500
United Kingdom	1 575 000	1 372 500	115 312·5	87 187·5	202 500
Italy	1 260 000	1 098 000	92 250	69 750	162 000
Belgium	414 750	361 425	30 365·625	22 959·375	53 325
Netherlands	414 750	361 425	30 365·625	22 959·375	53 325
Denmark	210 000	183 000	15 375	11 625	27 000
Ireland	52 500	45 750	3 843·75	2 906·25	6 750
Luxembourg	10 500	9 150	768·75	581·25	1 350
Total	7 087 500	6 176 250	518 906·25	392 343·75	911 250

(1) By decision of the Board of Governors of 19 June 1978 the subscribed capital was increased from 3 543 750 000 u.a. to 7 087 500 000 u.a. Each Member State will pay in in its national currency 10 % of the increase, i.e. the equivalent of 354 375 000 u.a. in eight equal instalments of 44 296 875 u.a. on 30 April and 31 October of the years 1980-83. The balance of the capital increase of 10 July 1975 will be paid in in two instalments of 18 984 375 u.a. on 30 April and 31 October 1979.

(2) Could be called by decision of the Board of Directors to such extent as may be required to meet the Bank's obligations towards lenders in respect of borrowings.

Annex B — Analysis of loans outstanding

At 31 December 1978

In units of account — See notes to the financial statements, Annex E

Countries and Territories in which projects are located ⁽¹⁾ ⁽²⁾	Number of loans	Amount disbursed	Amount undisbursed	Total ⁽³⁾	%
1. Loans for projects within the Community and related loans:					
Germany	53	459 563 362	1 395 156	460 958 518	5-86
France	107	1 361 550 364	142 301 638	1 503 852 002	19-12
United Kingdom	99	1 569 009 286	36 217 891	1 605 227 177	20-41
Italy	263	2 667 191 789	164 294 732	2 831 486 521	36-00
Belgium	9	158 807 608	—	158 807 608	2-02
Netherlands	8	77 166 422	—	77 166 422	0-98
Denmark	32	122 257 057	58 002 068	180 259 125	2-29
Ireland	29	283 966 825	39 612 068	323 578 893	4-11
Luxembourg	3	4 070 460	—	4 070 460	0-05
Related loans **	5	85 159 206	—	85 159 206	1-08
Sub-total	608	6 788 742 379	441 823 553	7 230 565 932	91-92
2. Loans for projects outside the Community:					
Greece	17	65 698 653	27 530 089	93 228 742	1-19
Lebanon	1	3 045 033	—	3 045 033	0-04
Portugal	12	79 879 895	97 254 664	177 134 559	2-25
Turkey	2	26 603 889	—	26 603 889	0-34
Yugoslavia	2	6 635 989	43 000 000	49 635 989	0-63
Barbados	1	—	3 000 000	3 000 000	0-04
Cameroon	8	11 323 498	13 009 270	24 332 768	0-31
Congo	1	4 048 644	—	4 048 644	0-05
Ivory Coast	11	51 733 211	12 261 704	63 994 915	0-81
Fiji	1	—	12 500 000	12 500 000	0-16
Gabon	2	3 039 920	—	3 039 920	0-04
Ghana	1	777 119	9 146 453	9 923 572	0-13
Upper Volta	1	239 545	—	239 545	—
Kenya	6	16 007 572	23 178 541	39 186 113	0-50
Liberia	2	—	7 400 000	7 400 000	0-09
Malawi	2	2 962 842	6 446 000	9 408 842	0-12
Mauritius	2	3 488 488	—	3 488 488	0-04
Mauritania	1	155 880	2 834 058	2 989 938	0-04
Niger	1	—	1 500 000	1 500 000	0-02
Nigeria	1	—	25 000 000	25 000 000	0-31
New Caledonia	2	5 206 056	—	5 206 056	0-07
Papua New Guinea	1	—	7 000 000	7 000 000	0-09
Senegal	1	1 249 740	—	1 249 740	0-02
Swaziland	1	—	10 000 000	10 000 000	0-13
Tanzania	1	—	5 000 000	5 000 000	0-06
Togo	3	6 589 905	15 478 273	22 068 178	0-28
Trinidad and Tobago	1	—	5 000 000	5 000 000	0-06
Zaire	3	10 596 069	7 503 993	18 100 062	0-23
Zambia	1	—	2 500 000	2 500 000	0-03
Sub-total	89	299 281 948	336 543 045	635 824 993	8-08
Grand Total	697	7 088 024 327	778 366 598	7 866 390 925	100-00

(1) Currencies in which loans are repayable:

Currency	Amount
Currencies of Member States	3 700 189 100
Option of the Bank as between the currencies of the founder Member States of the Community	6 037 500
Other currencies	3 381 797 727
Disbursed portion of loans	7 088 024 327
Add undisbursed portion of loans	778 366 598
	7 866 390 925

Loans guaranteed by non-bank companies in the private sector	121 613 275
Loans secured by fixed charge on assets other than real estate or other security	90 956 922
	7 230 565 931

B. Loans for projects outside the Community

1. Loans granted under the first Yaoundé Convention	
Loans granted to, or guaranteed by, AASM States which were signatories to the Convention	11 979 084
Loans guaranteed by a public institution, company or bank in the Community	4 846 601
	16 825 685
2. Loans granted under the second Yaoundé Convention	
Loans granted to, or guaranteed by, AASMM States which were signatories to the Convention	68 307 763
Loans secured by other guarantees	4 408 099
	72 715 862***
3. Loans granted under the Lomé Convention	
Loans granted to, or guaranteed by, ACP States which were signatories to the Convention	193 635 235
Loans secured by other guarantees	3 000 000
	196 635 235****

(2) Breakdown of loans outstanding at 31 December 1978 by principal form of guarantee*:

A. Loans for projects within the Community (and related loans **)	
Loans granted to, or guaranteed by, Member States	5 404 321 821
Loans granted to, or guaranteed by, public institutions in the Community	926 993 964
Loans granted to, or guaranteed by, financial institutions (banks, long-term credit institutions, insurance companies)	333 987 661
Loans guaranteed by companies outside the financial sector under majority control of Member States or public institutions in the Community	232 643 043
Loans secured by fixed charge on real estate	120 049 245

4. Loans granted under EEC financial agreements with the Mediterranean Countries including Portugal	
Loans guaranteed by the six founder Member States of the EIB	99 832 632
Loans guaranteed by the EEC	142 134 559
Loans guaranteed or counter-guaranteed by Mediterranean Countries which were signatories to these agreements	107 681 021****
	<u>349 648 212</u>
	<u>7 866 390 925</u>

* Certain loans are covered by several types of guarantee or security.

** Operations concerning projects on the Norwegian continental shelf and in Austria authorised under the provisions of the second paragraph of Article 18 (1) of the Statute.

*** Guarantees provided by the six founder Member States of the EIB to cover any risk attaching to these financial commitments amount to 24 430 695.

**** Guarantees provided by Member States to cover any risk attaching to these financial commitments amount to 59 811 000.

***** The blanket guarantee provided by the EEC to cover any risk attaching to these financial commitments amounted to 81 000 000 at end 1978 compared with 25 000 000 at end 1977.

In the event of these guarantees being invoked, the guarantors' obligations will be determined on the basis of the rates of conversion between the unit of account and the currencies disbursed to borrowers as at the disbursement dates.

(3) Original amount of loans calculated on the basis of the parities applied on the date of signature 10 000 025 108

Less:	
a) exchange adjustments	252 154 999
b) terminations and cancellations	83 999 917
c) principal repayments to the Bank	1 587 848 771
d) third party participations in loans	209 630 496
	<u>2 133 634 183</u>
Loans outstanding	<u>7 866 390 925</u>

The total amount of loans and guarantees granted by the Bank, which under Article 18 (5) of the Statute must not exceed 250 % of its subscribed capital, amounted at 31 December 1978 to:

loans	7 866 390 925
guarantees:	
in respect of loans under mandate	114 504 441
in respect of loans granted by third parties	162 200 904
in respect of third party participations in Bank loans	209 630 496
Total guarantees	<u>486 335 841</u>
Total	<u>8 352 726 766</u>

Annex C — Statement of funded debt

At 31 December 1978

In units of account — See notes to the financial statements, Annex E

Payable in	Operations during the financial year				Borrowings outstanding at 31 December 1978		
	Borrowings outstanding at 31 December 1977	Borrowings	Redemptions	Exchange adjustments	Amount (1)	Rate of interest (weighted averages)	Due dates
EURCO (2)	89 329 155	—	—	451 951 +	89 781 106	8-13	1979/1989
DM	1 199 032 775	416 834 294	67 113 749	6 925 363 +	1 555 678 683	6-93	1979/1993
Ffrs	166 088 099	140 728 306	19 108 626	1 275 398 -	286 432 381	8-93	1979/1996
£	38 961 930	38 961 930	1 499 556	3 861 166 -	72 563 138	9-75	1979/1992
Lit	163 168 150	—	7 413 275	12 402 069 -	143 352 806	6-72	1979/1988
Bfrs	268 762 313	82 086 285	2 509 212	8 308 167 -	340 031 219	7-97	1979/1993
Fl	378 704 228	172 641 539	16 335 030	11 375 930 +	546 386 667	7-79	1979/2003
Lfrs	160 630 429	18 533 715	10 937 797	3 053 944 +	171 280 291	7-68	1979/1988
US\$	2 333 980 376	861 870 703	53 397 209	338 298 097 -	2 804 155 773	8-71	1979/1998
Sfrs	463 984 241	109 635 860	63 806 437	6 253 990 +	516 067 654	6-27	1979/1993
£Leb	11 359 988	—	903 124	1 151 773 -	9 305 091	7-13	1979/1985
Yen	119 431 914	—	—	12 362 066 +	131 793 980	7-53	1979/1988
Sch	18 847 198	21 660 845	—	534 099 +	41 042 142	7-87	1981/1986
Total	5 412 280 796	1 862 953 477	243 024 015	324 339 327 -	6 707 870 931		
Redemption premiums	8 238 931	—	717 459	245 078 -	7 276 394		
Grand Total	5 420 519 727	1 862 953 477	243 741 474	324 584 405 -	6 715 147 325		

(1) The following table shows the total capital sums required for redemption of borrowings during the five years following the date of this statement:

Year	1979	1980	1981	1982	1983
Amount	371 721 065	587 223 155	553 585 566	729 392 641	672 187 974

(2) The Euro consists of the sum of fixed amounts of the currencies of all the Member States of the European Economic Community: 1 Euro = DM 0-9 + Ffrs 1-2 + £0-075 + Lit 80 + Fl 0-35 + Bfrs 4-5 + Dkr 0-2 + £lr 0-005 + Lfrs 0-5.

Annex D — Amounts receivable from or payable to Member States for adjustment of capital contributions

At 31 December 1978

In units of account — See notes to the financial statements, Annex E

In accordance with Article 7 of the Statute, application of the conversion rates given in Note A of Annex E entails adjusting the amounts paid by Member States in their national currency as contributions to the Bank's capital.

The corresponding amounts receivable from or payable to Member States are as follows:

Receivable from:	Payable to:
France 1 965 129	Germany 17 804 905
United Kingdom 17 959 703	Belgium 2 609 668
Italy 15 970 832	Netherlands 3 523 163
Ireland 598 727	Denmark 449 435
	Luxembourg 67 669
	<u>24 454 840</u>
	<u>36 494 391</u>

Where the accounting conversion rate of a currency fluctuates upwards or downwards by more than 1-5 %, amounts receivable from or payable to Member States shall be settled, in accordance with the Decision of the Board of Governors of 30 December 1977, in two instalments on 30 April and 31 October 1979. Where the conversion rate fluctuates within the above margin of 1-5 % in either direction, the resulting amounts shall remain in non-interest-bearing adjustment accounts.

Annex E — Notes to the financial statements

At 31 December 1978 — in units of account

Note A — Unit of account used for preparation of the financial statements

In accordance with Article 4 (1) of the Bank's Statute (text adopted by the Board of Governors on 30 December 1977), the value of the unit of account is equal to the sum of the following amounts of Member States' currencies:

DM	0.828	Fl	0.286
£	0.0885	Bfrs	3.66
Ffrs	1.15	Lfrs	0.14
Lit	109.0	Dkr	0.217
		£lr	0.00759

This definition of the unit of account is identical to that of the European unit of account.

The conversion rates between Member States' currencies and the European unit of account which are determined on the basis of market rates are published daily in the Official Journal of the European Communities.

The Bank applies these conversion rates in calculating the rates applicable to other currencies used for its operations.

The following rates were used for drawing up the balance sheet at 31 December 1978 and 1977:

1 unit of account =	1978	1977
Deutsche Mark	2.50868	2.58058
French francs	5.75538	5.76124
Pounds sterling	0.675274	0.641652
Italian lire	1 140.06	1 067.50
Belgian francs	39.6543	40.3535
Dutch guilders	2.71453	2.78938
Danish kroner	6.99113	7.07974
Irish pounds	0.675274	0.641652
Luxembourg francs	39.6543	40.3535
United States dollars	1.37688	1.22506
Swiss francs	2.22839	2.45698
Lebanese pounds	4.13752	3.67518
Japanese yen	265.566	293.054
Austrian Schillings	18.2739	18.5704
CFA francs	287.769	288.062

Note B — Investments

Investments comprise:	1978	1977
a) treasury bonds, notes and bonds at the lowest of cost, nominal or market value (market value)		
1977: 217 299 004		
1978: 201 308 710)	195 070 617	203 436 284
b) the Bank's own bonds at their redemption cost	53 176 226	30 727 824
c) bank bills at their nominal value	3 584 055	7 538 705
	<u>251 830 898</u>	<u>241 702 813</u>

The breakdown according to maturity is as follows:

— not exceeding 3 months	18 975 913	23 275 418
— over 3 months but not exceeding 6 months	5 939 730	3 103 444
— over 6 months but not exceeding 12 months	18 600 983	9 159 068
— over 12 months	208 314 272	206 164 883
	<u>251 830 898</u>	<u>241 702 813</u>

Note C — Sundry creditors

This heading which appears on the balance sheet for the first time arises from a partial breakdown of "Miscellaneous" liabilities.

It comprises:

	1978	1977
— the amount of currencies payable under the heading of swap operations	—	9 706 604
— deposits from other banks	40 589 228	6 624 101
— European Economic Community special account for loans on special conditions and related unsettled sundry amounts	7 458 946	4 333 476
— other creditors	2 375 127	1 600 471
	<u>50 423 301</u>	<u>22 264 652</u>

At 31 December 1977, these items totalled 22 264 652, an amount which was subtracted from "Miscellaneous" liabilities and entered under "Sundry creditors" in line with this new presentation of the balance sheet.

Note D — Interest subsidies received in advance

Certain loans granted for projects outside the Community carry interest subsidies paid to the Bank in advance by the Commission of the European Communities on signature of the finance contracts concluded between the Bank and the recipients of loans. These subsidies are passed through the profit and loss account as and when the interest for which they are granted is paid.

Note E — Special deposits for service of borrowings

This item represents the amount of coupons and bonds due but not yet presented for payment. The contra item on the liabilities side appears under the heading "Coupons and liabilities due and not yet paid".

Note F — Miscellaneous balance sheet accounts

These accounts comprise:	1978	1977
a) on the assets side:		
currencies receivable under the heading of swap operations outstanding at 31 December sundry debtors	—	9 687 745
	14 435 484	12 034 794
	<u>14 435 484</u>	<u>21 722 539</u>
b) on the liabilities side:		
accrued and sundry expenses	28 659 532	24 036 482
	<u>28 659 532</u>	<u>24 036 482</u>

Note G — Land and buildings

This item comprises the purchase cost of the site and expenses incurred since 1976 for construction of a new building for the Bank in Luxembourg, i.e. 24 659 952.

Construction costs are at present put at 47.7m with completion scheduled for 1980.

Furniture and office equipment are amortised in the year of purchase.

Note H – Exchange differences

The amount of 636 956 entered under this heading for 1978 (850 417 in 1977) represents the net profit arising from financial operations during the year, calculated at the exchange rates in force at the date of these operations.

Note I – Loss arising from reevaluation of net Bank assets not subject to adjustment under Article 7 of the Statute

Application of the conversion rates adopted in drawing up the balance sheet (see Note A) at 31 December 1978 results in an exchange loss in the value of net Bank assets of 5 718 211 (1 048 305 in 1977). The reevaluation does not take account of assets expressed in the national currencies of Member State and representing the portion of capital paid in by each Member State in its national currency, which must be adjusted periodically in accordance with Article 7 of the Statute (see Annex D).

Note J – Management commission

This item represents the remuneration for the management of loans granted under mandate for the account and at the risk of Member States or the European Communities.

Note K – Rearrangement of statutory and other reserves and appropriation of operating profit

On 19 June 1978, the Board of Governors decided (a) to simplify the structure of EIB reserves, maintaining only:

- the "Statutory reserve"
 - a "Supplementary reserve"
- and two provisions:
- a "Provision for conversion rate adjustments" (hitherto the "Reserve for monetary risks")
 - a "Provision for building",

and (b) to redistribute existing reserves as at 31 December 1977 as follows:

- Statutory reserve
 - The amount set aside as at 31 December 1977 150 000 000
- Supplementary reserve
 - The amount set aside as at 31 December 1977 for the "Reserve for risks on loans and guarantees" 174 675 736

– The amount of the free reserve called "Write-back of issuing charges previously amortised" which has been abolished	23 127 079
– The amount of the "Reserve for equalisation of interest on borrowings" which has been rendered obsolete by the introduction of new methods of calculating EIB lending rates	13 000 000
Part of the former "Reserve for monetary risks"	19 000 000
Total	229 802 815
– Provision for conversion rate adjustments <ul style="list-style-type: none">– The amount entered on the balance sheet at 31 December 1977 under "Reserve for monetary risks"– LESS the amount transferred to the "Supplementary reserve"	38 433 352 – 19 000 000
Total	19 433 352
– Provision for building <ul style="list-style-type: none">– The amount entered on the balance sheet at 31 December 1977	45 000 000

The financial statements as at 31 December 1977 have been restated to take account of this rearrangement of statutory and other reserves.

Also on 19 June 1978, the Governors decided to appropriate from the reserve for monetary risks an amount of 1 048 305, representing an exchange loss arising from reevaluation of net Bank assets not subject to adjustment under Article 7 of the Statute, and to appropriate the operating profit for 1977 as follows:

- 50 000 000 to the Statutory reserve which was thereby raised to 200 000 000
- 44 457 515 to the Supplementary reserve which was thereby raised to 274 260 330

Operating profit in 1978 amounted to 111 226 459 before an exchange loss of 5 718 211 arising from reevaluation of net Bank assets not subject to adjustment under Article 7 of the Statute. Consequently, the balance of the profit and loss account amounted to 105 508 248.

The Management Committee has decided to propose that the Board of Directors recommend the Board of Governors to appropriate from the provision for conversion rate adjustments an amount of 5 718 211, representing an exchange loss arising from reevaluation of net Bank assets not subject to adjustment under Article 7 of the Statute, and to appropriate the entire operating profit for 1978 of 111 226 459 to the reserves.

Report by Messrs Price Waterhouse & Co.

The President
European Investment Bank
Luxembourg

We have examined the financial statements of the European Investment Bank at 31 December 1978 and 1977. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In our opinion, the financial statements at 31 December 1978 and 1977 present fairly the financial position of the European Investment Bank at these dates, the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

The financial statements covered by our opinion are the following:

Balance Sheet	
Profit and Loss account	
Special Section	
Statement of changes in financial position	
Statement of subscriptions to the capital of the Bank	Annex A
Analysis of loans outstanding	Annex B
Statement of funded debt	Annex C
Amounts receivable from or payable to Member States for adjustment of capital contributions	Annex D
Notes to the financial statements	Annex E

Statement by the Audit Committee

The Committee instituted in pursuance of Article 14 of the Statute and Article 25 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner,

— having studied the books, vouchers and documents which it deemed necessary to examine in the discharge of its duties,

— having examined the reports of 12 February 1979 drawn up by Messrs Price Waterhouse & Co.,

considering the 1978 Annual Report as well as the balance sheet of the Bank as at 31 December 1978 and the profit and loss account for the financial year ending on that date, as drawn up by the Board of Directors at its meeting of 8 May 1979,

considering Articles 22, 23, and 24 of the Rules of Procedure,

hereby certifies:

that the Bank's operations during the 1978 financial year have been carried out in compliance with the formalities and procedures laid down by the Statute and the Rules of Procedure,

that the balance sheet and the profit and loss account correspond to the book entries and that they reflect exactly the situation of the Bank as regards both assets and liabilities.

Luxembourg, 22 May 1979

The Audit Committee

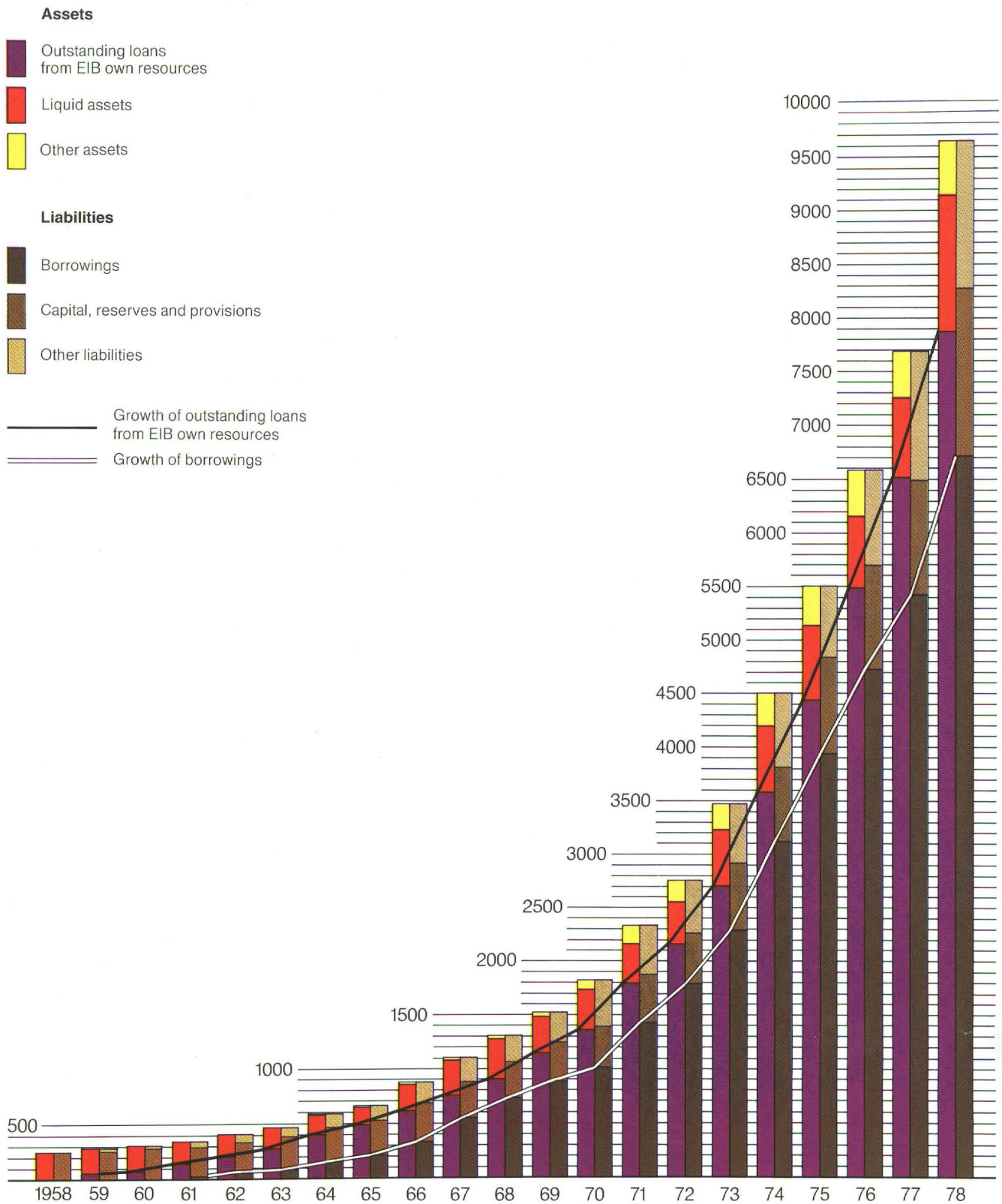
J. BREDSDORFF

C. BRÜCK

P. McDONNELL

Balance sheet of the Bank at 31 December of each year

(million u.a.)

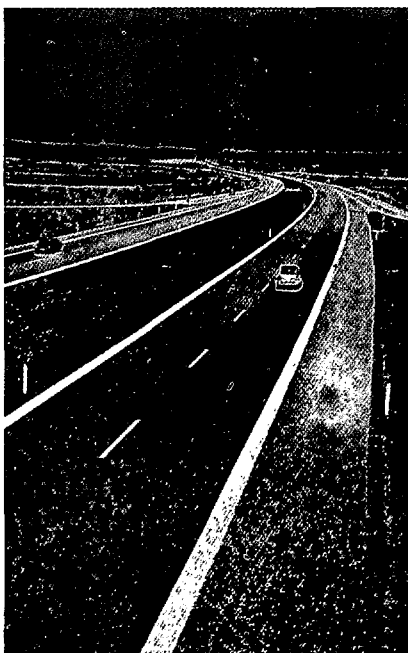
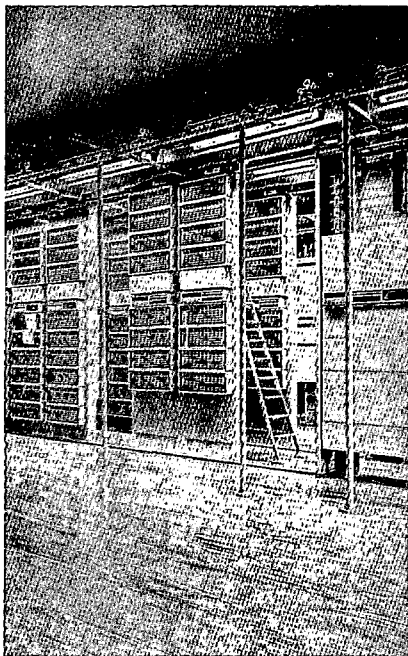


List of projects

covered by finance contracts signed in 1978

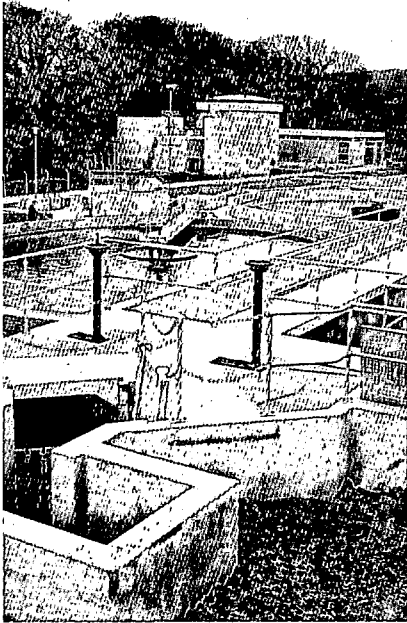
million u.a. (*)		million u.a.		million u.a.	
Operations from own resources				FRANCE	
2 140.4				Ffrs 2 038.4 million	
Within the Community				359.3	
1 966.5				14. Super-Phénix nuclear power station at Creys-Malville (Rhône-Alpes)	
BELGIUM				Centrale Nucléaire Européenne à Neutrons Rapides S.A. (NERSA)	
Bfrs 2 500 million				Ffrs 278.8 million	
62.2		1.3		48.9	
1. Construction of third stage of Doel nuclear power station on left bank of the Scheldt (Antwerp)				15. Tricastin uranium enrichment plant (Rhône-Alpes)	
Sociétés Réunies d'Énergie du Bassin de l'Escaut (EBES)				EURODIF S.A.	
Bfrs 2 500 million				Ffrs 280 million	
62.2		3.0		49.2	
DENMARK				16. Road tunnel through Alps between France and Italy	
Dkr 747.5 million				Société Française du Tunnel Routier du Fréjus	
106.3		0.6		Ffrs 59.7 million	
2. Conversion to coal-firing of Asnæs power station to the west of Zealand				17. Construction of la Turbie—Roquebrune section of the A 8 'La Provençale' motorway (Provence-Alpes-Côte d'Azur)	
IFV — Elektricitetselskabet Isefjordværket Interessentskab				Société de l'Autoroute Estérel-Côte d'Azur , through intermediary of Caisse Nationale des Autoroutes (CNA)	
Dkr 300 million				Ffrs 54 million	
42.6		2.1		9.5	
3. Construction of a motorway in South Jutland from Christiansfeld to the German border		5.4		18. Construction of Beaune-Besançon West section of A 36 motorway (Burgundy-Franche-Comté)	
Danish Government (Ministry of Finance)				Société des Autoroutes Paris—Rhin—Rhône , through intermediary of Caisse Nationale des Autoroutes (CNA)	
Dkr 265 million				Ffrs 200 million	
37.8		45.5		35.1	
4. Acquisition of four freight vessels for Greenland's shipping services				19. Improvements to telecommunications system in the Loire Valley	
Danish Government (Ministry of Finance)				Administration des Postes et Télécommunications , through intermediary of Caisse Nationale des Télécommunications	
Dkr 80 million				Ffrs 460.9 million	
11.3		43.2		82.3	
5. Rønne harbour development scheme (Bornholm Island)				20. Extension and modernisation of telecommunications system in Nord—Pas-de-Calais region	
Rønne commune				Administration des Postes et Télécommunications , through intermediary of Caisse	
Dkr 15.5 million					
2.2		0.9			
6. Expansion of mineral wool factory at Øster Doense (North Jutland)					
Rockwool A/S					
Dkr 9 million					
7. Expansion of factory producing electric motors for pumps at Bjerringbro (Viborg)					
Grundfos A/S					
Dkr 21.5 million					
8. Expansion and rationalisation of cooperative dairy at Esbjerg (Ribe)					
Mejeriselskabet Esbjerg A.m.b.a.					
Dkr 4 million					
9.-10. Global loans to Danish Government (Ministry of Finance) for financing small and medium-scale industrial ventures in development areas					
— Dkr 15 million					
— Dkr 37.5 million					
GERMANY					
DM 115.7 million					
11. Gaslines between Waidhaus (Czechoslovak frontier) and Medelshheim (French frontier) and from Oberkappel (Austrian frontier) and Schwandorf (Bavaria) for transporting gas from the Soviet Union					
MEGAL Finance Company Ltd					
DM 110 million					
12. Enlargement of packing and storage facilities at pharmaceuticals plant at Cuxhaven (Lower Saxony)					
TAD Pharmazeutisches Werk GmbH					
DM 2.2 million					
13. Construction of meat products factory at Saarbrücken (Saar)					
FLEIGRU Vermögensverwaltungsgesellschaft and FLEIWA-Saarländische Fleischwaren GmbH					
DM 3.5 million					

(*) Finance contracts are usually denominated in the equivalent of the national currency for operations in Member Countries and in units of account for projects outside the Community. Amounts shown in national currency for operations outside the Community are thus given merely as a guide; they are based on the equivalents in units of account as used by the Bank at the date of signature of the contract (see page 6).



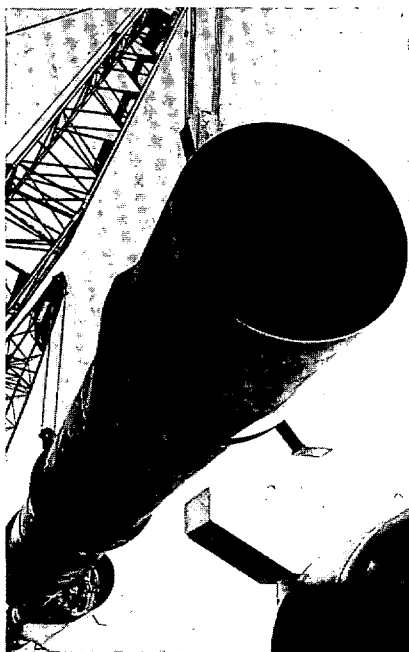
	million u.a.	million u.a.
Nationale des Télécommunications Ffrs 570 million	100.1	intermediary of Department of Finance and Local Loans Fund £lr 10 million
21. Rationalisation of steel-works at Neuves-Maisons and Longwy (Lorraine), Biache and Isbergues (Nord—Pas-de-Calais) Société Sidérurgique Chatillon-Neuves-Maisons Ffrs 55 million	9.5	29. Water supply and sewerage schemes for Greater Dublin area (East) Irish Government (Department of Finance) £lr 13.5 million
22. Rationalisation and modernisation of milk collection centres, plant producing dairy products and cheese, and marketing facilities (Lower Normandy, Brittany, Loire Valley) L'Union Laitière Normande Ffrs 80 million	14.0	30.-31. Global loans to Industrial Credit Company Ltd (ICC) for financing small and medium-scale industrial ventures — £lr 2.5 million
IRELAND £lr 78.5 million	117.4	— £lr 5 million
23. Aghada power station, County Cork (South-West) Electricity Supply Board £lr 20 million	30.0	32. Global loan to Agricultural Credit Corporation Ltd (ACC) for financing small and medium-scale ventures in agricultural and food-processing sectors £lr 2.5 million
24. Improvements to road network Irish Government (Department of Finance) £lr 10 million	15.0	
25. Development of harbour installations at Cork (South-West) Irish Government (Department of Finance) £lr 10 million	15.0	
26.-27. Acquisition of new car ferry for links with Great Britain The British and Irish Steam Packet Company Limited , through intermediary of Department of Finance and Shipping Finance Corporation Ltd — £lr 1.375 million	2.0	
— £lr 3.625 million	5.4	
28. Extension of water supply network for industrial zones at Cork (South-West) Cork County Council , through		
		ITALY Lit 908 700 million
		845.1
		33. Montalto di Castro nuclear power station (Latium) Ente Nazionale per l'Energia Elettrica (ENEL) Lit 40 000 million
		37.6
		34. Maddaloni peak load power station (Campania) Ente Nazionale per l'Energia Elettrica (ENEL) Lit 20 000 million
		18.6
		35. Geothermal power stations (Tuscany) Ente Nazionale per l'Energia Elettrica (ENEL) Lit 31 500 million
		29.1
		36.-37. Development of Hera Lacinia gas field off Ionian coast near Crotona (Calabria) AGIP S.p.A. , through intermediary of Ente Nazionale Idrocarburi (ENI) — Lit 4 000 million
		3.7
		— Lit 4 000 million
		3.7
		38. Development of Fratello gas field in the Adriatic off Pescara (Abruzzi)

	million u.a.		million u.a.		million u.a.
AGIP S.p.A. , through intermediary of Ente Nazionale Idrocarburi (ENI) Lit 14 000 million	13.2	47. Equipment for laying large diameter on-land oil and gas pipelines SAIPEM S.p.A. \$15.75 million, equivalent to Lit 13 000 million	12.0	SIP — Società Italiana per l'Esercizio Telefonico p.A. , through intermediary of IMI — Istituto Mobiliare Italiano Lit 55 000 million	51.8
39. Development of Emilio gas field in the Adriatic off Pescara (Abruzzi) AGIP S.p.A. , through intermediary of Ente Nazionale Idrocarburi (ENI) Lit 2 500 million	2.3	48. Interconnection of pipelines for conveying imported gas (Lombardy) SNAM S.p.A. Lit 11 000 million	10.3	57. Agricultural development in plain of Campidano (Sardinia) Cassa per il Mezzogiorno Lit 53 000 million	48.9
40. Development of Squalo gas field in the Adriatic off Pescara (Abruzzi) AGIP S.p.A. , through intermediary of Ente Nazionale Idrocarburi (ENI) Lit 13 200 million	12.2	49. Construction of Gagliano (Sicily)-Sant'Eufemia (Calabria) section of Algeria-Italy gasline SNAM S.p.A. , through intermediary of Ente Nazionale Idrocarburi (ENI) Lit 60 000 million	55.4	58. Agricultural development in plain of Chilivani (Sardinia) Cassa per il Mezzogiorno Lit 13 000 million	12.0
41. Initial development of Rospo Mare oil field in the Adriatic off Vasto (Abruzzi) AGIP S.p.A. , through intermediary of Ente Nazionale Idrocarburi (ENI) Lit 1 000 million	0.9	50. Road infrastructure, sewage treatment and effluent recycling plant for industrial zone at Syracuse (Sicily) Cassa per il Mezzogiorno Lit 45 000 million	41.9	59. Irrigation of 5 500 ha in coastal zone between Tacina and Alessi rivers (Calabria) Cassa per il Mezzogiorno Lit 15 000 million	13.9
42. Expansion of two natural gas storage reservoirs at Ripalta (Lombardy) and Cortemaggiore (Emilia-Romagna) AGIP S.p.A. Lit 10 000 million	9.4	51. Road, rail and drainage infrastructure for industrial zones at Avellino (Campania), Catania (Sicily) and Taranto (Apulia) Cassa per il Mezzogiorno Lit 38 000 million	35.1	60. Improvements to water supplies in Naples and Caserta provinces (Campania) Cassa per il Mezzogiorno Lit 50 000 million	46.2
43. Construction of semi-submersible barge for laying oil and gas pipelines SAIPEM S.p.A. Lit 15 000 million	14.0	52. Water schemes and road infrastructure for industrial zones at Gela and Ragusa (Sicily) Cassa per il Mezzogiorno Lit 29 000 million	26.8	61. Reorganisation of a steelworks by installing a medium mill for producing seamless tubes at Dalmine (Lombardy) Dalmine S.p.A. Lit 15 000 million	14.0
44. Extension of electricity grid (Sicily) Ente Nazionale per l'Energia Elettrica (ENEL) Lit 50 000 million	46.6	53. Port and road infrastructure in Cagliari industrial development zone (Sardinia) Cassa per il Mezzogiorno Lit 30 000 million	28.0	62. Improvement of electricity installations in two steelworks at Sesto S. Giovanni and Arcore (Lombardy) Acciaierie e Ferriere Lombarde FALCK S.p.A. Lit 4 500 million	4.2
45. Extension of electricity grid (Campania) Ente Nazionale per l'Energia Elettrica (ENEL) Lit 36 500 million	34.3	54.-55. Extensions to telephone system in Sardinia SIP — Società Italiana per l'Esercizio Telefonico p.A. , through intermediary of IMI — Istituto Mobiliare Italiano — Lit 45 000 million — Lit 30 000 million	41.9 27.7	63. Pharmaceuticals factory at L'Aquila (Abruzzi) Hochst Italia Sud S.p.A. , through intermediary of IMI — Istituto Mobiliare Italiano Lit 5 000 million	4.7
46. Extension of electricity grid (Apulia) Ente Nazionale per l'Energia Elettrica (ENEL) Lit 27 000 million	25.4	56. Extensions to telephone system in Abruzzi, Molise and Latium		64. Extension and modernisation of three factories producing special equipment for the energy sector at Florence and Massa (Tuscany) and Talamona (Lombardy) Nuovo Pignone S.p.A. , through	



	million u.a.		million u.a.
intermediary of Ente Nazionale Idrocarburi (ENI) Lit 10 000 million	9.2	stock-farming ventures (Mezzogiorno) Lit 15 000 million	14.1
65. Construction of plant producing equipment for the nuclear sector in factories at Brescia and Roncadelle (Lombardy) A.T.B.-Acciaierie e Tubificio di Brescia S.p.A. Lit 2 000 million	1.9	UNITED KINGDOM £286.3 million	430.8
66. Reorganisation of factory producing cars with small and medium-sized engines at Cassino (Latium) FIAT S.p.A. , through intermediary of IMI - Istituto Mobiliare Italiano Lit 40 000 million	37.3	73. Hartlepool nuclear power station (North-East) Central Electricity Generating Board , through intermediary of The Electricity Council £22.9 million	35.7
67.-68. Reorganisation and expansion of factory producing small-engined motor cars at Termini Imerese (Sicily) FIAT S.p.A. , through intermediary of IMI - Istituto Mobiliare Italiano — Lit 8 000 million — Lit 22 000 million	7.5 20.3	74. Uranium enrichment plant at Capenhurst (North-West) BNFL Enrichment (Operations UK) Limited , through intermediary of British Nuclear Fuels Limited , to finance its participation in URENCO UK £5 million	7.5
69. Extension and modernisation of colour TV tubes plant at Anagni (Latium) Videocolor S.p.A. , through intermediary of IMI - Istituto Mobiliare Italiano Lit 9 000 million	8.3	75. Peterhead power station (Scotland) The North of Scotland Hydro-Electric Board £25 million	37.5
70. Enlargement and modernisation of factory producing batteries at San Salvo (Abruzzi) Fabbrica Italiana Magneti Marelli S.p.A. , through intermediary of IMI - Istituto Mobiliare Italiano Lit 2 500 million	2.3	76. Dinorwic pumped storage power station (Wales) Central Electricity Generating Board , through intermediary of The Electricity Council £22.9 million	35.7
71. Global loan to ISVEIMER - Istituto per lo Sviluppo Economico dell'Italia Meridionale , through intermediary of Cassa per il Mezzogiorno , for financing small and medium-scale industrial ventures in the mainland Mezzogiorno Lit 20 000 million	18.5	77. Construction of 32 high-speed train sets for east coast London-Aberdeen line British Railways Board £36.9 million	55.3
72. Global loan to Cassa per il Mezzogiorno for financing		78. Extension of airport facilities at Sumburgh (Shetland Islands — Scotland) The Civil Aviation Authority £10.75 million	16.1
		79. Extensions to Hull telephone system (Yorkshire and Humberside) Kingston-upon-Hull City Council £1 million	1.5
		80.-81. Water supply and road schemes in Aberdeen area (Scotland)	

	million u.a.		million u.a.		million u.a.
Grampian Regional Council		through intermediary of		PORTUGAL	
— £5 million	7.4	National Water Council		Esc 2 092.2 million	35.0
— £5 million	7.5	£4 million	6.0		
82.-83. Water supply and sewerage schemes (North-West)		91. Water supply and sewage treatment (East Midlands, Yorkshire and Humberside)		97. Expansion of cement works at Souselas, near Coimbra, and storage facilities at Oporto	
North West Water Authority, through intermediary of National Water Council		Severn Trent Water Authority, through intermediary of National Water Council		Cimentos de Portugal E.P.	
— £16 million	23.6	£8.4 million	12.6	Esc 597.8 million	10.0
— £14 million	21.0				
84. Water supply and sewerage schemes (Wales)		92. Rebuilding electrolytic copper refinery at Prescott, Merseyside (North-West)		98.-99. Manufacture of glass fibres and plastics near Lisbon	
Welsh National Water Development Authority, through intermediary of National Water Council		BICC Metals Limited, through intermediary of British Insulated Callender's Cables Finance N.V.		Esc 478.2 million	8.0
£9.4 million	14.1	£5 million	7.4	Modernisation of nitrogen fertiliser production facilities near Lisbon	
				Esc 1 016.2 million	17.0
85.-86. Water supply and sewerage schemes in west and south Yorkshire and Humberside		93. Extension of nitric acid and ammonium nitrate units for fertiliser production at Ince (North-West)		Quimica de Portugal E.P.	
Yorkshire Water Authority, through intermediary of National Water Council		UKF Fertilisers Limited		Quimigal	
— £15 million	22.1	£5 million	7.5		
— £15 million	22.5			LEBANON	
87. Water supply and sewerage schemes in Lothian Region (Scotland)		94. Construction of production and bottling facilities for soft drinks and modernisation of various units at Shieldhall, Glasgow (Scotland)		100. Uprating Jieh power station to the south of Beirut	
Lothian Regional Council		Co-operative Wholesale Society Limited		Council for Development and Reconstruction	
£8.5 million	12.5	£5 million	7.5	£Leb 11.1 million	3.0
88. Improvement of water supplies by constructing a reservoir at Kielder on the North Tyne and a tunnel aqueduct to transfer water from this river to the River Tees (North)		95. Contract of mandate and guarantee with the Secretaries of State for Industry, Scotland, and Wales and the Department of Commerce for Northern Ireland, for financing small and medium-scale industrial ventures in assisted areas of the United Kingdom			
Northumbrian Water Authority, through intermediary of National Water Council		£30 million	45.0	YUGOSLAVIA	
£6.6 million	9.9			101. Trans-Yugoslavian Highway (various sections)	
89. Tyneside sewerage and sewage disposal scheme (North)		Outside the Community	173.9	Independent bodies responsible for constructing roads in the Republics of Slovenia, Croatia, Serbia, Macedonia and the autonomous province of Vojvodina	
Northumbrian Water Authority, through intermediary of National Water Council		GREECE		Din 617.7 million	25.0
£10 million	15.0	96. Global loan to National Investment Bank for Industrial Development (NIBID), for financing small and medium-scale industrial and tourism ventures		ACP States	90.9
90. Water supply schemes for Plymouth area (South-West)		Dr 964.3 million	20.0	CARIBBEAN REGION	
South West Water Authority,				102. Global loan to Caribbean Development Bank (CDB) for financing small and medium-scale industrial and tourism ventures	
				FIJI	
				103. Construction of dam and hydroelectric power station on Viti Levu Island	
				Fiji Electricity Authority	
				F\$13.2 million	12.5



million u.a.

million u.a.

KENYA

104. Construction of dam and hydroelectric power station on Tana River

Republic of Kenya
K Sh 119.1 million

12.0

scale industrial and tourism ventures

T Sh 49.6 million

5.0

LIBERIA

Lib\$10 million

7.4

105. Upgrading Bushrod power station near Monrovia

Liberia Electricity Corporation
Lib\$6.9 million

4.9

TRINIDAD AND TOBAGO

112. Global loan to Trinidad and Tobago Development Finance Company Ltd (TDFC) for financing small and medium-scale industrial and tourism ventures

TT\$14.7 million

5.0

106. Global loan to Liberian Bank for Development and Investment (LBDI) for financing small and medium-scale industrial and tourism ventures

Lib \$3.1 million

2.5

ZAMBIA

113. Global loan to Development Bank of Zambia (DBZ) for financing small and medium-scale industrial and tourism ventures

K 2.4 million

2.5

NIGER

107. Modernisation of textile mill at Niamey

Société Nouvelle Nigérienne du Textile

CFAF 427.3 million

1.5

NIGERIA

108. Global loan to Nigerian Industrial Development Bank Limited (NIDB) for financing medium-scale industrial ventures

21.1 million naira

25.0

PAPUA NEW GUINEA

109. Palm oil mill near Popondetta and storage facilities at Oro Bay

Higaturu Processing Pty Limited
K 6.3 million

7.0

SWAZILAND

110. Establishment of sugar plantation and mill

Royal Swaziland Sugar Corporation Ltd

E 10.7 million

10.0

TANZANIA

111. Global loan to Tanganyika Development Finance Company Limited (TDFL) for financing small and medium-

Special Section operations

	million u.a.
TURKEY	
114. Installation at Dalaman paper mill (western Anatolia) of a unit to produce coated paper and board and plant to treat effluent from mill	47.8
Republic of Turkey for on-lending to Seka Dalaman Müessesesi	
TL 150.1 million	6.3

AASMM — OCT (Yaoundé II Convention)	16.2
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FRENCH GUIANA	
115. Construction of fishing wharf at Le Larivot	
French Overseas Department of Guiana	
Frs 2.6 million	0.5

ZAIRE	
Z 16.2 million	15.8

116. Palm oil mill at Gosuma	
Republic of Zaire for on-lending to Palmeraies du Zaire	
Z 1.8 million	1.8

117. Improvements to Pene-tungu-Lubutu section of Kisan-gani-Bukavu road	
Republic of Zaire	
Z 14.4 million	14.0

ACP States (Lomé Convention — risk capital ('))	25.3
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CONGO	
118. Hotel at Brazzaville	
Conditional loan to People's Republic of the Congo for financing its stake in Société de l'Hôtel Maya-Maya	
CFAF 897.3 million	3.1

IVORY COAST	
119. Research into industrial manioc processing for flour and meal production	
Conditional loan to Republic of the Ivory Coast	
CFAF 51.3 million	0.2

GUYANA	
120. Forestry development	
Conditional loan to Cooperative Republic of Guyana for financing part of its stake in Demerara Woods Limited	
G\$10.7 million	3.2

KENYA	
121. Studies concerning hotel development schemes in coastal areas	
Conditional loan to Kenya Tourist Development Corporation	
Approx. K Sh 1 million	0.1

LIBERIA	
122. Equity participation, on behalf of the Community, in Liberian Bank for Development and Investment (LBDI)	
Subscription of B shares	
Lib\$ 350 000	0.3

MALI	
123. Construction of rice mill at Dioro (Ségou region)	
Conditional loan to Republic of Mali	
MF 2 000 million	3.6

NIGER	
124. Modernisation of textile mill at Niamey	
Conditional loan to Republic of Niger for part-financing its stake in Société Nouvelle Nigérienne du Textile	
CFAF 256 400 million	0.9

PAPUA NEW GUINEA	
125. Palm oil mill near Popondetta and storage facilities at Oro Bay	
Conditional loan to Government of Papua New Guinea for	

financing its participation in capital increase of . . .	
Higaturu Processing Pty Limited	
K 1.7 million	1.9

SENEGAL	
126. Research into exploiting by-products of phosphate mined at Taïba	
Conditional loan to Phosvalor	
CFAF 56 million	0.2

SEYCHELLES	
127. Equity participation, on behalf of the Community, in Development Bank of Seychelles	
50 000 ordinary shares	
Sey Rs 5 million	0.6

SUDAN	
128. Textile mill at Wad Medani	
Conditional loan to Gezira Managil Textile Company Ltd	
£S 2.9 million	6.5

ZAIRE	
Z 4.13 million	4.03

129. Further studies into extension of Gosuma oil palm plantation and construction of oil mill	
Conditional loan to Republic of Zaire	
Z 30 550	0.03

130. Gosuma palm oil mill	
Conditional loan to Republic of Zaire for part-financing its stake in Palmeraies du Zaire	
Z 4.1 million	4.0

ZAMBIA	
K 600 000	0.65

131. Study concerning cement works expansion and rationalisation	
Conditional loan to Chilanga Cement Company Ltd	
K 78 094	0.08

132. Equity participation, on behalf of the Community, in Development Bank of Zambia	
Subscription of 55 B shares	
K 550 000	0.56

(') See page 39.

Table 8: List of borrowings in 1978

Public and private issues									
Date of contract	Month of issue	Place of issue	Subscription currency	Amount in national currency (million)	Amount in million u.a.	Life (years)	Coupon %	Placing	
12. 1. 1978	January	Luxembourg	\$	100	81.6	10	8 ¹ / ₂	Public (1)	
	January	Luxembourg	\$	100	81.6	15	8 ³ / ₄	Public (1)	
27. 1. 1978	January	United Kingdom	£	25	39.0	10	9 ³ / ₄	Public (2)	
1. 2. 1978	February	Netherlands	Fl	50	17.9	17	7 ³ / ₄	Private	
10. 2. 1978	February	Luxembourg	\$	13	10.6	9	8 ³ / ₄	Private	
22. 2. 1978	February	Luxembourg	Lfrs	500	12.4	10	7 ³ / ₄	Public (3)	
	February	United States	\$	25	20.4	7 ¹ / ₂	8 ⁷ / ₈	Private	
27. 2. 1978	March	Germany	DM	250	96.9	12	5 ¹ / ₄	Public (4)	
2. 3. 1978	March	United States	\$	100	81.6	7	8 ⁵ / ₈	Public (5)	
	March	United States	\$	100	81.6	20	9 ¹ / ₄	Public (5)	
16. 5. 1978	May	Switzerland	Sfrs	50	21.3	7	4	Private	
19. 5. 1978	May	Netherlands	Fl	125	45.9	15	7 ¹ / ₄	Public (6)	
29. 5. 1978	May	Luxembourg	\$	60	47.6	8	8 ³ / ₈	Public (7)	
12. 6. 1978	June	Switzerland	Sfrs	50	21.3	8	4 ¹ / ₈	Private	
14. 6. 1978	June	Netherlands	Fl	50	18.3	25	7 ¹ / ₂	Private	
26. 6. 1978	June	Netherlands	Fl	50	18.3	20	7 ³ / ₄	Private	
29. 6. 1978	June	Germany	DM	25	9.8	15	6 ¹ / ₂	Private	
30. 6. 1978	July	Switzerland	Sfrs	100	42.5	15	4 ¹ / ₄	Public (8)	
	June	Germany	DM	15	5.9	15	6 ¹ / ₂	Private	
	June	Germany	DM	10	3.9	10	6 ¹ / ₂	Private	
	June	Germany	DM	25	9.8	10	6 ¹ / ₂	Private	
3. 7. 1978	July	Luxembourg	\$	100	80.4	15	9 ¹ / ₈	Public (9)	
11. 7. 1978	July	Luxembourg	Lfrs	250	6.1	10	7 ³ / ₄	Private	
21. 7. 1978	July	Luxembourg	\$	25	20.1	10	9 ³ / ₈	Private	
27. 7. 1978	July	Germany	DM	75	29.1	10	6	Private	
28. 7. 1978	July	France	Ffrs	100	17.9	8	10.45	Private	
25. 8. 1978	August	Netherlands	Fl	75	27.0	7	7 ¹ / ₄	Private	
30. 8. 1978	August	Japan/ Luxembourg	\$	100	80.4	12	9	Public (10)	
12. 9. 1978	September	Germany	DM	300	116.2	12	6	Public (11)	
27. 9. 1978	September	United States	\$	100	80.4	8	8 ⁷ / ₈	Public (12)	
	September	United States	\$	125	100.5	20	9 ¹ / ₈	Public (12)	
3. 10. 1978	October	France	Ffrs	200	35.1	10	9 ³ / ₄	Public (13)	
13. 10. 1978	October	Belgium	Bfrs	2 500	62.2	8	8 ¹ / ₂	Public (14)	
10. 11. 1978	November	Germany	DM	100	39.2	10	6	Private	
29. 11. 1978	November	Netherlands	Fl	75	27.1	7	8 ¹ / ₄	Private	
4. 12. 1978	December	France	Ffrs	500	87.8	18	10	Public (15)	
5. 12. 1978	December	Netherlands	Fl	50	18.0	15	8 ¹ / ₂	Private	
12. 12. 1978	December	Switzerland	Sfrs	50	24.6	5	3	Private	
19. 12. 1978	December	Austria	Sch	400	21.7	8	7 ³ / ₄	Public (16)	
	December	Luxembourg	\$	25	19.0	12	9 ³ / ₈	Private	
	December	Luxembourg	Bfrs	300	7.5	7	8.9	Private	
28. 12. 1978	January	Germany	DM	200	78.5	12	6 ¹ / ₂	Public (17)	
31. 12. 1978	January	United States	\$	100	76.0	15	9 ⁷ / ₈	Private	
					1 823.0				
Medium-term interbank operations									
Date of contract	Month of deposit	Origin	Currency	Amount in national currency (million)	Amount in million u.a.	Maturity	Interest %	Placing	
8. 6. 1978	June	Luxembourg	DM	50	19.6	1980	4 ⁵ / ₁₆	Private	
	June	Luxembourg	DM	20	7.9	1980	4 ¹ / ₄	Private	
20. 12. 1978	December	Luxembourg	Bfrs	500	12.4	1980-81	8 ³ / ₄	Private	
					39.9				
Total borrowings:					1 862.9				

- (1) Underwritten by a banking syndicate composed of Union Bank of Switzerland (Securities) Limited, Deutsche Bank AG, Algemene Bank Nederland N.V., Amsterdam-Rotterdam Bank N.V., Banca Commerciale Italiana, Banque Bruxelles Lambert S.A., Banque Nationale de Paris, Banque de Paris et des Pays-Bas, Barclays Bank International Limited, Den Danske Bank af 1871 Aktieselskab, Dresdner Bank AG, Kleinwort, Benson Limited, Kredietbank S.A. Luxembourgeoise, Kuhn Loeb Lehman Brothers International, Salomon Brothers International Limited, Société Générale, Société Générale de Banque S.A. and Westdeutsche Landesbank Girozentrale, offered for public subscription at 99½ % for the 10 and 15-year-tranches.
- (2) Underwritten by a banking syndicate composed of S.G. Warburg & Co. Ltd, Deutsche Bank AG, N.M. Rothschild & Sons Limited, Allied Irish Investment Bank Limited, Amsterdam-Rotterdam Bank N.V., Banca Commerciale Italiana, Banque Bruxelles Lambert S.A., Banque Générale du Luxembourg S.A., Banque de Paris et des Pays-Bas, Barclays Bank International Limited, Commerzbank AG, Crédit Lyonnais, Daiwa Europe N.V., Den Danske Bank af 1871 Aktieselskab, Dresdner Bank AG, First Boston (Europe) Limited, Merrill Lynch International & Co., Morgan Grenfell & Co. Limited and Orion Bank Limited, offered for public subscription at par.
- (3) Underwritten by a banking syndicate composed of Banque Internationale à Luxembourg S.A., Banque Générale du Luxembourg S.A., Kredietbank S.A. Luxembourgeoise, Banque de Paris et des Pays-Bas pour le Grand-Duché de Luxembourg S.A., Caisse d'Épargne de l'État du Grand-Duché de Luxembourg, Crédit Industriel d'Alsace et de Lorraine, Luxembourg, Société Générale Alsacienne de Banque, Luxembourg, Banque Commerciale S.A., Banque de Suez-Luxembourg S.A. and Crédit Lyonnais, Luxembourg, offered for public subscription at 99 %.
- (4) Underwritten by a banking syndicate composed of Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG and Westdeutsche Landesbank Girozentrale, offered for public subscription at 99½ %.
- (5) Underwritten by a banking syndicate composed of Merrill Lynch, Pierce, Fenner & Smith Inc., Lehman Brothers Kuhn Loeb Inc., The First Boston Corporation and Lazard Frères & Co., offered for public subscription at 99.61 % for the 7-year-tranche and at 99.55 % for the 20-year tranche.
- (6) Underwritten by a banking syndicate composed of Amsterdam-Rotterdam Bank N.V., Algemene Bank Nederland N.V., Bank Mees & Hope N.V., Pierson Helderling & Pierson N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Nederlandsche Middenstandsbank N.V. and Bank der Bondspaarbanken N.V., offered for public subscription at par.
- (7) Underwritten by a banking syndicate composed of Istituto Bancario San Paolo di Torino, Banca Nazionale del Lavoro, Berliner Handels- und Frankfurter Bank, Crédit Lyonnais, Daiwa Europe N.V., Dillon Read Overseas Corporation, Istituto Bancario Italiano, Kredietbank S.A. Luxembourgeoise, Sofias S.p.A. (Ras Group), Arab Finance Corporation S.A.L., Bank of America International Ltd., Cisalpine Overseas Bank Ltd., Credito Italiano (Underwriters) S.A., Eurogest S.p.A. and Merrill Lynch International & Co., offered for public subscription at 99¾ %.
- (8) Underwritten by a banking syndicate composed of Crédit Suisse, Union Bank of Switzerland and Swiss Bank Corporation, offered for public subscription at par.
- (9) Underwritten by a banking syndicate composed of Société Générale, Algemene Bank Nederland N.V., Banca Commerciale Italiana, Bank of America International Limited, Banque Internationale à Luxembourg S.A., Caisse des Dépôts et Consignations, CIBC Limited, Crédit Lyonnais, First Boston (Europe) Limited, Hambros Bank Limited, Salomon Brothers International Limited and Skandinaviska Enskilda Banken, offered for public subscription at 99 %.
- (10) Underwritten by a banking syndicate composed of the Nikko Securities Co. Ltd., Crédit Suisse, First Boston Limited, Daiwa Securities Co., Ltd, The Nomura Securities Co. Ltd and Yamaichi Securities Company Limited, offered for public subscription at 99.25 %.
- (11) Underwritten by a banking syndicate composed of Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG and Westdeutsche Landesbank Girozentrale, offered for public subscription at 99½ %.
- (12) Underwritten by a banking syndicate composed of Lehman Brothers Kuhn Loeb Inc., The First Boston Corporation, Merrill Lynch White Weld Capital Markets Group and Lazard Frères & Co., offered for public subscription at 99.3 % for the 8-year-tranche and 99 % for the 20-year-tranche.
- (13) Underwritten by a banking syndicate composed of Crédit Commercial de France, Banca Commerciale Italiana, Banque Bruxelles Lambert S.A., Banque de l'Indochine et de Suez, Banque Nationale de Paris, Caisse des Dépôts et Consignations, Kredietbank S.A. Luxembourgeoise, Nederlandsche Middenstandsbank N.V., The Nomura Securities Co. Ltd, Société Générale, Union Bank of Switzerland (Securities) Limited, S.G. Warburg & Co. Ltd and Westdeutsche Landesbank Girozentrale, offered for public subscription at 99½ %.
- (14) Underwritten by a banking syndicate composed of Société Générale de Banque S.A., Banque Bruxelles Lambert S.A., Kredietbank N.V. and Banque de Paris et des Pays-Bas Belgique S.A., offered for public subscription at 99¾ %.
- (15) Underwritten by a banking syndicate composed of Banque Nationale de Paris, Crédit Lyonnais, Société Générale, Banque de Paris et des Pays-Bas and Caisse des Dépôts et Consignations, offered for public subscription at par.
- (16) Underwritten by a banking syndicate composed of Creditanstalt-Bankverein, Girozentrale und Bank der österreichischen Sparkassen AG, Oesterreichische Länderbank AG, Bank für Arbeit und Wirtschaft AG, Bank für Kärnten AG, Bank für Oberösterreich und Salzburg, Bank für Tirol und Vorarlberg AG, Die Erste österreichische Spar-Casse, Genossenschaftliche Zentralbank AG, Oesterreichische Postsparkasse, Oesterreichische Volksbanken AG, Oesterreichisches Credit-Institut AG, Schoeller & Co., Zentralsparkasse der Gemeinde Wien, Abu Dhabi Investment Company, Banque Bruxelles Lambert S.A., European Banking Company Ltd, Kredietbank S.A. Luxembourgeoise and Swiss Bank Corporation (Overseas) Limited, offered for public subscription at 99.80 %.
- (17) Underwritten by a banking syndicate composed of Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG and Westdeutsche Landesbank Girozentrale, offered for public subscription at 99 %.

Table 9: **Financing provided within the Community from 1958 to 1978 (1)**

Sectoral breakdown

Sector	Number		Amount (million u.a.)		% of total
	Total	of which global loan allocations	Total	of which global loan allocations	
Energy, communications and other infrastructure	349		6 659.2		71.0
Energy	152		2 864.9		30.6
Production	110		2 099.6		22.6
Nuclear	41		1 127.0		12.0
Thermal power stations	19		279.7		3.0
Hydroelectric plant	18		281.2		3.0
Other power stations	1		29.1		0.3
Development of oil and natural gas deposits	29		365.9		3.9
Solid fuel extraction	2		16.7		0.2
Transmission	42		765.3		8.2
Power lines	11		185.0		2.0
Gaslines and oil pipelines	31		580.3		6.2
Communications	135		2 790.6		29.7
Transport	84		1 418.0		15.1
Railways	16		288.1		3.1
Roads, bridges and tunnels	46		841.7		9.0
Shipping and inland waterways	16		218.4		2.3
Airlines	5		64.9		0.7
Other	1		4.9		.
Telecommunications	51		1 372.6		14.6
Water schemes	60		987.5		10.5
Agricultural development	13		259.8		2.8
Water catchment, treatment and supply	47		727.7		7.7
Public buildings	2		16.3		0.2
Industry, agriculture and services	1 233	836	2 714.1	390.0	29.0
Industry	1 126	791	2 474.1	375.4	26.4
Mining and quarrying	20	17	15.0	8.6	0.2
Metal production and semi-processing	98	41	766.6	28.3	8.2
Construction materials	89	62	123.7	31.9	1.3
Woodworking	56	54	23.9	17.9	0.3
Glass and ceramics	31	17	64.6	8.4	0.7
Chemicals	117	40	492.3	17.2	5.3
Metalworking and mechanical engineering	204	164	232.4	74.5	2.5
Motor vehicles, transport equipment	43	24	263.4	12.4	2.8
Electrical engineering, electronics	66	48	96.5	26.9	1.0
Foodstuffs	190	148	207.2	68.9	2.2
Textiles and leather	74	62	40.4	26.3	0.4
Paper and pulp	41	36	38.5	19.3	0.4
Rubber and plastics processing	63	50	78.2	24.8	0.8
Other industry	23	20	10.2	7.2	0.1
Building – civil engineering	8	8	2.8	2.8	.
Industrial estates and buildings	3	—	18.4	—	0.2
Agriculture, forestry, fishing	37	36	16.5	11.0	0.2
Services	14	9	18.3	3.6	0.2
Tourism	6	4	9.7	1.8	0.1
Research and development	2	—	4.4	—	.
Other	6	5	4.3	1.8	.
Unallocated amount of global loans	56	—	205.2 (2)	—	2.2
Grand Total	1 582	836	9 373.3	390.0	100.0

(1) See Note 1 to Table 2, page 23.

(2) Of which 75.4 m cancelled, 11.7 m exchange adjustments and 118.1 m awaiting allocation.

Table 10: **Global loans granted within the Community from 1968 to 1978**

Breakdown by intermediary institution

Intermediary Institution	Year	Number	Global loans		Allocations (1968-78)	
			Amount (million u.a.)	Number	Amount (million u.a.)	
Italy						
Istituto per lo Sviluppo Economico dell'Italia Meridionale (ISVEIMER)	1978	1	18.5	33	11.9	
Cassa per il Mezzogiorno	1968-77	4	61.0	97	57.3	
Istituto Mobiliare Italiano (IMI)	1978	1	14.1	22	5.8	
Banca Nazionale del Lavoro, "Sezione Speciale per il Credito Industriale" (BNL)	1972-77	3	73.0	97	59.6	
Credito Industriale Sardo (CIS)	1974-77	2	39.8	73	31.0	
Istituto Regionale per il Finanziamento alle Industrie in Sicilia (IRFIS)	1969-77	5	34.3	45	20.5	
Istituto di Credito per le Imprese di Pubblica Utilità (ICIPU)	1970-76	3	25.3	42	23.5	
Mediocredito per le Piccole e Medie Imprese del Friuli-Venezia Giulia	1976-77	2	5.9	10	5.9	
	1976	1	5.2	11	5.0	
Total Italy		22	277.1	430	220.5	
United Kingdom						
Government (contract of mandate and guarantee)	1978	1	45.0	—	—	
Industrial and Commercial Finance Corporation Ltd (ICFC)	1977	1	30.6	11	8.3	
	1973-74	2	25.8	26	7.6	
Total United Kingdom		4	101.4	37	15.9	
Denmark						
Danish Government	1978	2	7.5	9	3.8	
Finansieringsinstituttet for Industri og Håndværk A/S (FIH)	1975-77	5	16.4	46	16.3	
	1975-77	3	4.4	6	4.5 ⁽²⁾	
Total Denmark		10	28.3	61	24.6	
Ireland						
Industrial Credit Company Ltd (ICC)	1978	2	11.2	20	2.2	
Agricultural Credit Corporation Ltd (ACC)	1974	1	4.7	—	—	
	1978	1	3.7	3	0.6	
	1974	1	4.7	3	1.7	
Total Ireland		5	24.2	26	4.5	
France						
Crédit National	1973-74	2	51.3	77	39.7	
Caisse Centrale de Crédit Hôtelier, Commercial et Industriel (CCHCI)	1973	1	18.0	56	18.1 ⁽²⁾	
Crédit Naval	1974	1	9.0	—	—	
Société Lorraine de Développement et d'Expansion (LORDEX)	1972-75	2	6.3	8	3.7	
Société Alsacienne de Développement et d'Expansion (SADE)	1970	1	6.3	24	6.3	
Société de Développement Régional de l'Ouest (SODERO)	1971-74	2	5.6	2	0.8	
Société de Développement Régional de la Bretagne (SDR Bretagne)	1974	1	3.6	3	1.7	
Total France		10	100.0	170	70.4	
Germany						
Industriekreditbank AG (IKB)	1970-73	2	30.6	79	30.0	
Bayerische Vereinsbank	1974	1	9.9	—	—	
Landesbank und Girozentrale Schleswig-Holstein	1972	1	5.7	9	6.0 ⁽²⁾	
Total Germany		4	46.3	88	36.0	
Belgium						
Société Nationale de Crédit à l'Industrie (SNCI)	1976	1	17.9	24	18.2 ⁽²⁾	
Sub-total	1978	8	99.9	155	72.2	
Sub-total	1968-77	48	495.3	681	317.8 ⁽³⁾	
Grand-Total		56	595.2⁽¹⁾	836	390.0	

(1) See Note 2 to Table 9, page 77.

(2) Differences between the initial amount of the global loan and total allocations authorised are due to the fact that conversion into units of account was effected on the basis of the rates applicable, in the first instance, when the global loan was signed and, secondly, when allocations were authorised; in some cases the conversion rates changed during the intervening period.

(3) After cancellation in 1978 of five allocations granted in 1977.

Table 11: Allocations from global loans within the Community in 1978 and from 1969 to 1978

Breakdown by region and sector

REGION	1978			1969-78		
	Number (million u.a.)	Amount	%	Number (million u.a.)	Amount	%
Belgium	3	2.7	3.7	24	18.2	4.7
Antwerp	—	—	—	1	0.9	0.2
Hainault	—	—	—	5	3.2	0.8
Liège	2	2.4	3.3	7	5.5	1.4
Limbourg	—	—	—	1	0.4	0.1
Namur	—	—	—	1	0.8	0.2
Eastern Flanders	—	—	—	2	3.4	0.9
Western Flanders	1	0.3	0.4	7	4.0	1.0
Denmark	15	5.8	8.0	61	24.6	6.3
East of the Great Belt (excluding Copenhagen)	1	1.1	1.6	5	4.4	1.1
West of the Great Belt	14	4.7	6.4	56	20.2	5.2
Germany	—	—	—	88	36.0	9.2
Baden-Württemberg	—	—	—	2	0.5	0.1
Bavaria	—	—	—	16	4.3	1.1
Hesse	—	—	—	15	6.0	1.5
Lower Saxony	—	—	—	19	6.8	1.8
North Rhine-Westphalia	—	—	—	18	8.7	2.2
Rhineland Palatinate	—	—	—	8	2.9	0.7
Schleswig-Holstein	—	—	—	10	6.8	1.8
France	—	—	—	170	70.4	18.1
Alsace	—	—	—	27	8.3	2.1
Aquitaine	—	—	—	9	3.8	1.0
Auvergne	—	—	—	4	3.2	0.8
Lower Normandy	—	—	—	2	0.6	0.2
Burgundy	—	—	—	3	2.3	0.6
Brittany	—	—	—	28	11.5	3.0
Centre	—	—	—	2	0.7	0.2
Champagne-Ardenne	—	—	—	2	0.5	0.1
Franche-Comté	—	—	—	2	0.4	0.1
Languedoc-Roussillon	—	—	—	2	0.6	0.2
Limousin	—	—	—	7	2.2	0.6
Lorraine	—	—	—	24	13.3	3.4
Midi-Pyrénées	—	—	—	18	7.9	2.0
Nord	—	—	—	6	2.5	0.6
Loire Valley	—	—	—	20	7.4	1.9
Picardy	—	—	—	2	1.1	0.3
Poitou-Charentes	—	—	—	5	1.6	0.4
Rhône-Alpes	—	—	—	7	2.5	0.6
Ireland	23	2.7	3.8	26	4.5	1.1
Italy	103	52.8	73.1	430	220.5	56.5
Abruzzi	10	5.1	7.1	48	24.0	6.2
Basilicata	—	—	—	5	3.2	0.8
Calabria	6	1.5	2.1	20	7.2	1.8
Campania	21	5.3	7.3	80	44.0	11.3
Friuli-Venezia Giulia	—	—	—	11	5.0	1.3
Latium	22	18.5	25.6	85	50.2	12.9
The Marches	4	2.5	3.4	14	8.8	2.2
Molise	2	0.4	0.6	8	4.9	1.3
Apulia	21	10.4	14.4	63	26.0	6.7
Sardinia	6	3.0	4.1	48	21.6	5.5
Sicily	9	5.3	7.4	46	24.8	6.3
Tuscany	2	0.8	1.1	2	0.8	0.2
United Kingdom	11	8.3	11.4	37	15.9	4.1
Scotland	2	0.6	0.8	16	4.8	1.2
North	5	4.7	6.5	10	6.2	1.6
North-West	1	1.1	1.5	2	1.5	0.4
Wales	3	1.8	2.5	8	3.1	0.8
Northern Ireland	—	—	—	1	0.3	0.1
Total	155	72.2	100.0	836	390.0	100.0
SECTOR						
Agriculture	25	6.4	8.8	32	8.6	2.2
Fishing	—	—	—	4	2.4	0.6
Mining and quarrying	1	0.5	0.7	17	8.6	2.2
Metal production and semi-processing	1	1.4	2.0	41	28.3	7.3
Construction materials	11	7.1	9.8	62	31.9	8.2
Woodworking	9	2.4	3.3	54	17.9	4.6
Glass and ceramics	3	1.4	1.9	17	8.4	2.2
Chemicals	8	2.0	2.7	40	17.2	4.4
Metalworking and mechanical engineering	26	13.6	18.8	164	74.5	19.1
Motor vehicles, transport equipment	2	3.1	4.3	24	12.4	3.2
Electrical engineering, electronics	8	4.0	5.6	48	26.9	6.9
Foodstuffs	29	13.4	18.5	148	68.9	17.7
Textiles and leather	3	0.7	1.0	62	26.3	6.7
Paper and pulp	9	5.7	8.0	36	19.3	4.9
Rubber and plastics processing	13	8.5	11.8	50	24.8	6.3
Other industries	5	1.7	2.4	20	7.2	1.9
Building and civil engineering	1	0.1	0.1	8	2.8	0.7
Tourism	—	—	—	4	1.8	0.4
Other services	1	0.2	0.3	5	1.8	0.5
Total	155	72.2	100.0	836	390.0	100.0

Table 12: **Financing provided from 1964 to 1978 (1) in the African, Caribbean and Pacific (ACP) States and the Overseas Countries and Territories (OCT) (2)**

Sectoral breakdown

Sector	Number		Amount (million u.a.)		% of total
	Total	of which global loan allocations	Total	of which global loan allocations	
Energy, communications and other infrastructure	41		199.5		36.2
Energy	11		84.2		15.3
Production	9		64.2		11.7
<i>Thermal power stations</i>	3		8.7		1.6
<i>Hydroelectric power stations</i>	6		55.6		10.1
Transmission	2		20.0		3.6
<i>Power lines</i>	2		20.0		3.6
Communications	26		103.2		18.7
Transport	25		102.4		18.6
<i>Railways</i>	7		43.7		7.9
<i>Roads</i>	8		38.7		7.0
<i>Shipping and inland waterways</i>	9		15.6		2.9
<i>Airlines</i>	1		4.4		0.8
Telecommunications	1		0.8		0.1
Water schemes	4		12.1		2.2
Agricultural development	2		5.3		1.0
Water catchment, treatment and supply	2		6.8		1.2
Industry, agriculture and services	126	25	351.7	10.2	63.8
Industry	95	24	279.4	9.8	50.6
Mining and quarrying	9	4	57.4	1.8	10.4
Metal production and semi-processing	4	1	9.2	1.0	1.7
Construction materials	10	—	34.3	—	6.2
Woodworking	4	3	4.0	0.8	0.7
Chemicals	6	2	11.1	1.2	2.0
Motor vehicles, transport equipment	1	—	1.4	—	0.3
Foodstuffs	37	5	124.5	2.2	22.6
Textiles and leather	20	5	35.8	1.2	6.5
Paper and pulp	3	3	1.3	1.3	0.2
Rubber and plastics processing	1	1	0.3	0.3	—
Agriculture	2	—	9.3	—	1.7
Services	13	1	12.2	0.4	2.2
Tourism	6	1	10.5	0.4	1.9
Research and technical assistance	7	—	1.7	—	0.3
Unallocated amount of global loans	12	—	49.3 (3)	—	9.0
Development finance companies	4	—	1.5	—	0.3
Grand Total	167	25	551.2	10.2	100.0

(1) See Note 1 to Table 2, page 23.

(2) Ordinary loans (345.5 million) from EIB own resources and operations on special conditions (205.7 million) financed from Member States' resources through the European Development Fund and accounted for off balance sheet in the Bank's Special Section.

(3) Difference between the amount of the 12 global loans granted (59.5 million) and the amount of allocations authorised (10.2 million) under these global loans.

Table 13: **Financing provided from 1964 to 1978 in the African, Caribbean and Pacific (ACP) States and the Overseas Countries and Territories (OCT)**

Breakdown by project location

Amounts in million u. a.

	Ordinary operations from EIB own resources					Special operations (1)					Total financing			
	Yaoundé Conventions		Lomé Convention		Total Amount	Yaoundé Conventions (2)		Lomé Convention (3)		Total Amount	Number	Amount	of which Yaoundé	of which Lomé
	Number	Amount	Number	Amount		Number	Amount	Number	Amount					
Benin	—	—	—	—	—	1	3.3	—	—	3.3	1	3.3	3.3	—
Cameroon	9	17.3	3	18.2	35.5	6	23.9	1	2.3	26.2	19	61.7	41.2	20.5
Congo	1	9.0	—	—	9.0	3	6.7	1	3.1	9.8	5	18.8	15.7	3.1
Ivory Coast	10	51.2	4	21.6	72.8	10	35.6	3	2.5	38.1	27	110.9	86.8	24.1
Gabon	4	4.4	—	—	4.4	3	10.3	—	—	10.3	7	14.7	14.7	—
Ghana	—	—	1	10.0	10.0	—	—	1	2.0	2.0	2	12.0	—	12.0
Upper Volta	1	0.5	—	—	0.5	1	5.0	2	4.5	9.5	4	10.0	5.5	4.5
Mauritius	1	1.7	2	5.0	6.7	—	—	—	—	—	3	6.7	1.7	5.0
Kenya	—	—	6	39.9	39.9	—	—	2	1.2	1.2	8	41.1	—	41.1
Liberia	—	—	2	7.4	7.4	—	—	1	0.3	0.3	3	7.7	—	7.7
Madagascar	—	—	—	—	—	1	1.9	—	—	1.9	1	1.9	1.9	—
Malawi	—	—	2	9.5	9.5	—	—	1	1.0	1.0	3	10.5	—	10.5
Mali	—	—	—	—	—	—	—	1	3.6	3.6	1	3.6	—	3.6
Mauritania	1	11.0	—	—	11.0	1	2.8	—	—	2.8	2	13.8	13.8	—
Niger	—	—	1	1.5	1.5	—	—	1	0.9	0.9	2	2.4	—	2.4
Nigeria	—	—	1	25.0	25.0	—	—	—	—	—	1	25.0	—	25.0
Rwanda	—	—	—	—	—	—	—	1	3.0	3.0	1	3.0	—	3.0
Senegal	2	3.9	—	—	3.9	3	6.5	1	0.2	6.7	6	10.6	10.4	0.2
Seychelles	—	—	—	—	—	—	—	1	0.6	0.6	1	0.6	—	0.6
Sudan	—	—	—	—	—	—	—	1	6.5	6.5	1	6.5	—	6.5
Swaziland	—	—	1	10.0	10.0	—	—	—	—	—	1	10.0	—	10.0
Tanzania	—	—	1	5.0	5.0	—	—	2	7.4	7.4	3	12.4	—	12.4
Chad	—	—	—	—	—	1	1.2	1	7.5	8.7	2	8.7	1.2	7.5
Togo	1	5.9	2	16.3	22.2	—	—	3	5.2	5.2	6	27.4	5.9	21.5
Zaire	3	34.2	—	—	34.2	4	30.6	4	5.2	35.8	11	70.0	64.8	5.2
Zambia	—	—	1	2.5	2.5	—	—	2	0.6	0.6	3	3.1	—	3.1
Caribbean Region	—	—	1	3.0	3.0	—	—	—	—	—	1	3.0	—	3.0
Guyana	—	—	—	—	—	—	—	1	3.2	3.2	1	3.2	—	3.2
Surinam	—	—	—	—	—	1	1.9	—	—	1.9	1	1.9	1.9	—
Trinidad and Tobago	—	—	1	5.0	5.0	—	—	—	—	—	1	5.0	—	5.0
Fiji	—	—	1	12.5	12.5	—	—	—	—	—	1	12.5	—	12.5
Papua New Guinea	—	—	1	7.0	7.0	—	—	1	1.9	1.9	2	8.9	—	8.9
Netherlands Antilles	—	—	—	—	—	1	4.4	—	—	4.4	1	4.4	4.4	—
Caribbean States	—	—	—	—	—	—	—	1	1.0	1.0	1	1.0	—	1.0
New Caledonia	2	7.0	—	—	7.0	2	3.4	—	—	3.4	4	10.4	10.4	—
Reunion	—	—	—	—	—	2	2.8	—	—	2.8	2	2.8	2.8	—
Guadeloupe	—	—	—	—	—	1	0.7	—	—	0.7	1	0.7	0.7	—
Martinique	—	—	—	—	—	1	0.6	—	—	0.6	1	0.6	0.6	—
French Guiana	—	—	—	—	—	1	0.4	—	—	0.4	1	0.4	0.4	—
Grand Total	35	146.1	31	199.4	345.5	43	142.0 (4)	33	63.7	205.7	142	551.2	288.1	263.1

(1) Operations on special conditions financed from Member States' resources through the European Development Fund and accounted for off balance sheet in the Bank's Special Section.
(2) Loans on special conditions and contributions to risk capital formation.
(3) Risk capital assistance.
(4) Of which 1.5 million reallocated following initial cancellation.

Table 14: **Financing provided from 1963 to 1978 (1) in the Mediterranean region**
Sectoral breakdown

Sector	Number		Amount (million u.a.)		% of total
	Total	of which global loan allocations	Total	of which global loan allocations	
Energy, communications and other infrastructure	33		478.7		62.2
Energy	12		225.9		29.4
Production	9		187.3		24.3
<i>Thermal power stations</i>	4		115.0		14.9
<i>Hydroelectric power stations</i>	5		72.3		9.4
Transmission	3		38.6		5.0
<i>Power lines</i>	3		38.6		5.0
Communications	12		133.5		17.3
Transport	12		133.5		17.3
<i>Railways</i>	3		38.9		5.0
<i>Roads and bridges</i>	6		62.0		8.1
<i>Airlines</i>	1		8.6		1.1
<i>Shipping</i>	2		24.0		3.1
Water schemes	9		119.3		15.5
Agricultural development	9		119.3		15.5
Industry and services	178	115	290.7	72.0	37.8
Industry	158	108	265.4	69.5	34.5
Mining and quarrying	1	1	0.8	0.8	0.1
Metal production and semi-processing	11	3	35.4	0.9	4.6
Construction materials	16	8	35.0	11.0	4.5
Woodworking	7	5	4.0	2.2	0.5
Glass and ceramics	8	6	9.1	5.9	1.2
Chemicals	26	13	68.8	5.0	8.9
Metalworking and mechanical engineering	23	23	11.2	11.2	1.5
Motor vehicles, transport equipment	1	1	1.6	1.6	0.2
Electrical engineering, electronics	9	7	8.2	3.0	1.1
Foodstuffs	26	26	14.8	14.8	1.9
Textiles and leather	16	9	12.3	7.1	1.6
Paper and pulp	10	3	61.6	3.9	8.0
Rubber and plastics processing	3	2	1.3	0.8	0.2
Building, civil engineering	1	1	1.3	1.3	0.2
Trade and services	7	7	2.5	2.5	0.3
Other services	7	7	2.5	2.5	0.3
Unallocated amount of global loans	13		22.8 (2)		3.0
Grand Total	211	115	769.4	72.0	100.0

(1) See Note 1 to Table 2, page 33.

(2) In fact, 24 million remains to be allocated as a result of the difference between the initial amount of the US\$10 million global loan (7.7 million) granted to Greece's National Investment Bank for Industrial Development and the amount drawn down from this loan via 18 allocations totalling 8.9 million, the US dollar/unit of account conversion rate having changed between the date of concluding the global loan and the allocation date.

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23, Queen Anne's Gate, Westminster,
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which also have available the following publications:

Statute and other provisions governing the EIB
1978; 32 p. (DA, DE, EN, FR, IT, NL)

Annual Report
since 1958
(DE, EN, FR, IT, NL and from 1972: DA)

EIB-Information
periodical
8 p. (DA, DE, EN, FR, IT, NL)

European Investment Bank 1958-1978
1978; 84 p. (DA, DE, EN, FR, IT, NL)

Loans and Guarantees in the Member Countries of the European Economic Community
1979; 20 p. (DA, DE, EN, FR, IT, NL)

European Investment Bank Operations under the Lomé Convention
1977; 20 p. (DA, DE, EN, FR, IT, NL)

Financing outside the Community: Mediterranean countries
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Activities of the European Investment Bank in Turkey (1965-1974)
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