European Investment Bank

25 years

1958-1983

Text written in February, March, April 1983 on the basis of statistics then available; for the Bank's own activities, these are up to end-1982.

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EIB 1958—1983 *traces the European Investment Bank's evolution over its first 25 years.*

The Bank's activities — in the 10 Member Countries of the European Community and some 70 other countries, mainly in the Third World — attract increasing public interest. This publication sets out to give the reader essential information, as far as possible along non-technical lines, on all aspects of the Bank's work; it shows how the EIB's operations help to further Community economic and social objectives, and illustrates their contribution to EEC development aid policies.

The review is published on the initiative of the Bank's ***Public Relations/ Information Division*** *and was written by* ***David White.***

Views and interpretations contained in the text are those of the author and do not necessarily reflect official Bank policies or opinions of the Management Committee.

The author wishes to express his appreciation of the assistance he received from many colleagues in the Bank.

Contents

"We are not making coalitions; we are uniting people"
Jean Monnet (1888—1979)

"Europe will not be built in a day, nor to an overall design; it will be built through practical achievements that first establish a sense of common purpose"
Robert Schuman (1886—1963)

"The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.

. . . the activities of the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein:

. . . the establishment of a European Investment Bank to facilitate the economic expansion of the Community by opening up fresh resources . . ."
Treaty establishing the
European Economic Community, 25 March 1957

The ECU

The ECU was adopted as the European Investment Bank's unit of account by decision of the Board of Governors, with effect from 1 January 1981.

The value of the ECU is equal to the sum of the following amounts of Member States' currencies:

Deutsche Mark	0·828	Belgian francs	3·66
Pounds sterling	0·0885	Luxembourg francs	0·14
French francs	1·15	Danish kroner	0·217
Italian lire	109·0	Irish pounds	0·00759
Dutch guilders	0·286		

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

At 31 May 1983

1 ECU =

DM	2·28302	Lfrs	45·6078
£	0·563254	Dkr	8·17026
Ffrs	6·84977	IR£	0·722484
Lit	1 355·59	Dr	76·0945
Fl	2·56460	US$	0·905994
Bfrs	45·6078		

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

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

The EIB's unit of account was therefore aligned with the European Unit of Account (EUA) from end-1974. The composition and the value of the EUA were the same as those of the ECU when the latter was introduced in 1978 with the creation of the European Monetary System. Under decisions of the Council of the European Communities, effective from 1 January 1981, the ECU came to replace the EUA in almost all the Community's statistics and financial transactions.

Prompted by the wish to support this standardisation, the EIB's Board of Governors redefined the Bank's unit of account as the ECU. This involved no change in substance, as the EUA and the ECU were the same in composition and equal in value.

It should be remembered that the statistical tables summarising the Bank's lending and borrowing activities since 1958 are based on a number of different conversion rates: official parities between 1958 and 1971; central rates in 1972; effective conversion rates adapted for statistical purposes in 1973, and the conversion rates defined for the EUA and then ECU from 1974 onwards. This fact, coupled with the effects of price trends, suggests prudence in interpreting the significance of figures which relate to operations over 25 years.

There may occasionally be differences in the statistics between the totals shown and the sum of individual amounts, due to rounding of decimals.

The European Investment Bank . . . at the crossroads of 25 years

In the 25 years since the European Investment Bank began operations, along with the European Economic Community, on 1 January 1958, it has provided well over 25 billion ECUs for industrial, agricultural, energy and infrastructure investment, principally to help balanced development in the Community's Member Countries but also to assist the progress of some 70 other countries, mainly in the Third World, which have negotiated cooperation agreements with the Community. At 1982 prices, these financing operations would be worth more like 43 billion ECUs.

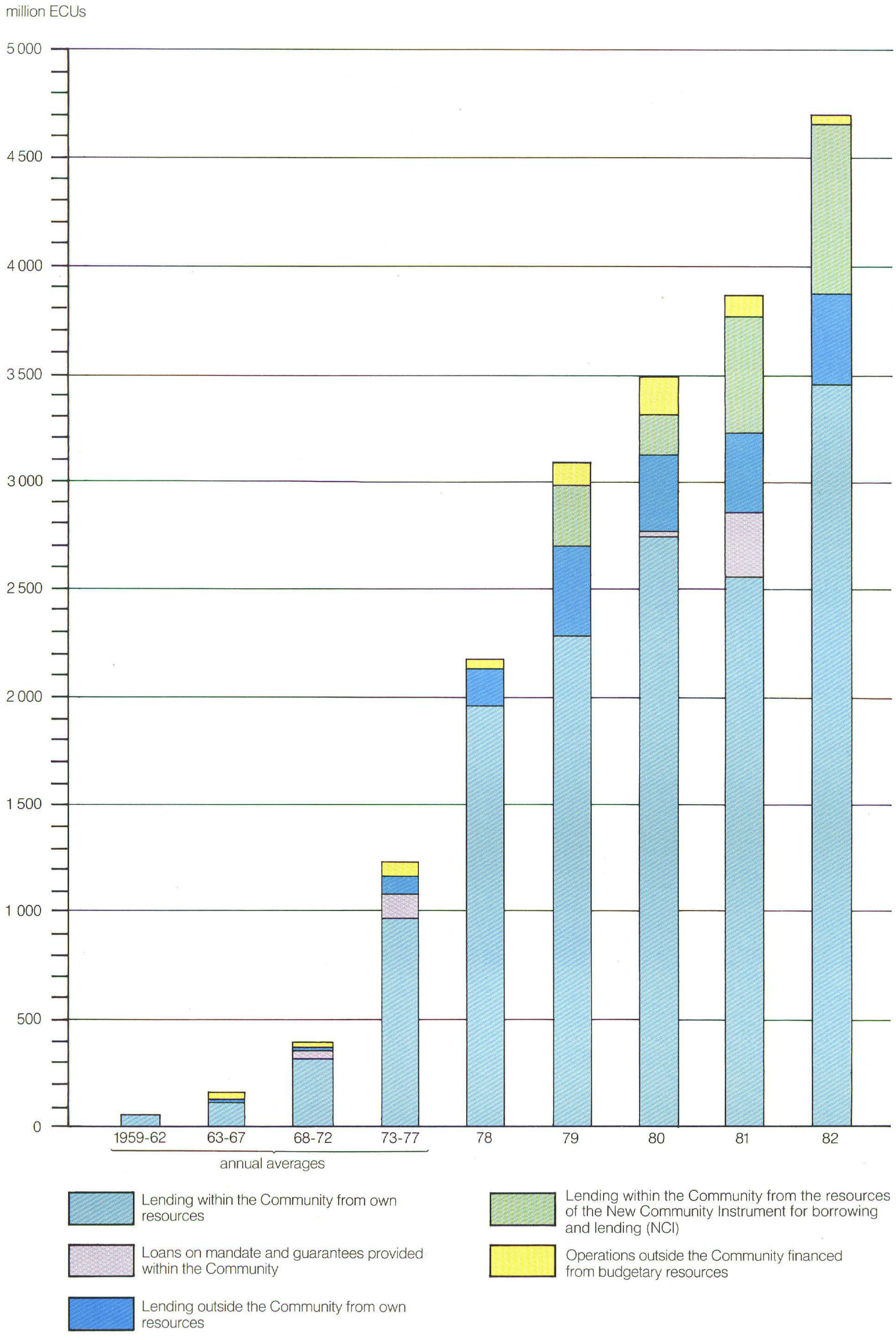
This action has seen a particularly fast expansion in recent years. The annual level of financing operations has tripled in real value in the past 10 years to reach close on 4·7 billion ECUs in 1982.

These are not statistics of some arcane activity, but about people, their expectations, their ways of living with each other which, in the European context, form part of the overall move towards closer union. This is a continuous process and the EIB represents only one input to it. So there are clearly limitations in trying to draw up a kind of balance sheet for the Bank's work over the 25-year period.

However, this review can perhaps contribute to reflection at a time when the EEC stands before a crossroads. The anniversary indicates a point at which to consider progress so far, to take stock of the substantial changes to the Community and its place in the world economy, and to seek from all this a vantage point for a somewhat clearer view ahead. This applies particularly to the EIB with its activity so directly linked to development of the European economy. In earlier years it assisted the expansion of industrial production and improvement of communications, energy and other necessary infrastructure, mainly for growth in the less developed regions. During the present recession, of a severity not experienced for a generation, the Bank's work has helped to limit damage. Through the rest of the 1980s it can assist in strengthening the Community's base for responding to economic change and taking up the challenges of recovery.

This introductory chapter traces the background to the EIB, its structure, the influences which first shaped its tasks, and how these have evolved.

Development of the Bank's activities



Born from European cooperation

The European Investment Bank is both a bank, working alongside others and dealing with the realities of the financial world, and a European Community organisation. Its only vocation is that of helping to serve the Community's aims, mainly by helping its internal development, partly by assisting countries which have special links with the EEC.

The EIB's distinct position in the EEC framework, and management and operational autonomy vis-à-vis other Community institutions, can be compared with the World Bank in the United Nations family. The EIB Statute — part of the Treaty of Rome — resembles in several ways that drawn up for the World Bank in 1944.

The European Investment Bank was the first of the world's "regional" development banks (in the sense that it works primarily in and at the service of the European "region"); others now include the Inter-American Development Bank, the Asian Development Bank and African Development Bank, which are smaller in volume of lending and also different in character because they concentrate on developing countries.

The EIB's origins lie in the movement towards closer political and economic cooperation which developed in European countries after the second World War, leading to the Treaty of Rome.

Various studies pointed to how the creation of a development finance body could help Europe's economic progress by obtaining funds, partly from outside, and allocating them to priority investment. Before the idea could take firm shape, however, there had to be the right political and institutional framework. The times hardly seemed ripe for experiment in this respect, with the past conflict still fresh in mind and each country facing its own immediate problems of reconstruction.

A degree of cooperation was established with the formation of some intergovernmental bodies, including the Organisation for European Economic Cooperation (OEEC), the forerunner of the wider Organisation for Economic Cooperation and Development (OECD), set up in 1948.

Some Europeans wanted to go much further in promoting economic solidarity and integration. In 1950, Robert Schuman, the French Foreign Minister, proposed that the key basic industries in France and Germany — coal and steel — should be placed under common guidance in an organisation which all European countries could join on the same terms. Two years later the European Coal and Steel Community was born with Belgium, Germany, France, Italy, Luxembourg and the Netherlands as its members. Tariff barriers were dismantled and coal and steel trade in the six countries began to expand.

The ECSC Treaty and its first results were a stepping stone towards a much broader-based concept, the creation under the Treaty of Rome of the European Economic Community. The same Treaty set up the European Investment Bank. Both started on 1 January 1958.

Schuman had few illusions about the speed of European integration or the difficulties to be overcome. "Europe will not be built in a day, nor to an overall design; it will be built through practical achievements that first establish a sense of common purpose," he said.

This declaration is inscribed on a monument to Schuman which is only a few hundred yards from the European Investment Bank's new headquarters in Luxembourg. The Bank has rather adopted it as its own guideline; its tasks are delineated by concrete Community economic policy objectives and firmly geared to practical aspects of dealing with some of the EEC's more difficult development problems. Several of these were first identified in the discussions and studies that led to the Treaty of Rome.

The EIB's first tasks

Leaving aside the Treaty's ultimate aims — "to lay the foundations of an ever closer union among the peoples of Europe", the precise form of which is still being debated — the EEC was meant principally to extend the original, sectorally limited ideas in the European Coal and Steel Community to cover progressively most spheres of economic activity. Superimposing on national economies one overall structure, subject to a substantial measure of common policy, would give European development the stimulus of a large, open market. This has not yet been fully achieved. There are still obstacles of a technical, legal and other nature, and Community efforts to eliminate them have met with uneven success. This deprives the EEC of part of its "common market" potential, but even so intra-Community trade has expanded considerably. Between the original "Six" it more than quadrupled between 1958 and 1972. Today about 50 % of the 10 Member Countries' trade is with each other.

A single market promised several benefits, among them a competitive spur and economies of scale for producers, perhaps justifying investment in more efficient methods and innovation, with the results showing through in lower prices and greater choice for the consumer. But it also implied certain new or additional investment needs.

A major concern was how regional development might be affected: would extra growth be drawn to the already successful, dynamic regions leaving those which had lagged behind in their development, for one reason or another, to slip back yet further?

One country, Italy, was able to point to its own striking experience: unification in the 1860s, followed by a slow polarisation of economic activity and prosperity in the North, a decline in the fortunes of the Mezzogiorno and a duality in the economy — some have said almost two nations — until major public investment was launched to redress the balance in the early 1950s.

The risk that European unification might set in motion a similar process, but on a far larger scale, came to mind. All the original "Six" were conscious that they faced problems of uneven progress within their economies; they also saw regional development not just in economic terms but as an expression of basic solidarity between people. If a common market were to be set up, encouraging growth, there had to be some counterbalancing effort to help poorer areas share in the benefits.

The Member States wrote into the Treaty of Rome, as one of the principal aims, the need to ensure "harmonious development by reducing the differences existing between the regions and the backwardness of the less favoured regions."

Another concern was that while creation of an extended home market for European industry would open up opportunities not possible in fragmented, national economies, the very process of achieving this — dismantling of tariff walls, institution of free and intensive competition — would increase the pressure on old, outworn industry to modernise or convert production.

The Treaty negotiations also pointed to another consequence of a Community market: the freer and larger movement of trade and people would call for certain investment of "common interest", perhaps limited to two or more countries, perhaps benefiting the Community as a whole ... smoother communications, for example, in the form of more cross-frontier road and rail links, alpine tunnels etc., the sinews of a Community infrastructure.

These points came up not as detailed, fixed objectives but as very broad headings. Thanks to this, the EIB has never been locked into a static role, but can respond to changing circumstances and priorities. The most striking example is the fast expansion in lending for energy investment in Europe since the 1973 oil embargo and the subsequent price shocks. The 1980s bring increased attention to industrial modernisation. Environmental protection is another growing concern.

Essentially, there were two options on how to support the investment. Some discussion centred around whether to establish a common fund with contributions from national budgets, topped up as necessary. The other idea was to set up a bank which would borrow its resources. Agreement settled on the bank approach, and this for a number of reasons.

One argument was that pursuit of new Community investment policies would call for **extra** financial resources, as well as some reallocation of those already

Financing within the Community

Breakdown by project location

million ECUs

	1958-1982		1978-1982					
			from own resources		from NCI resources			
	Total	%		%		%	Total	%
Belgium	628·8	2·8	516·7	3·9	—	—	516·7	3·4
Denmark	755·2	3·4	555·2	4·2	114·1	6·3	669·3	4·4
Germany	1 213·9	5·4	420·3	3·2	—	—	420·3	2·8
Greece	617·7	2·8	492·8	3·7	124·9	6·9	617·7	4·1
France	3 039·1	13·5	1 511·9	11·4	77·9	4·3	1 589·8	10·6
Ireland	1 828·1	8·1	1 355·4	10·2	228·9	12·7	1 584·3	10·5
Italy	9 902·8	44·0	5 743·1	43·3	1 120·5	62·1	6 863·6	45·5
Luxembourg	9·0	—	—	—	—	—	—	—
Netherlands	105·2	0·5	—	—	—	—	—	—
United Kingdom	4 164·6	18·5	2 567·1	19·3	139·2	7·7	2 706·3	17·9
Non-Member Countries (1)	223·5	1·0	113·0	0·8	—	—	113·0	0·8
Total	**22 487·9**	**100·0**	**13 275·6**	**100·0**	**1 805·5**	**100·0**	**15 081·1**	**100·0**
of which guarantees	*524·5*	*2·3*	*296·3*	*2·2*	—	—	*296·3*	*2·0*

(1) Loans granted for energy projects in Austria, Norway and Tunisia, but of direct importance to the Community.

existing in the countries. A bank funding itself partly by borrowing outside the EEC would help to achieve this.

A further attraction was that a banking mechanism — borrowing, lending, then being repaid — would not be a continuing charge on national budgets and therefore on taxpayers.

There was also a feeling in some quarters that lending for investment was perhaps a healthier approach than outright grant aid in a new economic grouping setting out to stimulate efficient enterprise; it risked less distortion to free competition and implied a heightened discipline in the use of funds, making sure that they would go to sound investment.

This final aspect suggested, in particular, the need for a body able to select capital projects worth financing on the strength of its independent, professional judgement based on economic, financial and technical criteria, and also free to fix the conditions for its loans. This in turn was likely to facilitate fund-raising by inspiring confidence in lenders on the capital markets.

All these ideas merged into one: a project-financing bank

— endowed with a capital base subscribed by the Member States, but with the job of financing the vast bulk of its lending activity out of borrowings contracted in its own name and on its own responsibility;

— working on a non-profit-making basis (but non-loss-making too, since it must maintain its own credit standing);

— to cooperate and work closely with the national long-term credit institutions, commercial banks and other financing media, as the Bank's role would be to complement their facilities, not to displace existing sources of capital or in any way to disrupt the system;

— free from any quota restrictions as to countries or sectors: the Bank lends according to demand and needs, and availability of resources.

Article 3 of the Treaty of Rome provides for the creation of the European Investment Bank as one of the Community's first practical steps. Article 129 formally gives it a legal personality separate from that of the European Economic Community itself and lays down the composition of the membership (the EEC Member States). Article 130 defines the Bank's objectives: to contribute to the Community's "balanced and steady development" by helping to finance regional development, the modernisation and conversion of enterprises and development of fresh activities called for by the progressive establishment of the common market, and investment promoting a "common interest"; it establishes "all sectors of the economy" as the field of action.

The organisational and financial structure, and the operating procedures, were set out in the Bank's Statute, which is legally a protocol annexed to, and an integral part of, the Treaty of Rome.

The EIB therefore harnesses different strengths. It is a public institution formed as part of the basic decision to create the European Economic Community, serving the Community's development on a non-profit-making basis. But it is also a bank, having much in common with other large banks in its operational set-up. Like any bank which runs on borrowed funds, it must always respect one overriding consideration — that is, to maintain solid credit-worthiness, based on judicious investment of resources. It enjoys the advantage of its own management and decision-making procedures. This blend has proved both realistic and efficient in practice. The first and strictest judges are the capital markets which have shown their willingness to provide steadily growing amounts for the expansion of the Bank's lending. In the past five years alone the EIB has raised almost 12·5 billion ECUs on the world's major markets.

Adjusting to change

The pattern of the EIB's operations over the past 25 years has evolved in line with shifts in the world economic balance which have changed the context for the Community's development.

The experience of the original "Six" was one of contributing to and benefiting from global economic expansion. The present, enlarged Community has had a more uncertain environment with energy price rises, inflationary pressures, onslaught of new technologies and competition, high unemployment.

When the EEC started in 1958, its new structures and cooperation procedures needed a settling-in period, not without difficulties, but the basic momentum was strong. Production capacity had already well exceeded pre-war levels, giving a springboard for growth, in particular with the much greater possibilities for intra-European trade. Plentiful and relatively cheap raw materials (notably oil, at falling prices in real terms for most of the period) helped to fuel expansion; agricultural mechanisation and modernisation released manpower for better-paying industrial and service jobs in the towns.

Between 1958 and 1972 productivity and real incomes increased considerably. Real GDP in the "Six" rose by 100 % — an increase of 5 % per annum — and trade

Through financing of energy and other infrastructure development, EIB funds often lie behind some of the biggest civil engineering works in Europe. This photo was taken at the construction of the Dinorwic pumped storage power station, built into the side of a mountain in the Snowdonia area of Wales.

between the countries grew by roughly 11 % per annum in real terms. For most of the time, low inflation, moderate interest rates and relative stability in exchange rates assisted growth.

During this period, the EIB helped to finance investment in the Member Countries with loans (plus a handful of guarantees on loans provided by other banks) worth around 2·45 billion ECUs. There was a substantial concentration on basic transport and telecommunications infrastructure, to a lesser extent on power station construction and gaslines to meet growing energy requirements. Most loans for industrial investment concerned new factories, or expanded facilities, to serve growing markets. Nearly 60 % of all the financing was for investment in Italy, mainly reflecting the severity of development problems in the Mezzogiorno.

These first 15 years gave a solid base for a considerable expansion in the EIB's operations in the Community.

Annual lending, which was running at an average of less than 100 million ECUs in the first 10 years (1958—1967) rising to an average of 350 million in the next five years (1968—1972), increased to an annual 1 billion in the five years 1973 to 1977 and then to an average of over 3 billion per annum in the five years 1978—1982. Last year the Bank's total lending operations in the Community were worth 4·25 billion ECUs.

Over the ten years 1973—1982, the EIB's lending operations in the Community ran to 20 billion ECUs, spread amongst 5 200 investments. The growth in lending during this period — annual average around 20 % — has been about double the rate of gross fixed capital formation in the Member Countries.

The expansion of activity is partly an automatic consequence of the Community's enlargement: Denmark, Ireland and the United Kingdom in 1973, then Greece in 1981, brought an increase in potential calls on EIB facilities, notably for regional development. Greece and Ireland are by far the least prosperous of the EEC Member Countries and with wide regional development gaps to bridge. In the United Kingdom the problem is not linked so much to "greenfield" development as to revitalising depressed industrial areas where traditional activities are declining. Denmark also has its regional problems, including commitments to help develop Greenland. Since 1973, these "new" Member Countries have accounted for a total of close to 7·5 billion ECUs, or some 37 % of the EIB's lending operations, even allowing for the fact that the Bank had no previous experience in Denmark, Ireland and the United Kingdom and had to build up activity gradually.

The first enlargement itself, however, went through at a time when the Community's growth pattern was starting to falter, posing new problems with investment very much at the heart of them.

The comparative international monetary and trading stability experienced for many years, largely under the Bretton Woods framework, began to break down around the turn of the decade, with worrying movements in inflation and unemployment. The 1973 oil embargo, followed in 1974 by the first startling increase in oil prices, can be seen almost as a turning point, bringing the end of cheap energy (with another sharp oil price hike in 1979-80). The Community — heavily dependent on imports — was particularly vulnerable. Payments balances worsened, constricting development. Inflation gathered pace, with the cycle of increased wage demands, in turn eroded by inflation; rising production costs came at the same time as industrial competition stiffened from other countries, both on the Community market and on export markets. In 1975, the EEC suffered a negative rate of growth for the first time in its existence.

While there has been some success in pulling down inflation rates recently, the recession has continued to bite deeply. With lower profits, many firms have invested less, compounding the problem in the short term, and compromising their competitive potential in the longer term, as their cutback threatens to show through in a deterioration of plant and slowdown in technological improvements. The total of unemployed in the Community has risen steadily from 5 million in 1977 to 12 million at end-1982, under the combined impact of actual job losses but also a strong increase in working age population. The least developed areas have suffered setbacks in their progress, but equally worrying is the way many older industrial zones — some of them previously regarded as quite prosperous — are now showing jobless figures that are as bad or worse.

The problems of fighting simultaneously against unemployment and inflation on this scale are unprecedented in the life of the Community. Certain key lines of response have been underlined several times by the European Council (the Heads of State or Government) or by the Council of Ministers:

— continue to support development in the regions most at risk;

— cut back the EEC's dependence upon oil imports and make more efficient use of energy;

— strengthen capacity in those sectors which generate new technology, and support the application of high technology in other sectors, to push forward European competitiveness;

— promote better conditions for creation and expansion of small businesses, very often dynamic employment creators and launchers of new ideas.

All these objectives call for sustained, well-directed investment in the Community.

Growing contribution

It is in this much different and rigorous economic climate of the last 10 years, and even more so of the last five years, that the contribution which the European Investment Bank can make has become steadily more evident. The volume of lending is one measure of this. Another lies in the means which the Bank deploys. By raising funds on the capital markets (average annual rhythm about 2·5 billion ECUs in the last five years), it facilitates a double transfer of resources: first from outside to inside the Community (when it borrows in America, Japan or Switzerland, for example); second, from more prosperous areas of the Community to those with greater problems. The latter point is important not only for the sums raised — e.g. borrowings in Deutsche Mark and Dutch guilders amounted to about 35 % of EIB funding in the past 5 years — but also for the practical demonstration of financial solidarity in the EEC. Much progress in Ireland, Southern Italy or Greece, for example, has been speeded on by a flow of funds from other Member Countries, albeit through loans which have to be repaid.

Moreover, the appraisal procedures which the EIB uses to select projects for financing – a strict insistence on economic benefit, technical viability and financial solidity, judged by the Bank's own financial analysts, economists, engineers and lawyers – are also a support at a time when the Community needs to see investment resources concentrated where they will make the soundest impact. Fortunately, the EIB is not tied in any budgetary way to meeting set loan targets: it bases its decisions purely on the merits of each project for which a loan request is submitted.

Some salient features of the Bank's expansion in the last decade are

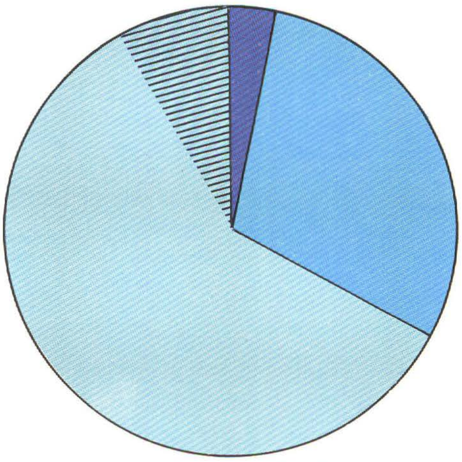
— much increased lending in the weaker regions (total: over 13·9 billion ECUs), with a particularly sharp focus on those hardest hit under the recession. The annual rate of lending for regional development has risen (in nominal terms) over nine-fold between 1972 and 1982;

— fast acceleration in lending for energy investment helping to cut the Community's oil imports. Last year alone it totalled over 1·3 billion ECUs, compared for example with 375 million in 1977. Measures to economise on energy consumption are included here as well as investment in energy production and transmission facilities;

— on the industrial front, two marked trends: far more financing is going to small and medium-scale investments, mainly by independent firms — 400 million ECUs were released in the period 1973 to 1977, but almost 1·7 billion from 1978 to 1982; recent years have seen more emphasis, particularly in larger scale industry, on plant modernisation to strengthen competitiveness through improved or new production methods;

— environmental protection, another example of responding to evolving needs. Over the years, public opinion has built up to insist that economic development can only be within a framework of respect for the environment. The Bank has been giving increasing weight to assessing the environmental impact of projects submitted to it and, within certain parameters, finances some specific investment in environmental protection;

Period breakdown showing evolution of EIB financing operations in the Community



	million ECUs
1958–1967	721·6
1968–1977	6 685·2
1978–1982	15 081·1
of which NCI	*1 805·5*
Total	22 487·9

— also at a time when differences in economic performance in individual Member Countries work against the EEC's internal cohesion, the EIB's operations can be said to have a counterbalancing value through concentration in the countries and regions with severe structural problems.

New stimulus

These developments were given an important stimulus by Community decisions in 1977—1978 which provided the EIB with fresh resources and extra responsibilities.

In March 1977, the European Council, at its meeting in Rome, called for a strengthening of Community action to help counter unemployment, generally sluggish investment, and insufficient convergence in national economies.

The EIB's response was to prepare for a substantial increase in lending which the Board of Governors then backed in June 1978 by doubling the Bank's subscribed capital from about 3·5 billion ECUs to over 7 billion, then redoubling it — at end-1981 — so that it presently stands at 14·4 billion ECUs. Under the EIB's Statute outstanding loans and guarantees from the Bank's own resources must not exceed 250 % of its subscribed capital. This means the limit at end-1977 (8·8 billion ECUs) has been progressively raised to 36 billion with the present capital structure. At end-1982 the Bank had reached 20·7 billion (57·5 %).

Community decisions also expanded resources through the **New Community Instrument** (NCI or so-called "Ortoli Facility") lending operations, and the financial support provisions in the **European Monetary System.**

The New Community Instrument, which became operational in 1979, is another response to the European Council's call. The European Economic Community raises funds in the financial markets, as distinct from the EIB's own borrowings; these are then passed on to the EIB which uses them, under Community mandate, to support certain categories of investment to which the EEC attaches a particular priority. It allies the European Economic Community's own credit standing and borrowing capacity to the EIB's experience in evaluation of projects. New Community Instrument loans reached 1·8 billion ECUs by end-1982, accounting for about 14 % of the Bank's lending operations during the past four years *(in this introductory chapter, NCI loans have been included, where relevant, in the overall amounts given for Bank lending operations; more details are to be found in the following text and tables and in the fuller description of the NCI on pages 19 and 20).*

The European Monetary System (EMS) arrangements concern interest subsidies. The EMS was set up at the end of 1978 to encourage investment and trade through greater stability in exchange rates; measures were then agreed to help the economies of less prosperous countries fully participating in the system by providing interest subsidies on loans made by the EIB, both from its own resources and New Community Instrument funds. Ireland and Italy were designated beneficiary countries. By cutting the cost of loans, the subsidies can be said to have the effect of allowing an increased amount to be borrowed and ploughed into priority investment. The subsidies are paid from the Community budget and are worth 1 billion ECUs. Special interest subsidies were also introduced for loans to help reconstruction in the areas of Southern Italy and Greece hit by earthquakes (see page 31).

A point can perhaps be mentioned here on the numerous Community financing activities. First there are the loan mechanisms: apart from EIB and New Community Instrument finance, both the European Coal and Steel Community and Euratom — European Atomic Energy Community — lend for investment. The EIB works on Euratom's behalf by appraising all loan requests which means that the vast bulk of Community investment lending activities in the Member Countries — over 80 % in the past five years, i.e. EIB, NCI and Euratom resources combined — are carried out on the basis of the Bank's economic, technical and financial examination (lending by the European Coal and Steel Community, which has its origins under the earlier ECSC Treaty, is dealt with entirely by the Commission, however).

Running parallel to the lending mechanisms are grant aid sources which have been set up over the years operating from Community budgetary resources. Through the European Regional Development Fund, the Social Fund, the Agricultural Fund and research and development funds, the Commission can provide grants in cases where a loan, or a loan on its own, would not be appropriate.

Continuous cooperation between the Bank and the Commission reflects a joint concern for effective, complementary use of all resources. Projects financed with loans made available by the EIB may benefit from grant aid from the European Regional Development Fund, and sometimes from one of the other funds, or perhaps loan support from the European Coal and Steel Community.

Development support for other countries

The EIB has been called upon to extend its operations to many countries beyond the EEC. This started with lending in Greece and Turkey under the terms of Association Agreements they signed with the Community at the beginning of the 1960s, and in some 20 African countries which, after independence, decided to carry on their special links with Europe. In the last decade this activity has expanded considerably as the Community agreed to help Portugal and Spain prepare for Community membership, entered into comprehensive cooperation agreements with other Mediterranean region countries, and signed the Lomé Conventions which now cover over 60 African, Caribbean and Pacific (ACP) countries.

In assuming these functions, which were not originally foreseen as a major activity for the Bank, the EIB contributes to policies of vital importance: enlargement of the EEC and strengthening of European cooperation, and the provision of wide-ranging development assistance to the Third World.

There are several aspects to this. One is a matter of solidarity with countries which have shared histories and cultural links with Europe. There is a natural humanitarian concern, bearing in mind that the majority of them have a standard of living (measured in per capita GNP terms) less than 1/10th the EEC average, a third of them under 1/20th. For most of the developing countries the higher cost of energy, inflation in prices of imported capital goods and recession in industrialised countries, their biggest markets, have aggravated their difficulties.

Community aid also embodies a realistic assessment of how the EEC's economy is interdependent with those of neighbouring countries to the south and the ACP. Europe has vital interests in expanding world trade. The help it provides for other countries to develop and become bigger trading partners is — in the long term, and not so long at that — in Europe's interest as well as theirs.

The EIB's operations generally come within a wider framework of Community assistance, with outright grant aid, handled by the Commission, being an important component.

The profile of the Bank's lending differs according to the country. In the ACP the priority responsibilities to date have been to assist industrial, agro-industrial, mining, tourism and energy development. In several Mediterranean countries the Bank has also financed major communications improvements and other economic infrastructure. When the EIB lends in most of these countries from its own resources, loans are granted with an interest subsidy, paid by the Community, to reinforce the aid element. The Bank also manages some Community funds for special concessionary financing, in particular risk capital to help industrial growth in the ACP and loans on very soft terms in several of the less developed Mediterranean countries.

In total, the EIB has channelled some 3·3 billion ECUs to investment in countries outside the EEC, over 85 % of this in the last 10 years, more than 65 % in the last five. The expansion — not during a period of plenty, but while the Community itself has faced economic setbacks — indicates the importance which the Member States attach to this field of the European Investment Bank's work.

Financing provided from 1958 to 1982 and from 1978 to 1982

Broad breakdown by origin of resources and project location

million ECUs

	1958-1982		1978-1982	
	Total	%	Total	%
Loans from EIB own resources and guarantees				
within the Community	20 682·4	80·1	13 275·6	76·7
of which guarantees	*524·5*	*2·0*	*296·3*	*1·7*
outside the Community	2 343·8	9·1	1 772·8	10·3
Total	**23 026·2**	**89·2**	**15 048·4**	**87·0**
Financing provided from other resources (accounted for in the Special Section)				
within the Community, from the resources of the New Community Instrument for borrowing and lending (NCI)	1 805·5	7·0	1 805·5	10·4
outside the Community, from Member States' or Community budgetary resources	975·4	3·8	447·8	2·6
Total	**2 780·9**	**10·8**	**2 253·3**	**13·0**
Grand total	**25 807·1**	**100·0**	**17 301·7**	**100·0**
of which: within the Community	22 487·9	87·1	15 081·1	87·2
outside the Community	3 319·2	12·9	2 220·6	12·8

A note of realism, however: it is one thing to agree on broad aims for amounts to lend, another to find projects which promise convincing, durable benefits. The poor economic performance of many countries in the present adverse economic cycle often means a dearth of good investment opportunities. Political and social development factors and, in particular, problems of economic and financial management in most difficult circumstances, sometimes complicate the situation. The fact that many poorer African countries have been unable to generate growth for even a modest improvement to their low income levels in the past decade is one of the most serious current issues which calls for appropriate action.

Credit standing

Whether in or outside the Community, the EIB's expansion basically depends on the financial markets. The Bank can carry out its operations satisfactorily only to the extent that investors — institutions such as insurance companies, pension funds etc, or individuals seeking a safe placing for their savings — have confidence in the EIB as an impeccable borrower, offering first-class security. This it is: universally recognised credit rating agencies award the Bank the highest classification, "AAA".

Among multilateral institutions, the EIB is second only to the World Bank in the amounts it borrows and, like the World Bank, raises funds essentially by issuing bonds publicly or placing them privately for up to 20 years in internationally traded currencies. The public issues are quoted on the major stock exchanges.

The calibre of the EIB's signature can be judged in various ways: as "shareholders" the EIB has 10 European states bound in their obligations to the Bank by international treaty; they have steadily increased the Bank's paid-in capital, and considerably expanded callable capital, to match expansion of lending; the EIB's financing portfolio covers productive fixed asset investment, spread across all sectors of the economy and chosen according to exacting criteria. Finally, the EIB is required by its Statute to obtain security for its loans; all funds lent outside the Community are additionally covered by Community blanket guarantees.

These aspects are fundamental. The EIB has to raise money, in a more or less continuous flow, on the best terms so as to pass on the benefits to its borrowers. It can do this only by showing a good track record (no losses in 25 years) and working in a way that means this should hold good for the future.

Assessing the impact

How can the impact of the EIB's 25 years of work be assessed? It would be a tidy approach if some kind of objective economic balance sheet could be drawn up, with a final result on the bottom line. But attempts to make an overall value judgement run up against difficulties.

The EIB cannot be seen in isolation. It is the Community's major financing body and its loans — covering up to half the cost of any given project — may enable projects to be launched or completed more quickly, and in many instances may be a determining factor; but the Bank would not make a general claim that without its support investments would never be carried out. Its loans are always complementary to other finance, which may come from other Community sources, private enterprise, national institutions, commercial banks or States themselves.

There are, however, certain elements which help to give an idea of the impact.

Employment is one criterion. On the basis of information provided by the promoters at the time of project appraisal, the investment which the EIB has helped to finance over the past 10 years involves the direct creation of 190 000 full-time jobs and the safeguarding of 112 000, mainly in industry. That may not seem much against the 12 million unemployed in the EEC, but there are other considerations. The EIB finances many large infrastructure and other projects and the work input in construction, supply of necessary services and materials etc. is considerable. The Bank estimates that throughout the last few years projects it has supported have been keeping some 400 000 workers in full employment.

There is also, of course, the long term impact of most infrastructure projects — e.g. water supplies, sewerage, communications — which create few permanent jobs in themselves but are necessary for industrial and other development. Areas in the Community still find job-creating development restricted because of inadequate basic infrastructure.

On the energy front, projects financed by the Bank over the past five years alone should, when they are all completed, contribute to reducing the Community's dependence on oil imports by nearly 60 million tonnes per annum; that corresponds to around 17 % of the EEC's net oil imports in 1982.

The Bank's financing operations in the Community have contributed to 80 billion ECUs of new fixed investment over the 25 years, which, in 1982 prices, would be worth over 140 billion ECUs. The contribution has averaged 28 % of project costs over the 25 years, rising to 32 % in the past five.

Outside the Community, a similar exercise can be carried out: in the past 10 years, 114 000 jobs created; contribution to total investment worth 15 billion ECUs;

Financing provided within the Community from 1958 to 1982 and from 1978 to 1982

Breakdown by economic policy objective

million ECUs

	1958-1982		1978-1982				
	Total	%	from EIB own resources	%	from NCI resources	Total	%
Regional development	**15 974·4**	**100·0**	**9 211·1**	**100·0**	**1 240·3**	**10 451·4**	**100·0**
Belgium	107·8	0·7	32·7	0·4	—	32·7	0·3
Denmark	331·8	2·1	227·6	2·5	48·6	276·2	2·6
Germany	372·6	2·3	6·2	0·1	—	6·2	0·1
Greece	607·9	3·8	483·0	5·2	124·9	607·9	5·8
France	1 739·3	10·9	776·2	8·4	40·3	816·5	7·8
Ireland	1 797·7	11·3	1 325·1	14·4	228·9	1 554·0	14·9
Italy	7 710·4	48·3	4 393·5	47·7	737·8	5 131·3	49·1
Luxembourg	4·0	·	—	—	—	—	—
Netherlands	70·5	0·4	—	—	—	—	—
United Kingdom	3 232·4	20·2	1 966·8	21·3	59·8	2 026·6	19·4
Common European interest — modernisation, conversion of undertakings	**9 634·3**	**100·0**	**5 777·4**	**100·0**	**793·4**	**6 570·8**	**100·0**
Energy	**7 282·8**	**75·6**	**4 990·5**	**86·4**	**457·9**	**5 448·4**	**82·9**
Development of Community resources	4 541·0	47·1	2 879·7	49·8	125·6	3 005·3	45·7
Hydroelectric	*140·3*	*1·4*	*61·5*	*1·1*		*61·5*	*0·9*
Nuclear	*2 973·4*	*30·9*	*2 101·2*	*36·3*		*2 101·2*	*32·0*
Oil and natural gas deposits	*1 179·2*	*12·2*	*543·8*	*9·4*	*78·6*	*622·4*	*9·5*
Coal, lignite, peat	*248·1*	*2·6*	*173·2*	*3·0*	*47·0*	*220·2*	*3·3*
Rational use of energy	1 465·3	15·2	1 142·2	19·8	247·7	1 389·9	21·2
Import diversification	1 276·5	13·3	968·6	16·8	84·6	1 053·2	16·0
Natural gas	*998·8*	*10·4*	*690·9*	*12·0*	*84·6*	*775·5*	*11·8*
Electricity	*116·4*	*1·2*	*73·0*	*1·3*		*73·0*	*1·1*
Coal	*161·3*	*1·7*	*204·7*	*3·5*		*204·7*	*3·1*
Communications and other Community infrastructure	**1 355·0**	**14·1**	**524·0**	**9·1**	**105·3**	**629·3**	**9·6**
Transport	1 132·9	11·8	472·7	8·2	48·6	521·3	7·9
Railways	*103·9*	*1·1*					
Roads, bridges and tunnels	*774·5*	*8·1*	*275·1*	*4·8*	*48·6*	*323·7*	*4·9*
Shipping	*71·2*	*0·7*	*30·8*	*0·5*		*30·8*	*0·5*
Airlines	*183·3*	*1·9*	*166·8*	*2·9*		*166·8*	*2·5*
Telecommunications	109·4	1·1	19·2	0·3		19·2	0·3
Protection of the environment	112·7	1·2	32·1	0·6	56·7	88·8	1·4
Modernisation and conversion of undertakings	**996·5**	**10·3**	**262·9**	**4·5**	**230·2**	**493·1**	**7·5**
Modernisation and conversion	302·2	3·1	113·3	2·0		113·3	1·7
Advanced technology	71·2	0·7	48·6	0·8		48·6	0·8
Industrial cooperation	368·5	3·8	94·5	1·6		94·5	1·4
Productive investment by smaller businesses	230·2	2·4			230·2	230·2	3·5
Protection of the environment	24·4	0·3	6·5	0·1		6·5	0·1
Deduct to allow for duplication in the case of financing justified on the basis of several objectives	*— 3 120·8*		*— 1 712·9*		*— 228·2*	*— 1 941·1*	
Total	**22 487·9**		**13 275·6**		**1 805·5**	**15 081·1**	

increase in value added from industrial and agricultural activities worth about 4 billion per annum; substantial support for energy independence, with installations helping countries reduce oil imports by 7 million tonnes per annum.

* * *

For the EIB's staff — at end-1982 about 560 people drawn from the 10 countries — these are figures which give a practical relevance to their work. They are conscious that the best way of marking 25 years is to plan ahead and to bridge more of the gap between what has been attained and what has yet to be achieved. The spheres in which the Bank is engaged — development in the weaker regions, energy, industrial modernisation, economic cooperation with other countries — are centrally important to the Community's standing in the world economy, particularly in a period demanding response to rapid change. Any precise forecast would be hazardous, but the past few years point the way to the EIB increasing its contribution.

New Community Instrument

Over 1 800 million ECUs of loans granted by the European Investment Bank in the last four years (1979—1982) — roughly 14 % of the Bank's total lending operations in the Community during the same period — were resourced from funds made available through the New Community Instrument for borrowing and lending (NCI). Recent decisions foresee that substantial funds will continue to be available from this source, while the fields of investment eligible for support have been widened progressively.

The basic ideas behind the NCI (sometimes called "Ortoli Facility" after the Commission Vice-President François-Xavier Ortoli, who presented the scheme initially) are simpler than the complicated name suggests. The European Economic Community raises long-term funds on the financial markets; the European Investment Bank then uses these funds, under Community mandate, to make loans for investment projects.

The logic is to harness the EEC's borrowing possibilities — on its own name and credit — to the operational capacity (personnel experienced in banking and project evaluation, close contacts with authorities, financial and industrial circles in the Member Countries) which the Bank has built up in 25 years of financing in all sectors of the economy.

The new mechanism stems from the European Council's call in Rome, in March 1977, for stronger Community action to combat unemployment and sluggish investment and encourage more convergence in national economic performances.

On the basis of enabling dispositions in Article 235 of the Rome Treaty, the Commission proposed that the EEC — which some time before had borrowed relatively short-term to provide balance of payments support to Ireland and Italy — should also start to borrow long-term to provide another finance source for capital investment. This is directed to projects furthering priority economic objectives, fixed by the Council of the European Communities, which asks the European Parliament for its opinion. The majority of projects assisted with NCI funds have also benefited from EIB loans.

The first borrowings — 1 000 million ECUs, authorised by the Council on an "experimental basis" in October 1978 — were used essentially for important infrastructure assisting regional development and energy projects helping the Community to attain greater independence, security or diversification of its energy supplies. The Council also allowed a small part of the funds to go to advanced factory construction and housing development "provided they form part of a total project of economic and industrial development presenting a regional interest".

A fresh 1 000 million ECUs of borrowings was authorised in April 1982. The Council reaffirmed the importance of continuing NCI financing for regional development infrastructure and stressed that loans for energy investment should include rationalisation and replacement of oil by other fuels in *all sectors,* and also infrastructure facilitating this. One important innovation: the Council specified that productive investment projects of small and medium-sized undertakings should be able to benefit from NCI financing. This has led to the Bank granting NCI global loans (see pages 64 and 65) for small and medium-scale industrial ventures *outside assisted areas* covered under the EIB's usual criteria for lending in support of regional development.

A third borrowing authorisation — for 3 000 million ECUs — was decided by the Council in April this year. The funds are to be used for investment serving the Community's priority objectives in the energy and infrastructure sectors, in industry (in particular small and medium-sized undertakings) and other productive sectors "taking account, inter alia, of their regional impact and the need to combat unemployment".

(cont'd)

NCI loans (with special interest subsidies) have also been the principal means to provide exceptional aid to help reconstruction following the earthquakes in Southern Italy in November 1980 and Greece in February/March 1981 (see insert page 31).

* * *

Seen from the borrower's eyes, procedures for New Community Instrument loans are similar to those applying for loans from the EIB's own resources. The main difference is that for each application, the Bank must first ask the Commission for an opinion that the proposed investment comes within the Council's guidelines on the use of the funds. Once eligibility is established, the Bank's staff then carries out its own customary project appraisal, in accordance with the procedures laid down in its Statute, and it is for the EIB's Board of Directors to decide on the loan and fix the conditions. Here again, there is no great difference for the borrower between an NCI loan or a loan from the Bank's own resources. Interest rates are calculated on a like non-profit-making basis.

Euratom-EIB cooperation

Euratom — the European Atomic Energy Community — was created in 1958 at the same time as the EEC, and with the same Member Countries, to promote the development of a European nuclear industry for peaceful purposes. Since 1977, following a decision by the Council of the European Communities, the Commission has also raised funds on the capital markets in the name of Euratom to lend for construction of nuclear plant.

The EIB examines and prepares recommendations on all loan applications submitted to Euratom, and the Commission decides on each Euratom loan on the basis of these proposals; the Bank then acts as the Community's agent for the conclusion of the loan contract and administers the loan and monitors the project on behalf of Euratom.

Up to end-1982 loans totalling 1 220 million ECUs had been signed from Euratom resources for nuclear plant construction in the Community. The Bank does not include Euratom loans in its normal lending statistics because the decision on whether to grant a loan belongs entirely to the Commission; the EIB is essentially a technical partner in these operations.

The EIB's action within the Community

Regional development has been the main field for EIB action to date. The first guidelines for the Bank's credit policy, set out in 1958 by the Board of Governors, directed that "the Bank shall devote a large part of its resources to the financing of projects likely to contribute to the development of less developed regions, which is already one of the major objectives of the European Economic Community; such projects may be in any of the various economic sectors".

The EEC's regional problem is not one of a few isolated pockets of depression in an otherwise blanket spread of satisfactory development: about 60 % of the Community's territory (excluding Greenland and French overseas departments), and 110 million people, are covered by "assisted" areas which the Member States and the Community accept as being in need of help because of structurally higher than average unemployment and/or lower income levels. The "hard core" problem areas — say, with unemployment more than 25 % above the EEC average — come down to something like one third of EEC territory and 30 % of population; areas with per capita income 25 % or more below the Community average cover about 20 % of territory and 13 % of population. Regional development is an issue of obvious economic, social and political weight in every Member Country and a point at which basic questions of cohesion and solidarity in the EEC come to the fore.

The EIB's involvement in regional development has broadened significantly. At first it was largely a matter of supporting progress in less-favoured, low productivity agricultural areas, often far from the main industrial growth centres. One of their handicaps was usually inadequate infrastructure provision. This is still the motive for much of the EIB's operations in Ireland, Southern Italy and Greece; certain other areas such as the Highlands and Islands of Scotland, some of the Danish islands and parts of Jutland, have somewhat similar problems.

Over the years, increasing attention has focused on the need to revitalise declining industrial areas where the underlying need for change and conversion, although dating far back, was either exposed or aggravated by the recession, with sometimes rapid and catastrophic results in terms of unemployment. The United Kingdom's older industrial regions are hard hit in this respect, but zones of economic dereliction exist in other parts of the Community, notably in Belgium and France, where industries which were the key employers over large areas failed to weather market upheavals or responded too slowly.

A third and special aspect is the reconstruction of infrastructure and production facilities in regions of Southern Italy and Greece which were damaged by the earthquakes in 1980 and 1981 respectively.

These different concerns — perhaps best described, in a general way, as help to improve the economic structure in "depressed" or "handicapped" areas — all come under the Bank's role of assisting regional development.

In the past 25 years, the EIB has channelled 16 billion ECUs — over 70 % of its financing operations in the Member Countries — to industrial, agricultural and infrastructure investment serving these aims, more than 13 billion in the past 10 years, 10·5 billion in the past five. Out of this total, 1 240 million has come from New Community Instrument resources.

Regional differences

Glanced at on a world map, the idea of appreciable regional development problems in the EEC seems slightly incongruous. One sixth the size of the USA and one fourteenth of the USSR, the European Community (excluding the sparsely inhabited territory of Greenland), appears at first sight as a compact, closely linked and densely populated area. The few natural barriers to communications and trade, or differences in climate, are hardly significant when compared with those in other continents.

And yet it is a part of the world showing a rich diversity in cultural and social patterns, and wide differences in levels of economic development. The Community of 10 Member Countries with seven *official* languages is also one of over 400 provinces, counties, départements, etc. where between them some 20 different languages (or more if one counts substantially different dialects) are spoken. For regional policy purposes, the Community adopts 108 regions as "basic administrative units" of Member Countries.

Population is spread unevenly. About a quarter of the Community's 270 million people live on about 6 % of its land area and half on less than 20 %. The ten most densely populated regions account for 13 % of the population but only 2 % of the land area. Conversely, the ten least populated group only 6 % of population but 18 % of territory.

The distribution of prosperity also shows marked regional disparities. The ratio between the 10 % of the EEC population living in the most prosperous regions and the 10 % in the least favoured is nearly 3 to 1 on the basis of purchasing power parities. The 10 richest regions of the Community account for close to 17 % of its Gross Domestic Product but only 11·5 % of the Community's population. At the opposite end of the scale, the 10 least prosperous regions account for little more than 7 % of GDP but over 12 % of population.

Almost 3 billion ECUs has been channelled by the Bank tc industrial development in the Community over the past five years. Much of this has gone to help set up or expand factories in less favoured areas. The development of the motor industry ir the Italian Mezzogiorno is a case in point

These comparisons (figures for 1979 from the Community's statistical service) give a simplified view of differences in output and standards of living, and are indeed arbitrary in some respects. There are large differences in the size and population of the regions (e.g. 480 square km with 1·9 million people and 80 000 square km with nearly 5·2 million people). Ireland, for example, is treated as one EEC region, without taking account of the differences between the distant western areas and the more developed Dublin area; Scotland is also considered as one unit, but groups the central industrial belt hit by the slump in shipbuilding, steel, heavy engineering and textiles production and faced with considerable unemployment, together with zones in the North East which have risen in prosperity since discovery of North Sea oil and gas. If regional comparisons were extended downward from the Community planning framework to smaller, territorial units — e.g. counties in Ireland and the United Kingdom, départements in France etc. — the ratios would widen further, of course. But here again, a question of interpretation arises. There are many intangible factors which raise legitimate doubts about relying too much on figures when forming an impression of regional disparities. A somewhat more sophisticated approach is needed. The quality of life should also be taken into account — the environment, social patterns, climate, etc. Income levels are not an absolute indication of development progress. For the time being, however, comparable statistical evidence, in the form of a comprehensive, universally accepted indicator of regional disparities, is not available.

Apart from uneven wealth distribution, there is another but closely linked pattern of disparities: unemployment. The rise in the number of jobless — doubling in five years to 12 million by end-1982 — has complicated regional imbalances, both within each Member Country and, even more so, across the Community. The ten EEC regions with the highest unemployment account for nearly 20 % of jobless but only 10 % of Community population; the ten least affected represent less than 5 % of total unemployed, but 10 % of population.

Responsibility for regional development lies primarily with national governments, which for many years have tried to deal with problems through their own regional development policies. These are aimed at providing infrastructure for accelerating economic development in designated areas and offer a range of incentives to encourage industry to move to or expand there. In some cases, this locational aid has been linked to discouraging further growth in congested urban areas; this is the case in Greece, for example, where considerable effort is being made to push development out from the Athens-Piraeus conurbation, with its pollution and overcrowding. National policies encompass an array of measures, from capital grants for buildings and equipment, to cheap loans, interest relief, tax concessions, assistance towards training expenses, etc.

The Community complements countries' regional policies by a measure of coordination, through exchange of information, and by providing financial assistance to ease the burden, which falls heaviest on those with the worst problems and, usually speaking, the least able to bear them.

This is the practical aspect, but behind it lie some deeper considerations

— regional imbalances retard movement towards closer European union, which assumes at least some broad convergence in equality of opportunity between peoples;

— failure to develop more of an area's natural and human resources can be an economic loss to the country and the Community. Collectively, the handicapped areas depress the EEC's overall economic performance. This seems a point worth emphasising because regional aid is sometimes seen mainly as an act of social equity, or liberality towards those in need, whereas it is far sounder to see it as a constructive contribution to the economy.

For these reasons, the Treaty of Rome expresses a Community logic in making it clear that economic expansion is not enough; it must be more balanced expansion.

This begs the question of how to define "balanced". Wide disparities are unacceptable, but the EEC cannot impose a uniform pattern of development throughout every region of 10 countries. Nor would such an aim be desirable, even if possible. Few would be enthusiastic to see Europe's diversity merged into an unvarying industrial spread. "Balanced" must mean trying to improve regional potential, taking advantage of all favourable possibilities, but not defying economic realities, refusing to accept change, or denying a region's character. Some differences in ways of life are bound to exist between regions.

Moreover, regional assistance has limitations. It helps, but is far from the sole solution to development inequalities. Regional growth may be stimulated or stifled by a host of other factors within national financial, economic and social policies (e.g. controls on public spending, sectoral planning, education, tax and social benefits structure) and Community policies in other fields such as agriculture, foreign relations and development aid (e.g. the delicate balance between trade with non-EEC Mediterranean countries and the impact on Mediterranean regions of Member Countries with similar products).

The efficacy of some regional assistance may also be open to discussion. As countries and regions legitimately vie with each other to attract investment, the tendency is for aid to multiply, both in amount and generosity of terms. How much of this aid effectively makes possible new investment, or speeds it along, rather than simply maintaining a region's attractiveness for investment relative to others with competing aids, is a sensitive point.

So, indeed, is the division of benefit: if a grant is made to a company based in a prosperous area for investment in a development region, what proportion of the benefit filters through to the host region, what proportion stays with head office and the shareholders? Do short-term financial advantages of aid sometimes encourage firms to make judgements on locating a new plant which distort long-term cost and efficiency considerations? These and other questions lead to a critical awareness that while regional assistance is a vitally necessary action, the means are often rather approximate and pragmatic tools, not high precision instruments. Experience in operating regional policies in other industrialised countries, outside the EEC, points to no better conclusion.

Changes over the years

Some of the more pessimistic early forecasts on regional trends in the Community were not borne out. The pull on development towards the best-equipped and more prosperous areas was substantially counterbalanced by action under national and Community regional policies. Even the least developed regions were able to benefit from the fast, general growth and made strides forward in the first 15 years or so. Gaps between levels of regional development in the original "Six" diminished slowly.

Over the past decade the situation has become more complicated, partly by the EEC's enlargement to include Denmark, Ireland, the United Kingdom, then Greece. This has faced the Community with an expansion of its regional problems both in gravity (e. g. the particularly low standard of living in areas of Ireland and Greece) and kind (the hardened arteries of old heavy industry zones in the UK, Denmark's responsibilities for Greenland). Between them these "new" Member Countries have regional development or conversion areas covering some 75 million people, more than 50 % of their population. Ireland is considered entirely eligible for regional aid, and so is Greece, except for the Athens-Piraeus and Thessalonika areas.

More important has been the effect on the Community's regions of the general slowdown in economic growth and its unequal impact on different sectors of activity. This has underlined the fragility of some of the regional gains made in the earlier years and introduced new strains by hitting areas previously relatively prosperous, but dependent to a high degree on industries which have run into trouble. Several of these areas are now faced with unemployment rates and reduced income levels as serious, if not more so, than some of the "traditional" development regions.

Despite the recession, however, regional disparities — again with the reservation that statistical evidence is indicative rather than conclusive — do not appear to have widened substantially. Within some countries they may, indeed, have diminished slightly, although it could be argued that this may reflect lower performance and relative decline in some richer regions rather than a levelling upwards of poorer areas.

Key points to the EIB's approach

The European Investment Bank is the Community's main source of funds for general financing of regional development, using principally its own resources but also those of the New Community Instrument. The Bank was the sole source until the creation of the European Regional Development Fund (ERDF) in 1975. The ERDF, managed by the Commission, makes grant aid available at the request of Member States, in practice partially reimbursing them for their own regional expenditure. It is therefore an instrument very different to the EIB.

None of the other Community finance sources have a general role in regional development, although they contribute in different ways. The European Coal and Steel Community's lending for coal and steel development, and industrial regeneration after mine or steel mill closures, is often in assisted areas. Weaker regions also benefit from the Community's Social Fund, through retraining of workers, for example, and from part of the money made available for agricultural structural investment through the Guidance Section of the European Agricultural Guidance and Guarantee Fund.

The EIB's lending follows certain broad guidelines:

- first, the Bank respects the **regional priorities** laid down by the appropriate authorities in each Member Country and coordinated by the Commission of the European Communities. The areas determined as eligible for assistance under national regional aid schemes are, in principle, eligible for Bank regional development operations. This is essentially the same approach as that used at present by the Commission in managing most of the European Regional Development Fund.

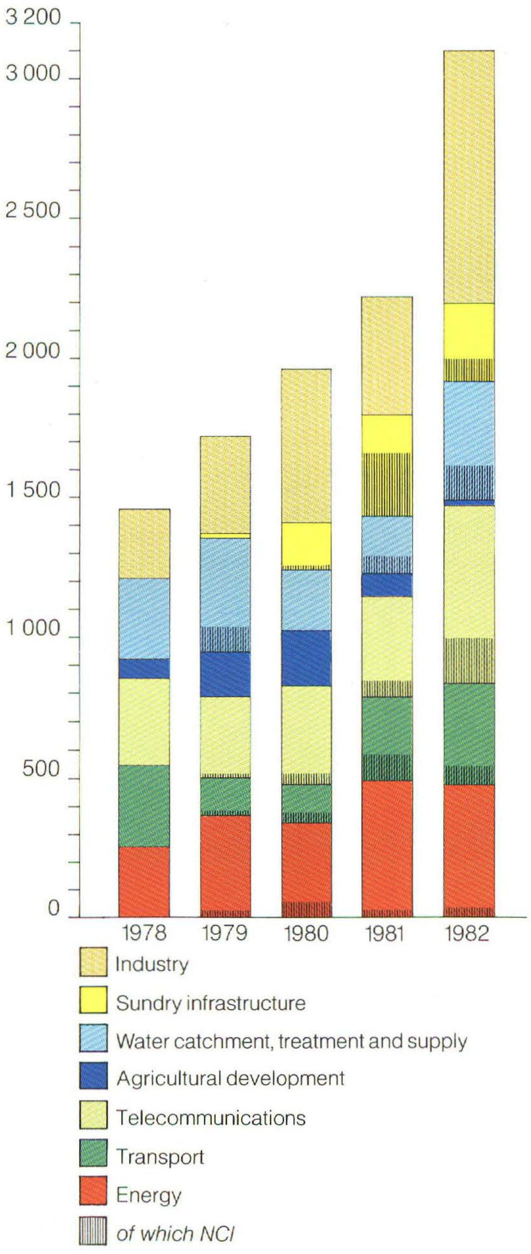
In certain circumstances, the EIB can extend loans for investment in other regions, e.g. in 1977, when the European Council asked the Community to expand activity to stimulate investment, attack unemployment and reduce disparities in the Community, one of the measures taken by the Bank was to extend its regional coverage to a number of areas which benefit only from minimal State assistance and which often border the main regional development zones.

■ because problems are not static, Community **regional policy** and the means to implement it **must be flexible and alert to changing needs.** Much of the permanent dialogue between the EIB and the Commission, which covers matters of common concern to the two organisations, is aimed at keeping each other abreast of information with a bearing on regional development and at ensuring cooperation in making best, balanced use of Community financing. An EIB representative participates as observer at meetings of the Regional Policy Committee and ERDF Management Committee. One of the Bank's Alternate Directors is the Commission's current Director-General for Regional Policy.

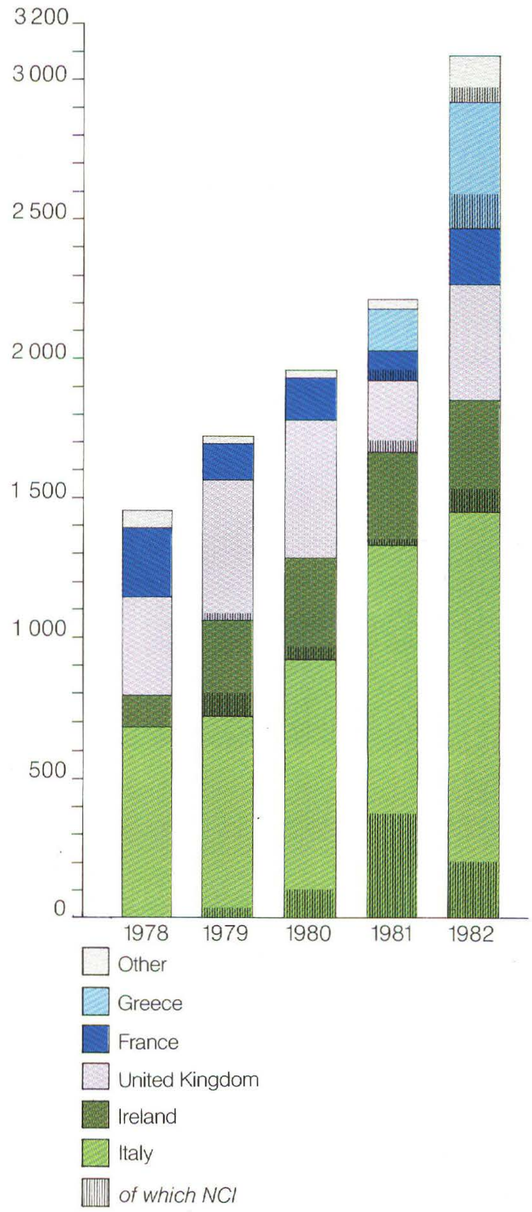
Financing provided for regional development within the Community from 1978 to 1982

million ECUs

Sectoral breakdown



Geographical breakdown



■ the Bank **concentrates action on wherever regional handicaps are most serious.** Over the past five years, for example, 70 % of the funds the Bank has lent for regional development, both from its own resources and from the New Community Instrument, went to investment in areas where unemployment is more than 25 % above the EEC average and/or where per capita income is 25 % less than the Community average. Considered differently, over 85 % of the funds were focused on the regions given a special priority under Community regional policy because of their particularly serious difficulties: Ireland, the Italian Mezzogiorno, Greece (outside the Athens-Piraeus and Thessalonika areas), in the United Kingdom and Greenland.

■ in selecting projects to finance, the EIB attaches greatest importance to **economic benefits.** It examines the projects' place in regional development programmes, where such exist, and key questions are how the proposed investment would be likely to make an impact on employment, increase productivity, raise income levels, reinforce regional infrastructure and improve conditions for setting up or expanding industrial and other ventures, in particular to diversify activities in areas where there is a mono-industry dependence.

■ economic viability has to be twinned with **financial soundness.** Just as the EIB will refuse to finance a project if it promises few durable economic and social benefits (even though it might be an excellent "bankable" proposition, in a conventional sense), so it will also refuse to assist an investment which is not undertaken on the basis of clear financial reasoning. For example, the Bank's position is that Community or State regional aid may help a firm to set up in an assisted area, and improve profitability potential, but a project should not have such a knife-edge viability that it is dependent upon the provision or continuance of such aid: the firm's investment should be anchored to sound business and commercial considerations.

■ balanced regional development calls for **investment of all sizes,** both in the production sector and infrastructure. With increasing effort over the past 10 years, the EIB has tried to ensure that its financing facilities are open to the **small as well as the larger-scale promoters.** It does this by making "global loans" (basically lines of credit) to financing organisations working at regional or national levels. Each then uses the EIB funds to make a series of smaller loans (in agreement with the EIB and subject to the Bank's normal intervention criteria) for investment carried out by its own clients. By working through these institutions, with their on-the-spot personnel and more detailed local knowledge, the EIB can reach a range of smaller investments, indeed often very small, which it would be virtually impossible to deal with directly, from one central location, in a reasonably efficient and cost-conscious way (see pages 64 and 65).

Country breakdown

In order of amount, the four countries where regional development problems have led to the most extensive EIB operations are Italy, the United Kingdom, Ireland and France (although Ireland comes well to the fore if the scale of financing is related to the size of country). Greece, which joined the Community in January 1981, has also begun to account for substantial lending, following on from earlier action, much of it benefiting regional development, under arrangements during the years when the country was associated with the EEC.

Italy

Of all the funds channelled by the EIB to regional development, about 48 % — 7·7 billion ECUs, including about 740 million from New Community Instrument resources — has gone to investment in Italy's less favoured areas.

The vast majority — 7·3 billion ECUs — concerns the mainland Mezzogiorno and the islands, although in recent years financing has been broadened out to include several zones in Central and Northern Italy which have run into development difficulties. A particular effort has been devoted in the past two years to helping reconstruction in the areas of Southern Italy hit by the earthquakes in November 1980 (see page 31).

The degree of priority which the EIB has given to this action is evident from a few figures: lending for regional development in Italy was running at an annual average of around 40 million ECUs in the first 10 years, 1958—1967; 165 million ECUs in the following five years to 1972; almost 270 million ECUs from 1973 to 1977; and an average of over 1 billion ECUs per annum in the past five years, 1978—1982. In 1982 alone, the figure was 1 450 million ECUs. Since 1979, much of the lending has carried 3 % interest subsidies under the European Monetary System support arrangements (see page 34).

The Mezzogiorno

The Mezzogiorno covers somewhat more than 40 % of Italy and roughly speaking comprises the entire area to the south of a line running from just below Rome north-eastwards to the Adriatic coast. About 20·5 million people live there. In ages past, first with Greek colonisation and then the Roman empire, this was the most prosperous and advanced area of the whole peninsula and, indeed, came to be the hub of most of Western civilisation.

Over the centuries this position was eroded. In more modern times, Northern Italy, closer to the industrial explosion and general economic changes in central continental Europe, absorbed much of the influences and some of the advantages, while the South lagged behind, disadvantaged geographically and distant politically and socially, problems which were far from resolved and in some respects complicated yet further by the unification of Italy in the 1860s. Before the last war, the disparities were widening fast with the speed of economic growth in the North around twice that in the South. The human and social cost of this situation is well known: low incomes and insufficient jobs. Migration north or abroad was one answer.

Ever since the Republic was formed, reduction of this structural dualism in the economy has been a key objective. Even now, after more than 30 years of the Mezzogiorno being a central concern in Italian economic planning and 25 years of Community support for development there, the South is still well behind, according to all the standard economic indicators. Eight of the Community's 11 lowest per capita GDP regions are in the Mezzogiorno, which accounts for over 35 % of Italy's population but contributes 24 % to the national product. Per capita income falls far short of the national average and even further below the Community average (in 1979 the gaps were estimated at more than 30 % and 40 % respectively). Despite migration, the population has risen, with a consistently higher birth rate than the North and considerable reduction in infant mortality, so that creation of employment in new activities over the past three decades has been largely counterbalanced by the steady flow of new job-seekers coming onto the market.

Focusing only on these aspects gives a false view of the Mezzogiorno's development, however, because in concrete terms progress is visible everywhere. The South's level of economic development relative to the North, or to the Italian or Community averages, may not have changed fundamentally, but a considerable improvement in the desperately low living standards of a generation ago has nonetheless been achieved. Per capita income in the South has risen in the 1970s at a rate of 3·2 % per annum in real terms; industrial output has increased by 4·4 % p.a. against 3·6 % for Italy as a whole, service activities by 3·6 % against 3·3 %, and agricultural production by 1·6 % p.a. Of basic importance, there has been a vast expansion in infrastructure provision, education and training facilities (illiteracy has fallen from 25 % of population in the South at the beginning of the 1950s, to less than 5 % in 1981), and much higher health and hygiene standards.

While the amount of aid, and also the emphasis given to kinds of investment, has been the subject of almost continuous debate in Italy and of sometimes critical review, it is clear that the overall improvement in dealing with the South's complex development problems has constituted one of the major transformations in the Italian economy.

The European Investment Bank's involvement is related to many different concerns which have been at the heart of the development process over the past 25 years. Its loans have gone towards new capital investment in the Mezzogiorno valued at approximately 16·3 billion ECUs at current prices. Going back just the past 5 years, it can be estimated that the projects supported by the EIB were equivalent to some 11 % of gross fixed investment carried out in the South. This is partially thanks to the good cooperation which has been established between the EIB and the specialised financing agencies set up to channel funds to the Mezzogiorno's development.

Accelerating development has called for massive infrastructure investment as most factors determining the location of industry, the growth of tourism or improved agricultural performance, were beset with difficulties.

Transport and telecommunications have been two key areas for action with the aim to reduce the consequences of the South's isolation and enable it to benefit more from the multiplier effects of closer links with industry and markets in the North and the rest of the Community.

Since the 1950s, an integrated road communications system, a backbone of the peninsula with branches out to all main economic centres, and connecting with the French, Swiss and Austrian frontiers, has been one of the main planning objectives. The EIB has contributed to financing some 1 300 km of motorways or major highways in Italy, 60 % in the Mezzogiorno; frequently built across difficult terrain, they have helped to open up the South, speed transport and lower costs. Port improvements, serving a number of focal points for development (Naples, Taranto, Syracuse, Cagliari, Manfredonia) have also been financed, plus improved rail links.

Telecommunications provision has had a high claim on EIB financing. The Bank has supported schemes throughout all parts of the Mezzogiorno involving the connection of about 2·1 million subscribers over the past 20 years or so. Telephone density in the South has gone up from 3 per 100 population in 1961 to 22 in 1982, a standard now not markedly different from the average for Italy. There have also been major improvements to quality of service — direct dialling trunk and international facilities covering virtually all subscribers — and to reliability. Although much of the investment has been aimed at strengthening the system serving the main economic centres, including more provision for telex and data transmission, the Bank has also steered appreciable funds to alleviating communications problems in relatively remote inland areas. More than half of the telephone lines currently in service in the Mezzogiorno were installed with financial support from the Bank. The EIB has also financed training facilities for telecommunications engineers to keep abreast of fast-changing technology.

Water shortage is another factor which has long handicapped many regions in the South. The public authorities, essentially the Cassa per il Mezzogiorno, have carried out major, multiregional investments involving the catchment of water in the Appenines for piping to areas of consumption over great distances (e.g. the Pertusillo aqueduct, which the EIB helped to finance to bring water from Basilicata to the far south of Apulia, runs 225 km, with dense networks of distribution pipelines to the towns and villages). This has brought benefits to the whole field of productive activity and almost eradicated the basic shortage problems at the household level. EIB finance has helped to extend irrigation to inject new vitality into depressed rural communities. Properly managed, and with the proviso that they are backed up by adequate promotional, advisory and technical services, such schemes can make a major impact. Farmers can better structure their production to market needs, with a wider range of crops, sometimes harvesting several in one year, increasing their incomes greatly. Despite the drop in the number of people working on the land — an average of roughly 1·5 % p.a. in the 1970s — agricultural production in the Mezzogiorno grew a total 15 % in the same period.

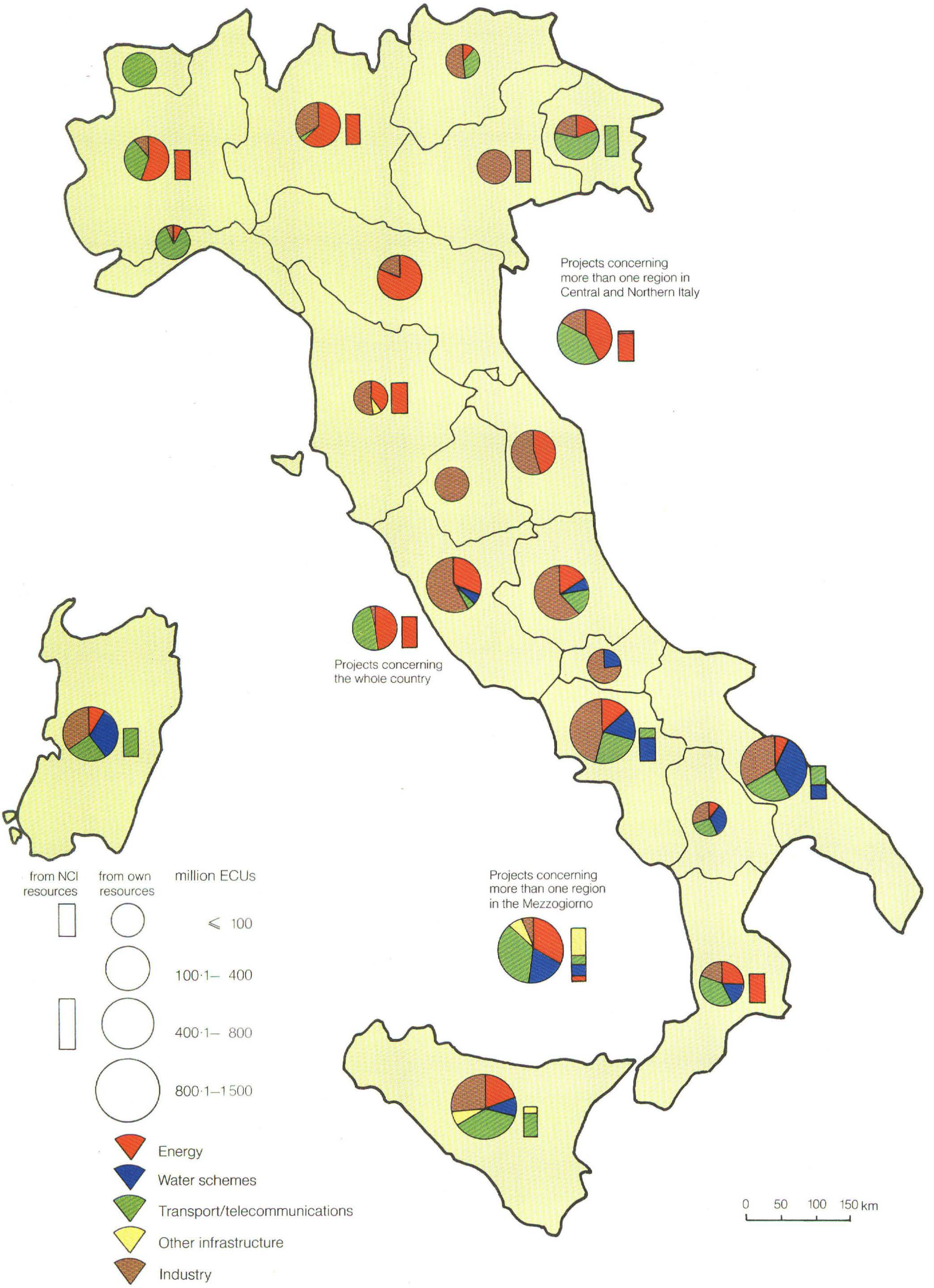
Revival of the South's economy has also called for sustained investment in energy supply. The EIB has ploughed funds into 4 300 MW of new and converted electricity generating plant in the South, some of it based on local resources (mainly hydro, but also lignite and coal) plus erection of 13 500 km of medium and high tension transmission lines, including interconnections between the North and South grids and a submarine link connecting Sicily to the mainland system. Loans have gone to develop the natural gas network, from regional distribution improvements to the Algeria-Italy gasline running through Sicily and mainland Mezzogiorno.

The quest for industrialisation in the Mezzogiorno has followed a shifting pattern. In the 1960s and part of the 1970s it was national policy that the motive power for industrial development should come from creating and consolidating a series of dynamic centres, based on large industrial complexes at coastal sites which would attract into their orbit smaller manufacturing suppliers, services etc., so stimulating local activity and sparking off self-generating growth. Public sector industry's investment plans were tailored to these ideas and efforts made to persuade the private sector to give greater benefit to the South in its expansion plans.

The spin-off has not always met expectations and at present there are additional problems in that two of the

million ECUs

ITALY	1958-1982 Total	(of which global loan allocations)	%	1978-1982 from own resources	(of which global loan allocations)	from NCI resources	Total	%
Energy	**2 365·1**	**(10·0)**	**23·9**	**1 768·0**	**(10·0)**	**220·4**	**1 988·4**	**29·0**
Power stations	776·9	(7·3)	7·9	510·6	(7·3)	102·0	612·6	8·9
Oil and natural gas production	584·3	(2·7)	5·9	396·6	(2·7)	35·8	432·4	6·3
Solid fuels	3·3			3·3			3·3	0·1
Power lines	400·0		4·0	370·0		17·1	387·1	5·6
Oil and gas pipelines	600·6		6·1	487·5		65·5	553·0	8·1
Transport	**1 243·5**	—	**12·5**	**503·5**	—	**118·5**	**622·0**	**9·1**
Railways	112·3		1·1			50·4	50·4	0·7
Roads, bridges and tunnels	893·6		9·0	343·9		68·1	412·0	6·0
Shipping	105·9		1·1	28·0			28·0	0·4
Airlines	131·6		1·3	131·6			131·6	2·0
Telecommunications	**1 388·1**	—	**14·0**	**781·5**	—	**143·6**	**925·1**	**13·4**
Water schemes	**1 466·5**	—	**14·8**	**993·0**	—	**178·9**	**1 171·9**	**17·1**
Water catchment, treatment and supply	864·0		8·7	502·7		178·9	681·6	10·0
Irrigation, agricultural development	602·5		6·1	490·3			490·3	7·1
Other infrastructure	**386·4**	—	**3·9**	**151·0**	—	**235·4**	**386·4**	**5·6**
Global loans for infrastructure (portion not yet allocated)	**5·2**	—	**0·1**	**5·2**	—	—	**5·2**	**0·1**
Industry, agriculture, services	**2 548·6**	**(806·9)**	**25·8**	**1 331·4**	**(640·7)**	**12·2**	**1 343·6**	**19·6**
Construction materials	237·1	(109·3)	2·4	145·1	(91·6)	6·8	151·9	2·2
Chemicals	422·3	(56·9)	4·3	146·8	(47·6)		146·8	2·1
Metalworking and mechanical engineering	266·2	(139·9)	2·7	156·8	(116·0)		156·8	2·3
Motor vehicles, transport equipment	447·2	(28·1)	4·5	293·5	(23·3)	5·4	298·9	4·3
Foodstuffs	237·1	(118·2)	2·4	149·6	(91·9)		149·6	2·2
Other	938·7	(354·5)	9·5	439·6	(270·3)		439·6	6·5
Global loans (portion not yet allocated)	**499·4**	—	**5·0**	**209·5**	—	**211·5**	**421·0**	**6·1**
Total	**9 902·8**	**(816·9)**	**100·0**	**5 743·1**	**(650·7)**	**1 120·5**	**6 863·6**	**100·0**


Projects concerning
more than one region in
Central and Northern Italy
Projects concerning
the whole country
Projects concerning
more than one region
in the Mezzogiorno
from NCI
resources
from own
resources
million ECUs
⩽ 100
100·1– 400
400·1– 800
800·1–1 500
Energy
Water schemes
Transport/telecommunications
Other infrastructure
Industry
0 50 100 150 km

Financing provided in the Mezzogiorno [1] from 1958 to 1982 and from 1978 to 1982

million ECUs

		1958-1982		1978-1982				
		From EIB own and NCI resources		From EIB own resources		From NCI resources		
		Total	%		%		Total	%
The Marches		**57·9**	**0·8**	**36·5**	**0·9**	—	**36·5**	**0·7**
	Industry, agriculture and services	57·9	0·8	36·5	0·9	—	36·5	0·7
Latium		**340·7**	**4·7**	**246·9**	**5·9**	—	**246·9**	**5·1**
	Infrastructure	63·9	0·9	63·9	1·5	—	63·9	1·3
	energy	*14·9*	*0·2*	*14·9*	*0·3*		*14·9*	*0·3*
	communications	*19·5*	*0·3*	*19·5*	*0·5*		*19·5*	*0·4*
	water schemes	*29·5*	*0·4*	*29·5*	*0·7*		*29·5*	*0·6*
	Industry, agriculture and services	276·8	3·8	183·0	4·4	—	183·0	3·8
Campania		**908·6**	**12·5**	**427·3**	**10·2**	**72·4**	**499·7**	**10·2**
	Infrastructure	528·3	7·3	264·7	6·3	72·4	337·1	6·9
	energy	*114·5*	*1·6*	*93·5*	*2·2*		*93·5*	*1·9*
	communications	*223·5*	*3·1*	*82·9*	*2·0*	*15·8*	*98·7*	*2·0*
	water schemes	*190·3*	*2·6*	*88·3*	*2·1*	*56·6*	*144·9*	*3·0*
	Industry, agriculture and services	380·3	5·2	162·6	3·9	—	162·6	3·3
Abruzzi		**425·6**	**5·8**	**314·5**	**7·5**	—	**314·5**	**6·5**
	Infrastructure	162·7	2·2	138·7	3·3	—	138·7	2·9
	energy	*70·5*	*1·0*	*70·5*	*1·7*		*70·5*	*1·5*
	communications	*67·4*	*0·9*	*43·4*	*1·0*		*43·4*	*0·9*
	water schemes	*24·8*	*0·3*	*24·8*	*0·6*		*24·8*	*0·5*
	Industry, agriculture and services	262·9	3·6	175·8	4·2	—	175·8	3·6
Molise		**94·8**	**1·3**	**60·5**	**1·5**	—	**60·5**	**1·2**
	Infrastructure	22·0	0·3	22·0	0·5	—	22·0	0·4
	water schemes	*22·0*	*0·3*	*22·0*	*0·5*		*22·0*	*0·4*
	Industry, agriculture and services	72·8	1·0	38·5	1·0	—	38·5	0·8
Apulia		**1 375·5**	**18·9**	**754·8**	**18·0**	**89·9**	**844·7**	**17·3**
	Infrastructure	948·4	13·0	669·3	16·0	89·9	759·2	15·5
	energy	*92·5*	*1·3*	*77·5*	*1·8*		*77·5*	*1·6*
	communications	*371·2*	*5·1*	*178·3*	*4·3*	*50·3*	*228·6*	*4·7*
	water schemes	*484·7*	*6·6*	*413·5*	*9·9*	*39·6*	*453·1*	*9·2*
	Industry, agriculture and services	427·1	5·9	85·5	2·0	—	85·5	1·8
Basilicata		**91·3**	**1·2**	**34·9**	**0·8**	—	**34·9**	**0·7**
	Infrastructure	64·8	0·9	25·7	0·6	—	25·7	0·5
	energy	*9·0*	*0·1*					
	communications	*25·7*	*0·4*	*25·7*	*0·6*		*25·7*	*0·5*
	water schemes	*30·1*	*0·4*					
	Industry, agriculture and services	26·5	0·3	9·2	0·2	—	9·2	0·2
Calabria		**361·5**	**5·0**	**173·1**	**4·1**	**7·9**	**181·0**	**3·7**
	Infrastructure	292·5	4·0	152·3	3·6	7·9	160·2	3·3
	energy	*98·3*	*1·3*	*48·1*	*1·1*	*7·9*	*56·0*	*1·1*
	communications	*131·9*	*1·8*	*76·0*	*1·8*		*76·0*	*1·6*
	water schemes	*62·3*	*0·9*	*28·2*	*0·7*		*28·2*	*0·6*
	Industry, agriculture and services	69·0	1·0	20·8	0·5	—	20·8	0·4
Tuscany		**1·7**	·	**1·7**	·	—	**1·7**	·
(isle of Elba)	Industry, agriculture and services	1·7	·	1·7	·	—	1·7	·
Sicily		**951·3**	**13·0**	**587·4**	**14·0**	**50·3**	**637·7**	**13·0**
	Infrastructure	715·5	9·8	478·8	11·4	50·3	529·1	10·8
	energy	*175·1*	*2·4*	*175·1*	*4·2*		*175·1*	*3·6*
	communications	*377·1*	*5·2*	*198·5*	*4·7*	*37·8*	*236·3*	*4·8*
	water schemes	*88·2*	*1·2*	*42·6*	*1·0*		*42·6*	*0·9*
	other infrastructure	*75·1*	*1·0*	*62·6*	*1·5*	*12·5*	*75·1*	*1·5*
	Industry, agriculture and services	235·8	3·2	108·6	2·6	—	108·6	2·2
Sardinia		**608·4**	**8·3**	**332·0**	**7·9**	**39·8**	**371·8**	**7·6**
	Infrastructure	413·3	5·7	296·2	7·1	39·8	336·0	6·9
	energy	*50·9*	*0·7*	*18·4*	*0·5*		*18·4*	*0·4*
	communications	*182·2*	*2·5*	*97·6*	*2·3*	*39·8*	*137·4*	*2·8*
	water schemes	*180·2*	*2·5*	*180·2*	*4·3*		*180·2*	*3·7*
	Industry, agriculture and services	195·1	2·6	35·8	0·8	—	35·8	0·7
Global loans (portion not yet allocated)		**215·6**	**3·0**	**137·5**	**3·3**	—	**137·5**	**2·8**
Multiregional loans		**1 860·1**	**25·5**	**1 083·2**	**25·9**	**440·2**	**1 523·4**	**31·2**
	Infrastructure	1 769·5	24·3	1 003·8	24·0	440·2	1 444·0	29·5
	energy	*523·5*	*7·2*	*438·7*	*10·5*	*53·5*	*492·2*	*10·1*
	communications	*590·0*	*8·1*	*322·6*	*7·7*	*81·2*	*403·8*	*8·3*
	water schemes	*354·4*	*4·9*	*163·8*	*3·9*	*82·6*	*246·4*	*5·0*
	other infrastructure	*301·6*	*4·1*	*78·7*	*1·9*	*222·9*	*301·6*	*6·1*
	Industry, agriculture and services	90·6	1·2	79·4	1·9	—	79·4	1·7
Grand total		**7 293·0**	**100·0**	**4 190·3**	**100·0**	**700·5**	**4 890·8**	**100·0**

[1] Area covered by the Cassa per il Mezzogiorno which takes in parts of The Marches and Latium, and the isle of Elba, Tuscany.

Emergency aid after earthquake disasters in Italy and Greece

When severe earth tremors shook Southern Italy in November 1980 and Central and Southern Greece in February and March 1981, Community solidarity was quick to show itself. The Council of the European Communities asked the Bank to take over the responsibility for aiding the stricken areas by providing loans to back reconstruction. Priority was accorded to rehabilitating economic and social infrastructure so as to restore something like normal living conditions and to get productive enterprise back on its feet. The Council ruled that loans earmarked as reconstruction aid would carry a 3 % p.a. interest subsidy, subject to Commission approval, financed from the Community budget. One billion ECUs of subsidised loans was foreseen for Italy and 80 million for Greece. The loans could be provided by the EIB either from funds raised by the Community under the New Community Instrument facility or from the Bank's own resources; most, in fact, have come from NCI funds.

The Italian earthquake disaster hit an area of about 17 000 sq.km, over half the size of Belgium, mainly the mountainous parts of Southern Campania, North-Western Basilicata and a fringe of Apulia, already confronted with severe development problems. Wide-sweeping damage was inflicted on over 500 localities representing 75 % of the communes in Campania and Basilicata. More than 900 km of roadway was rendered impassable and some 22 railway lines were put out of action; power and telephone lines were brought down and a number of aqueducts shattered. The tremors caused 260 000 dwellings to collapse or severely damaged them, and a large number of public buildings also suffered damage. On top of this, 80 % of farms, 45 % of industrial plant and over 40 % of the services sector were either paralysed or severely hit. The overall damage caused by the disaster — thinking only in money terms, and forgetting for a moment the human tragedy with loss of life, injuries and the break-up or weakening of communities — was put at Lit 15 000 billion (= 11·3 billion ECUs at then exchange rates).

The Bank set about deploying the reconstruction funds as quickly as possible, first in working out a relief programme with the Italian authorities aimed at reinstating immediately essential facilities, then in extending cooperation as the Government began to shift to particular longer-term aspects of reconstruction (the EIB already had a limited experience of problems involved as it had helped in some aspects of reconstruction in Friuli after the 1976 earthquakes).

The EIB channelled funds towards emergency repair work to reinstate telephone cables, power lines, 1 200 km of railway track and 900 km of the road and motorway network. Finance went to provision of basic amenities serving nuclei of prefabricated dwellings to rehouse the homeless, in particular drinking water supply and sewage disposal schemes in 166 communes where prefabricated homes had been put up to accommodate 120 000 earthquake victims, and towards repairs to close on 1 200 schools. A further vital contribution was to mend an aqueduct, to restore normal water supplies to 1·7 million people in Apulia. In addition, a line of credit was made available to finance small and medium-scale investments to restore production plant. By end-1982, the Bank had supplied more than 500 million ECUs, or half the total set aside by the Council, in support of Italy's earthquake hit regions. All of this carried the 3 % interest subsidy.

The Bank is continuing in 1983 to help the authorities as they determine the investment needs for permanent rehabilitation work, but it must be said the recovery of these areas will be a long and difficult process.

In Greece, the tremors hit mainly Attica, Boeotia and the Corinth area, although Phocis and Euboea were also affected to a lesser extent. Almost 50 000 buildings were damaged or destroyed, while disruption to road and railway networks brought traffic to a halt, and telecommunications and the power network were both hit.

The Greek Government launched an emergency investment programme and the Bank provided the full amount of Community aid outright in an 80 million ECU loan from NCI resources towards repairing over 40 sections of road, rebuilding or repairing close on 800 school premises, other buildings and railway bridges, and erecting 550 prefabricated buildings. As in the case of Italy, the funds carried a 3 % interest subsidy.

The EIB finances transport projects to strengthen links between Member Countries and to improve conditions for regional development. The photos show construction of the European Airbus in France, the building of high speed trains in Great Britain, ferries between Ireland and Great Britain, and the motorway through South Jutland to the Danish-German frontier.

key elements built up with effort, steel and petrochemicals, are hit by the structural difficulties affecting these sectors. However, the move of some big concerns towards the Mezzogiorno undeniably modified the industrial balance and the process has broadened out to include the establishment of many small and medium-scale ventures, with the tilt of policy in recent years strongly in favour of creating a more heterogeneous industrial structure. Between 1974 and 1980 small and medium-scale ventures created four times as many jobs in the South as larger concerns and, collectively, they represent some two thirds of industrial employees.

The EIB has been active in supporting industrial development in the Mezzogiorno since it started operations (two out of its first batch of four loans approved in 1958 were already for industry in the South). Bank finance for firms' investment in the Mezzogiorno has risen from 670 million ECUs in 1958—1972, to 1 640 million from 1973 to 1982. Last year it was over 440 million ECUs. The various investments involve the direct creation of an estimated 120 000 jobs and the safeguarding of 35 000 others.

Global loans made to financing institutions to support small and medium-scale ventures have been of increasing significance. They account for about 38 % of the EIB's finance for industrial development in the Mezzogiorno over the whole 25-year period, but more than 58 % in the past five years.

Sectorally, the motor vehicles/transport equipment and chemicals industries head the list of financing to firms (i.e. direct loans + global loan credits for smaller ventures), each with about 17 %. Other main fields of activity have been metal production and semi-processing, foodstuffs, mechanical engineering, construction materials, electrical engineering, rubber and plastics processing and glass and ceramics.

The table on page 30 provides a breakdown by region and major sector of EIB financing in the South.

Central and Northern regions

In recent years areas in Central and Northern Italy have also been faced with growing problems, particularly as several important local activities (e.g. textiles, garments, synthetic fibres, petrochemicals and steel) have come under pressure and shed labour. The EIB has responded by temporarily extending its regional development eligibility criteria to zones covering about 17 % of the population in the Centre-North (about 6·2 million people), where incomes are appreciably lower and unemployment higher than the average for this half of Italy.

The Bank's loans have gone essentially towards industrial development (much of it modernisation of existing plant) to maintain alternative possibilities for employment and compensate, at least partially, for some of the shutdowns and redundancies; most of the funds have been provided in the form of global loans for investment in small and medium-scale ventures. In Friuli a specific aim was to help rehabilitate the economy after the 1976 earthquakes (through finance for small and medium-scale ventures and reconstruction of roads and telecommunications).

Ireland

With just over 1 % of the Community's population, Ireland has accounted for around 9 % of all the EIB's financing operations in the Community since the country joined the EEC in 1973 (more than 10 % in the past five years), higher ratios than for any other Member Country. Virtually all can be said to benefit regional development.

This works out at somewhat more (again on a per capita basis) than the Bank's operations in the Mezzogiorno, with whose problems Ireland's can perhaps be compared. There is the same handicap of outlying position and even greater haemorrhage of emigration (Ireland's population, over 8 million more than a century ago, is now 3·5 million and rising again); there are similar factors of rapid industrialisation from an initially low base, still heavy dependence on agriculture, often with relatively low productivity by Community standards (19 % of employment, two and half times the EEC average, but already massively transformed from 20 years ago when 60 % of Irish jobs were on the land). Per capita GDP — little over 60 % of the Community average on a purchasing power parity basis — is roughly at the same level as Apulia and Basilicata with the severity of unemployment also broadly similar.

Moreover, Ireland faces two additional restrictions in its small domestic market and the high per capita cost of infrastructure; population density is around 48 per square km, a quarter of the EEC average (as a comparison, the Benelux, roughly the same in size, counts seven times the population).

When Ireland joined the EEC, a protocol was annexed to the Treaty of Accession relating to "certain special problems of concern to Ireland". It noted that the "Irish Government has embarked upon the implementation of a policy of industrialisation and economic development designed to align the standards of living in Ireland with those of the other European nations". Through the protocol, the Member Countries declared it to be "in their common interest that the objectives of this policy be so attained".

The whole of Ireland is treated as eligible for regional aid by the Community and is included in the EEC areas with priority status in regional development.

These Community gestures of solidarity are fundamental aspects of Ireland's EEC membership and from the beginning it was clear that finance from the European Investment Bank would be a major component of the Community's support. In the first five years of Community membership, EIB lending operations were running at an annual average rate of slightly less than 50 million ECUs, in the next five years at some 315 million, reaching almost 410 million for the year 1982. Roughly 13 % of the funds were provided from New Community Instrument resources and the bulk of lending since 1979 has carried 3 % European Monetary System interest subsidies (see below).

The loans made available by the EIB have gone to new capital investment worth some 4 350 million ECUs at current prices. A good yardstick for measuring the impact is to say that over the four years 1979—1982 lending has been at an annual rate corresponding to nearly one-fifth of entire productive net fixed investment

European Monetary System interest subsidies

Over 80 % of the funds provided by the EIB in Ireland since 1979, and 50 % in Italy, were lent with 3 % interest subsidies paid from the Community budget under arrangements made when the two countries joined the European Monetary System (EMS). The subsidies are for the life of the loans. New lending in 1983 is also being subsidised in the same manner.

The reasons for this are bound up with the basic aims of establishing the EMS, adopted in principle by the European Council (Heads of EEC Member States) at its meeting in Bremen, Germany, in July 1978, then worked out in fuller detail and accepted by the Council in December that year.

The EMS is meant to consolidate a "zone of monetary stability in Europe", based around the ECU. An exchange rate and intervention mechanism is designed to hold Community currencies at relatively steady values, both centrally against the ECU and in a grid of cross-rates with each other (Greece has signed all the basic documents of EMS but is not yet a Member; the United Kingdom is not a full Member, but in practice the £ sterling follows the broad principles of limited divergence).

Greater currency stability should, in theory, improve the climate of confidence for international transactions and business investment and play a part in stimulating a return towards stronger economic growth. But the discipline of steadier exchange rates implies a firmer commitment to greater convergence in economic performance of the EMS countries. Support arrangements were agreed therefore to help "less prosperous countries" (Ireland and Italy were designated as such) fully participating in the system.

The measures provide for:

— interest subsidies of 3 % on loans granted by the EIB, from its own funds or NCI resources, in the five years 1979—1983;

— the cost to be borne by the Community budget, subject to a limit of 1 000 million ECUs (200 million per annum for each of the five years).

— two-thirds of the subsidies to go to Italy, one-third to Ireland;

Subsidised loans are reserved for underpinning capital investment in infrastructure helping to solve major structural problems in the two countries, reduce regional disparities and improve the employment situation.

The EIB deals with requests for subsidised loans and appraises projects in the normal way. The Commission is asked to give an eligibility ruling as to whether a proposed investment warrants a subsidy under the terms of the Council's regulation. Provided this is positive, the loan request is then put for decision before the Bank's Board of Directors.

By end-1982, the Bank had carried out 185 EMS subsidised loan operations for a total value of 4 130 million ECUs (including 29 loans for 596 million from NCI resources). 118 loans (2 949 million ECUs) were for investment in Italy, 67 loans (1 181 million) in Ireland.

* * *

Other Community interest subsidy possibilities exist. The EEC provides 3 % interest subsidies on loans to help reconstruction in areas of Southern Italy and Greece hit by earthquakes (see page 31). There is also scope for using some of the resources in the European Regional Development Fund (ERDF) to pay loan subsidies; so far this has not really been exploited as it seems Member States have a general preference for exercising their rights to claim their quotas as outright capital grants.

(i.e. dwellings and social investment excluded). In terms of employment, it can be estimated that the various developments assisted by the EIB in Ireland since 1973 should involve the direct creation of about 47 000 jobs and the safeguarding of 5 800 others.

In lending for regional development, the Bank has supported the main policy thrusts in the country over the past decade. These can be summarised as to

— attract foreign industrial investment in high value added, technology-linked spheres (roughly a third of the manufacturing workforce is now employed by foreign firms); one of the problems here is that these are often assembly operations, supplied with imported components;

— build up locally promoted activities, particularly to provide more goods and services to the foreign firms;

— modernise agriculture — which is bound to continue playing a key role — and derive maximum benefit from domestic processing of produce;

— raise the skill levels in industry and agriculture.

This has called, in the first instance, for considerable expenditure on infrastructure, notably to improve conditions for development in more remote areas and to take account of the fast urban development in the Dublin area and the particular problems this poses. Substantial sums have gone to telecommunications (works assisted by the EIB involve over 300 000 subscriber connections or more than 60 % of the telephone lines installed in Ireland since 1973); road construction, largely cross-country links; railway improvements, particularly electrification of the Dublin suburban line; water supply and sewerage schemes in almost all parts of the country, several harbour and port developments.

Energy production and distribution has also received firm support, important elements being construction of Ireland's first large coal-fired power station, development of peat resources (also important for employment in cutting, drying and processing operations) and distribution of Irish natural gas.

In financing industrialisation, the main features are the Bank's lending for small and medium-scale ventures and construction of advance and custom-built factories.

Undertakings employing less than 100 people make up nearly 90 % of Ireland's industrial firms. Through a series of global loans the EIB has been able to channel funds to small and medium-scale ventures throughout the country, highly diversified both as to activity and location (two global loans were also made for tourism investment). In addition, loans have gone to several relatively large-scale projects, notably in construction materials and agricultural processing.

New and expanding firms need premises. Approximately 700 advance and custom-built factories have been or are being erected with funds made available by the EIB over the past 5 years or so. These are in all parts of Ireland, but are of particular importance in attracting development to the more remote areas including the Gaeltacht (the Irish-language-speaking zones). Adaptable for a wide range of uses, ready for occupation with all services connected, they have proved to be a useful means of reducing some of the initial obstacles to industrial growth and a clear attraction for foreign firms which can side-step some headaches associated with setting up abroad. Experience up to end-1982 showed an encouragingly high success rate in letting these factories.

Irish agriculture, handicapped by much poor terrain (about half is so-called marginal land) and fragmented holdings, had much wider perspectives opened by the Community market, but it needs to compete on more efficient terms. EIB loans have gone towards land drainage schemes, to boost productivity and widen production options; global loans have been used to finance small-scale on-farm improvements; funds have also gone to forestry development. And here, training has an important role to play. Despite the importance of agriculture, less than 25 % of farmers have received formal training in agricultural technology and/or farm management. Loans have gone towards improvement of agricultural colleges and model farms. At the same time funds have been directed to substantial expansion and modernisation of industrial training facilities throughout the country. With about half the population under 25 years of age, and an increase in labour force growth foreseen throughout the next decade, training has a key role if Ireland is to create new jobs, whether through consolidating technology-linked industrial investment attracted from overseas, generating new, indigenous firms, or strengthening efficiency in the agricultural sector, on which much downstream processing activity depends.

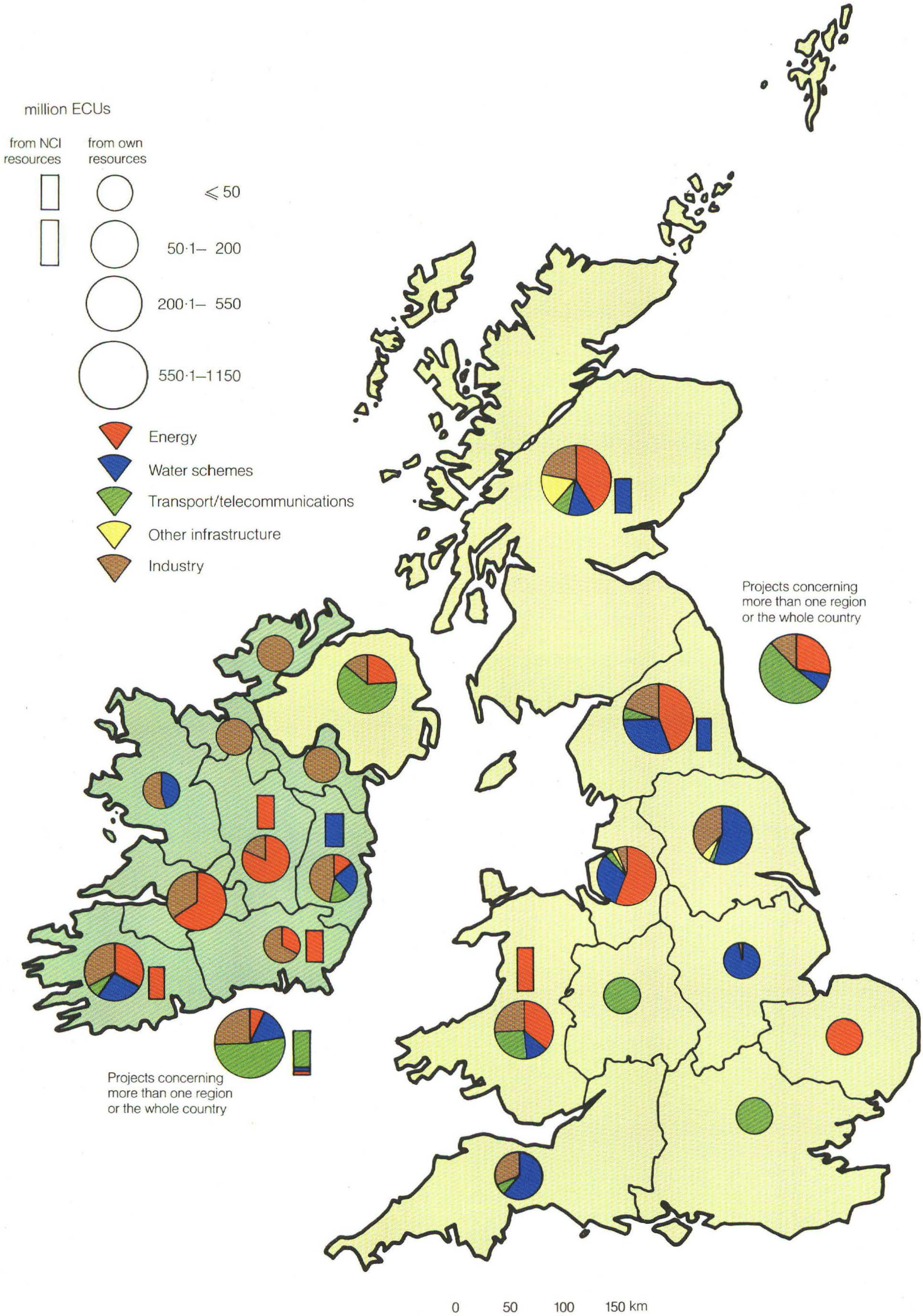
United Kingdom

Regional development problems in the United Kingdom are, in many respects, among the most complex in the European Community and offer some stark contrasts. About 78 % of the 4·15 billion ECUs which the EIB has channelled to investment in the UK has gone to assisted areas: over the past five years annual lending for regional development has averaged 405 million ECUs.

million ECUs

IRELAND	1973-1982 Total	(of which global loan allocations)	%	1978-1982 from own resources	(of which global loan allocations)	from NCI resources	Total	%
Energy	**438·1**	—	**24·0**	**348·7**	—	**86·2**	**434·9**	**27·5**
Power stations	289·8		15·9	241·8		48·0	289·8	18·3
Solid fuels	51·9		2·8	24·9		23·7	48·6	3·1
Power lines	55·9		3·1	55·9			55·9	3·5
Gasline	40·6		2·2	26·1		14·5	40·6	2·6
Transport	**178·5**	—	**9·8**	**131·5**	—	**19·4**	**150·9**	**9·5**
Railways	33·5		1·8	26·0			26·0	1·6
Roads, bridges and tunnels	95·7		5·2	56·2		19·4	75·6	4·8
Shipping	49·3		2·8	49·3			49·3	3·1
Telecommunications	**420·6**	—	**23·0**	**216·4**	—	**91·0**	**307·4**	**19·4**
Water schemes	**269·5**	—	**14·7**	**221·9**	—	**32·3**	**254·2**	**16·0**
Water catchment, supply, distribution	242·1		13·2	194·5		32·3	226·8	14·3
Agricultural development (drainage)	27·4		1·5	27·4			27·4	1·7
Industry, agriculture, services	**493·0**	**(162·5)**	**26·9**	**416·1**	**(160·8)**	—	**416·1**	**26·3**
Construction materials	77·5	(6·2)	4·2	64·1	(6·2)		64·1	4·0
Foodstuffs	50·9	(30·1)	2·8	35·6	(28·4)		35·6	2·2
Industrial estates, siteworks, buildings	138·8	(0·2)	7·6	120·4	(0·2)		120·4	7·6
Agriculture	47·2	(13·9)	2·6	47·2	(13·9)		47·2	3·0
Services	46·3	(9·6)	2·5	46·3	(9·6)		46·3	2·9
Other	132·3	(102·5)	7·2	102·5	(102·5)		102·5	6·6
Global loans (portion not yet allocated)	**28·4**	—	**1·6**	**20·8**	—	—	**20·8**	**1·3**
Total	**1 828·1**	**(162·5)**	**100·0**	**1 355·4**	**(160·8)**	**228·9**	**1 584·3**	**100·0**

UNITED KINGDOM	1973-1982 Total	(of which global loan allocations)	%	1978-1982 from own resources	(of which global loan allocations)	from NCI resources	Total	%
Energy	**1 495·3**	—	**35·9**	**871·5**	—	**79·4**	**950·9**	**35·1**
Power stations	1 089·3		26·2	781·0		79·4	860·4	31·8
Oil and natural gas production	110·0		2·6	36·4			36·4	1·3
Solid-fuels	13·4		0·3					
Power lines	102·3		2·5	54·1			54·1	2·0
Gas and oil pipelines	180·3		4·3					
Transport	**404·5**	—	**9·7**	**303·1**	—	—	**303·1**	**11·2**
Railways	199·1		4·8	157·2			157·2	5·8
Roads, bridges and tunnels	105·6		2·5	92·5			92·5	3·4
Shipping	80·2		1·9	33·8			33·8	1·3
Airlines	19·6		0·5	19·6			19·6	0·7
Telecommunications	**356·8**	—	**8·6**	**240·4**	—	—	**240·4**	**8·9**
Water schemes (catchment, supply, distribution)	**841·7**	—	**20·2**	**551·5**	—	**59·8**	**611·3**	**22·6**
Other infrastructure	**196·8**	—	**4·7**	**196·8**	—	—	**196·8**	**7·3**
Industry, agriculture, services	**780·6**	**(107·3)**	**18·8**	**363·7**	**(99·6)**	—	**363·7**	**13·4**
Metal production and semi-processing	344·9	(2·9)	8·3	37·9	(2·5)		37·9	1·4
Metalworking, mechanical engineering	129·3	(18·6)	3·1	100·3	(16·4)		100·3	3·7
Electrical engineering, electronics	35·9	(1·4)	0·9	35·8	(1·3)		35·8	1·3
Foodstuffs	82·4	(11·5)	2·0	55·5	(9·5)		55·5	2·1
Rubber and plastics processing	28·6	(6·8)	0·7	28·0	(6·2)		28·0	1·0
Other	159·5	(66·1)	3·8	106·2	(63·7)		106·2	3·9
Global loans (portion not yet allocated)	**88·9**	—	**2·1**	**40·1**	—	—	**40·1**	**1·5**
Total	**4 164·6**	**(107·3)**	**100·0**	**2 567·1**	**(99·6)**	**139·2**	**2 706·3**	**100·0**



million ECUs
from NCI resources
from own resources
≤ 50
50·1– 200
200·1– 550
550·1–1 150
Energy
Water schemes
Transport/telecommunications
Other infrastructure
Industry
Projects concerning more than one region or the whole country
Projects concerning more than one region or the whole country
0 50 100 150 km

Many farming communities in Southern France, Greece and the Italian Mezzogiorno have been given the opportunity for an improvement in their income and living standards thanks to major irrigation works which the EIB has supported.

While parts of the country can be considered development regions in the classic sense — low population and sometimes remote areas such as the Highlands and Islands, West and North West Wales, and South West England, which have been largely outside the mainstream of economic growth — the principal difficulties are related to the need for regeneration in old industrial areas. Centres long "developed" and once among the most dynamic in Europe with their prosperity based heavily on coal, steel, heavy engineering, shipbuilding, textiles have gone through a long decline, accelerating in the last decade.

Contraction has had a brutal direct impact on employment: e.g. in Scotland, over the 20 years to mid-1982, 96 000 jobs were shed in the declining traditional industries of steel, shipbuilding and coal which saw their share of the Scottish workforce fall from 9 % to 5 %; in Wales, employment in steel and mining fell by over 57 000 in the decade up to and including 1982, more than halving the labour force in these industries. Suppliers and services have suffered in the process, while some of the newer activities which had taken root, bringing an element of diversification to such areas, have also been forced to cut back by the general recession. Where capital investment has aimed at responding through higher productivity, this has often been at the cost of safeguarding fewer jobs. In general, it can be said that the national rise in unemployment — total 2·8 million people at end-1982 — has severely affected the weakest regions.

The industrial situation is often coupled with other factors which render redevelopment difficult: urban deprivation (congestion and inner-city decay, poor housing etc.) and environmental blight as old industrial areas now have unused buildings and semi-derelict land as the legacy of closures and redundancies. Infrastructure is sometimes obsolescent or ill-adapted to the change, requiring substantial investment if new industries and services are to be attracted.

Most of the industrially depressed regions and underdeveloped areas are also disadvantaged by their fringe position (Glasgow and Befast are both not far short of 600 km from London and almost twice as far from the Continental industrial heartland), and sometimes by the nature of the terrain (e.g. mountain areas and hill country of Wales and Scotland, the latter with its many islands). The exceptional difficulties of Northern Ireland need little comment.

Government measures to promote regional development have been in operation since before the war. A range of incentives exists to encourage industry and services to set up or expand in assisted areas. Three years ago these covered about 65 % of the national territory and over 40 % of the UK workforce. Since August 1982, the areas have been trimmed back by the authorities so as to concentrate regional assistance on where they perceive the problems to be most severe; even so, the present assisted areas cover 25 % of the country and 27 % of the workforce.

The strenuous efforts to counter regional problems have had some significant results in terms of bringing in a wider range of light industry and services to diversify the structure of local economies. In Scotland, for example, there has been notable success in building up a concentration of electronics industry, closely allied to university research facilities; this now directly employs over 40 000 people, more than either steel or shipbuilding. The exploitation of North Sea oil and gas has certainly helped in stimulating many new possibilities for development in the northern areas. In Wales, and various parts of England, too, there has been a steady influx of new manufacturing activities. But taken overall, the striving to close the gaps in prosperity for the UK's development regions has been largely offset by contraction of the traditional industries and the general downturn in output, which has also severely hit areas — the West Midlands is a striking case — considered dynamic until recently. In the Community framework, only the South East, including London, comes out with a (marginally) higher per capita GDP than the EEC average; at the opposite end of the scale, Northern Ireland is classed by the Community as one of the priority areas for regional development.

Given this background, financing provided by the EIB has gone to a range of investment concerned with

— eliminating some of the physical handicaps to regional development by improving essential infrastructure;

— attracting new industries to assisted areas, including many small and medium-scale ventures;

— modernising some traditional activities in the older industrial areas, if they can then compete on an efficient, viable footing.

A feature of the Bank's infrastructure lending is the high-level support given to regional authorities responsible for investment in water supply and sewerage. In older industrial areas, facilities are often outdated and ill-suited to meeting increased demand generally, changed industrial needs or to assuring effluent treatment and disposal performance which modern environmental standards require. Another factor is the transfer of population, e.g. from old coal-mining valleys in South Wales to coastal towns. Although eased thanks to major investment programmes in recent years, lack of adequate water and sewerage facilities is still a constraint on development.

Communications improvements have absorbed a substantial share of finance. Loans have gone towards loosening local traffic bottlenecks and improving access to industrial areas, some major motorway links and introduction of high speed trains to cut North-South journey times. Funding has also been provided for telecommunications development involving 930 000 new lines in Scotland, Wales, Northern Ireland and Northern England; patterns of regional demand can sometimes change appreciably, e.g. many export-oriented firms setting up in older industrial areas are far more dependent on telecommunications than the traditional activities they replace and require a superior service.

Several energy projects assisted by the Bank have important regional benefits: transmission of natural gas from North Sea fields down through Scotland to Northern England, and across to South West England; improvements to the electricity transmission and distribution networks in the Scottish islands and mainland, in Wales and Northern England. Factory site development, measures to deal with industrial refuse, coastal protection works, improvements to local airports are among other infrastructure works financed, all through loans to local authorities.

On the industrial front, loans have gone to projects in a variety of sectors such as electrical and mechanical engineering, electronics, construction equipment, beverages, glassware, plastics and rubber processing, woodworking, packaging materials, printing. Several global loans, and similar arrangements operated through Government administration, have enabled the EIB to channel funds to small and medium-scale ventures.

Given that part of the industrial lending has gone towards rationalisation in traditional activities — steel in South Wales, Scotland and Northern England, heavy engineering in Northern England and Scotland — the direct employment impact of projects assisted by the EIB should be assessed in terms of the number of jobs safeguarded (around 24 000) as well as new jobs created (some 30 000).

Greece

Greece, which joined the Community on 1 January 1981, is confronted with severe physical handicaps to regional development: 70 % of the country is mountainous, 15 % is made up of islands (some 170 inhabited) spread over a sea area almost the size of Germany, while the country's peripheral position in the Community is evident.

Agriculture is characterised by low productivity (output per person less than half the EEC average), exacerbated by difficult soil and rainfall conditions; it employs around a third of the working population, almost four times the EEC average. Rural underdevelopment has led to massive migration to the urban areas (the population of Athens has expanded 500 % in 20 years). Roughly one third of the country's 9·7 million population, together with a major share of industrial and service development, is concentrated in the congested Athens-Piraeus conurbation: indeed, about half of the country's GDP, 55 % of industrial output and close to two-thirds of services are in the Greater Athens and Thessalonika areas. Greece has a per capita GDP estimated, on a purchasing power parity basis, at 57 % of the EEC average, but this hides substantial internal variations; in some areas it is not much more than one third.

In the first two years of Greece's Community membership the EIB has channelled some 620 million ECUs to investment in the country, virtually all of it eligible on regional development grounds.

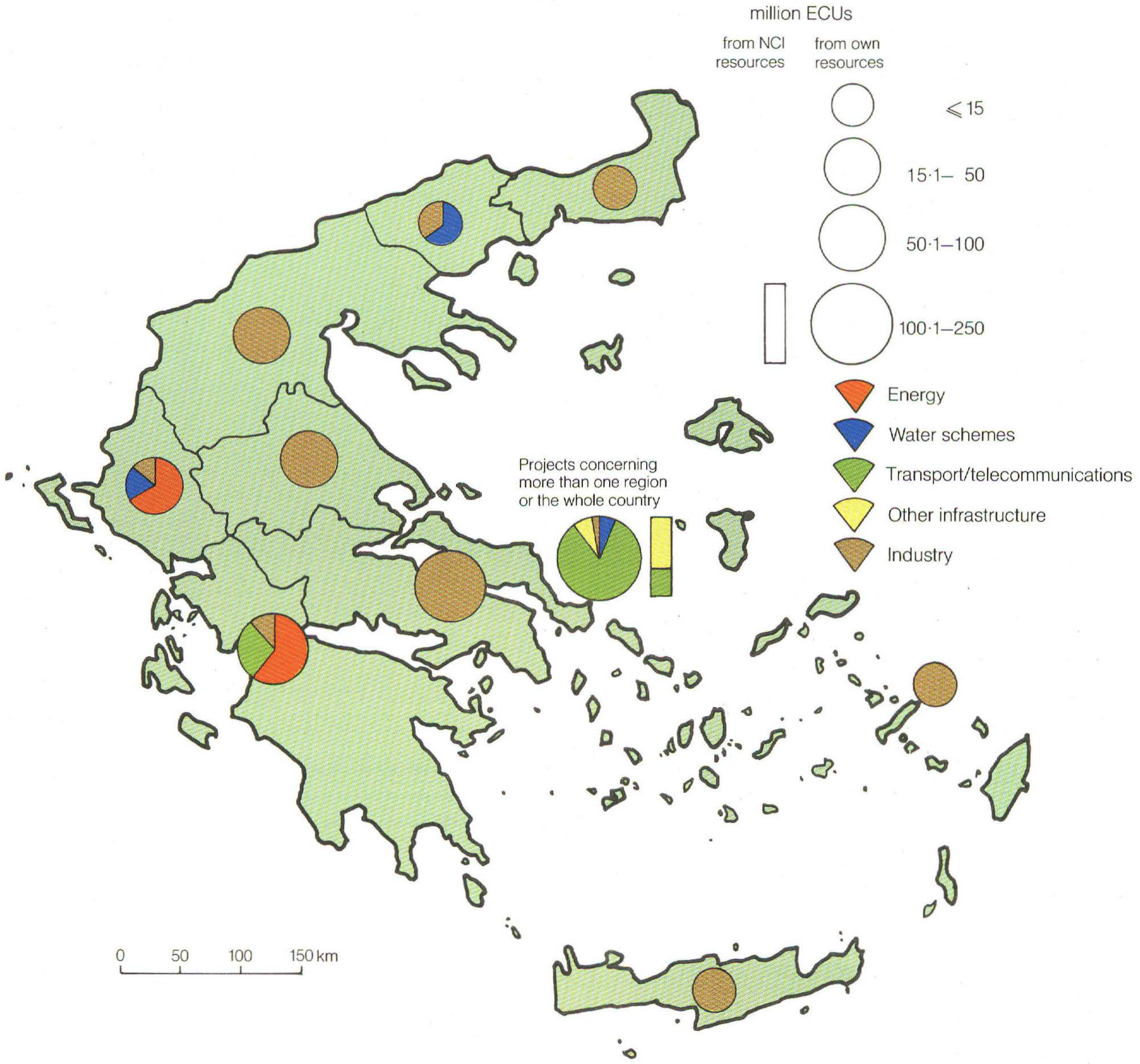
Not surprisingly, roughly a third of the total has gone to bettering communications: expansion of the telephone network including extension to some of the rural areas which were poorly served or entirely without public telecommunications; highway construction; radar equipment and other improvements to air traffic control facilities. Other infrastructure development has included a boost to electricity generating capacity, drawing upon hydroelectric resources; basic facilities for new industrial estates to enable transfer of firms away from the congested areas, or the establishment of new activities, and sewerage systems.

Large industrial projects have included modernisation of alumina production, one of the major industrial activities to have grown up in recent years, and relocation of a cementworks away from Piraeus. Several global loans have assisted the creation or expansion of small and medium-scale ventures.

Efforts to modernise agriculture and improve farming incomes have been backed with loans for irrigation schemes undertaken by the public authorities and also a series of global loans for financing small-scale on-farm investment and agricultural processing activities.

Prior to Greece's accession to the Community, the Bank lent 350 million ECUs under the terms of the EEC-Greece Association Agreement signed in 1961. This is dealt with more fully under the Bank's activities in the Mediterranean countries (see page 77) but it is worth recording here that the lending was on essentially the same lines, the bulk of it benefiting regional development through improved communications and power infrastructure, industrial investment, mainly outside the congested areas, and irrigation.

Taken together, the Bank's lending operations in Greece can be said to have contributed to construction of 700 km of highway, connection of some 320 000 telephone subscribers, irrigation of 180 000 hectares of land and small-scale farm investment plus the direct



million ECUs

GREECE	from own resources	(of which global loan allocations)	from NCI resources	1981-1982 (1) Total	%
Energy (power stations)	**50·8**	—	—	**50·8**	**8·2**
Transport	**55·6**	—	—	**55·6**	**9·0**
Roads, bridges and tunnels	40·1			40·1	6·5
Airlines	15·5			15·5	2·5
Telecommunications	**141·6**	—	**44·9**	**186·5**	**30·2**
Water schemes	**29·1**	—	—	**29·1**	**4·7**
Agricultural development	15·2			15·2	2·5
Water catchment, treatment and supply	13·9			13·9	2·2
Other infrastructure	**15·8**	—	**80·0**	**95·8**	**15·5**
Industry, agriculture, services	**133·2**	**(77·9)**	—	**133·2**	**21·6**
Metal production and semi-processing	27·5	(12·5)		27·5	4·4
Construction materials	43·8	(3·5)		43·8	7·1
Metalworking and mechanical engineering	7·3	(7·3)		7·3	1·2
Foodstuffs	15·9	(15·9)		15·9	2·6
Agriculture	6·9	(6·9)		6·9	1·1
Other	31·8	(31·8)		31·8	5·2
Global loans (portion not yet allocated)	**66·7**	—	—	**66·7**	**10·8**
Total	**492·8**	**(77·9)**	**124·9**	**617·7**	**100·0**

(1) See page 77 for details of financing in Greece prior to Community accession, granted under the EEC—Greece Financial Protocols.

creation of about 24 000 jobs and the safeguarding of 59 000. Specific help has been directed towards reconstruction in areas hit by the March 1981 earthquakes (see page 31).

France

In France, about 57 % of the total 3 040 million ECUs made available by the EIB has gone to investment in assisted areas; these currently cover about 40 % of the population, essentially in the western and southern parts of the country and certain zones in the North and East.

Long-standing decentralisation policies have aimed at countering the excessive Paris pull on development, and spreading industry and service growth out to the provinces, partly to offset reduced employment opportunities as agricultural modernisation continues. This has gradually achieved a markedly more balanced industrial location pattern.

Progress on this side has been partially eclipsed, however, by rapid widening of other disparities, under the impact of structural changes in areas with a heavy concentration of industries in difficulty: Lorraine, for example, which has lost 45 % of its steel industry and 40 000 jobs in seven years; the Vosges, with the contraction in textiles; shipbuilding areas along the western coast.

Helping development in the Community's rural areas

The European Community is one of the world's major food producing and trading regions. It is also an area where the pattern of agriculture and rural life has been subject to, and is still undergoing, profound economic and social changes, with complex effects on regional development.

About 11 million farmers and agricultural workers have left the land in the ten EEC Member Countries since 1958. In the original "Six", where the move has been particularly rapid, the percentage of people employed in agriculture — now around 9 % of the total workforce — has dropped by more than half.

This was partly to be expected as the Community's development created more productive and better-paid industrial jobs to attract labour from backward agricultural areas with severe underemployment. It was also beneficial in forcing the pace for agricultural modernisation with higher productivity and hence more rewarding work and better earnings for those remaining on the farms.

But a move of such proportion cannot take place without numerous disruptive effects, among them ageing structure of the agricultural workforce, abandonment of land in some areas, urban congestion, the cost of maintaining services and infrastructure provision where there is a low-population density.

Although the EIB has no specific sectoral responsibility for agriculture, its regional development tasks lead it directly to an awareness of the problems of rural areas: a satisfactory approach to regional development in the Community depends partly on promoting a stable, prosperous agricultural sector; structuring Community agriculture more efficiently and productively, however, cannot be isolated from an overall concern for balanced regional development.

The EIB's action over the years can be summarised under three headings:

- **primary agriculture: the Bank has provided nearly 720 million ECUs for irrigation and drainage projects in less developed areas of France, Greece, Italy and Ireland planned to cover, when all are complete, some 600 000 hectares, improving living standards for about 120 000 farming families; the impact of such schemes can be considerable, increasing incomes sometimes three or fourfold, depending upon soil, climate and the kind of production. The Bank has also lent for forestry development and has made several global loans (see pages 64 and 65) to help finance small-scale on-farm investment.**

- **agro-industry: for every five people working on the land in the EEC, there is a further job in secondary agricultural processing activities; these are often in, or close to, the growing areas and can help regional development by providing alternative employment where the drift away from the land has been felt the strongest and by introducing substantial added value into the local economy. The EIB has provided 460 million ECUs for investment in agro-industry — 50 % for small and medium-scale ventures, assisted through**

Taken together, the development and conversion regions showed an unemployment rate around 13 % more than the national average in 1982 (but some up to 40 %). The average prosperity level in these areas (according to 1979 per capita GDP figures) was 13 % below the national average.

Most demand for EIB regional financing in France has concerned communications improvements. Virtually all the development and conversion areas have benefited from telephone modernisation and extension (adding an extra 1 200 000 subscribers). Loans have gone towards 1 400 km of motorway and main highway construction, aimed largely at a regional impact although an equally important objective (see later) has been to weld the French road system more closely to neighbouring national networks. Railway modernisation and extension, improving interregional links, has claimed support while recently demand has grown for funds to tackle modernisation at several main ports.

Other regional infrastructure works have included improvements to water and electricity supplies and, going back some years, irrigation facilities. An innovation in France — which could well be useful in other countries — is the extension of the global loan formula to cover local infrastructure works. Over the past three years several global loans have been made to CAECL-Caisse d'Aide à l'Equipement des Collectivités Locales to finance rural electrification, water and sewerage improvements, harbour and road works — all relatively small schemes but each making a viable contribution to enhancing development potential in the area concerned.

Finance for industrial investment, although for a much lesser amount, has contributed to development in most of the less favoured areas. A significant factor is fresh demand for global loans to finance small and medium-scale ventures, an activity which the Bank first carried out in France over 10 years ago. A global loan was also signed last year for modernising fishing vessels and processing, storing and packing plant, to sustain this important and increasingly competitive industry in areas with some of the highest unemployment rates in France. Larger industrial projects financed in regional development and conversion areas over the years have covered activities such as manufacture of insulation materials, packaging, ceramics, car components, modernisation in steel plants, metallurgical processes.

global loans — involving the direct creation or safeguarding of about 24 000 jobs.

■ local rural infrastructure: the high per capita costs for new or improved infrastructure in low population areas mean that works tend to get low priority and be postponed over the years, adding to the problems of rural life. To some extent it is a vicious circle because poor infrastructure provision is one of the factors leading to depopulation. The Bank has helped to finance a variety of specific rural infrastructure improvements — water supplies, sewerage, electricity links, telecommunications, roadworks, extension of local agricultural training colleges — aimed at improving conditions for satisfactory agricultural development and other activities.

In a more general sense, much of the EIB's regional development financing over the years has been aimed at matching the changes which have come about in the old agricultural areas by improving main infrastructure, notably in transport and telecommunications, to draw new activities.

Trends for the rural areas are difficult to forecast. Recently, with industry in recession and high unemployment, some former agricultural workers who left for the factories are now returning to the villages. This balances, and even reverses, the population flow in some areas. It could be a temporary factor, but there are indications that improved working conditions, thanks to irrigation schemes, mechanisation etc., plus the stability of employment and higher wages to be earned (although still often well below industrial levels), may convince some of those who come back to stay on the land; at the same time, the incentive for new migration is reduced.

Denmark

Roughly 45 % of the EIB's financing operations in Denmark (total 755 million ECUs) have aimed at assisting regional development. The problems are several: while modern growth industries and services have tended to concentrate around Copenhagen, the relative position of much of Jutland and the islands to the South and East has become more difficult, with unemployment stemming largely from modernisation on the farms (about 25 000 small farms vanished in the 1974—1981 period) and uncertainties surrounding the fishing industry and shipbuilding.

This has called for establishment of new activities in assisted areas (the priority zones cover about 20 % of the country's 5·1 million population) and backing this process by extending and improving transport, energy supply and other infrastructure. The Bank's loans have gone to a wide range of industrial development, in particular small and medium-scale ventures assisted through global loans (by end-1982 industrial investment involved the direct creation of some 5 500 jobs and the

million ECUs

FRANCE	1958-1982 Total	(of which global loan allocations)	%	1978-1982 from own resources	(of which global loan allocations)	from NCI resources	Total	%
Energy	**1 395·2**	**(21·5)**	**45·9**	**903·1**	**(21·5)**	**—**	**903·1**	**56·8**
Power stations	1 235·1		40·6	822·1			822·1	51·7
Oil and natural gas production	61·3		2·0	59·5			59·5	3·7
Power lines	26·5	(21·5)	0·9	21·5	(21·5)		21·5	1·4
Oil and gas pipelines	72·3		2·4					
Transport	**502·9**	**(109·3)**	**16·6**	**235·9**	**(109·3)**	**40·3**	**276·2**	**17·3**
Railways	82·3		2·7	7·8			7·8	0·5
Roads, bridges and tunnels	324·9	(84·3)	10·7	176·9	(84·3)	40·3	217·2	13·6
Shipping/inland waterways	53·8	(24·9)	1·8	51·1	(24·9)		51·1	3·2
Airlines	41·8	(0·1)	1·4	0·1	(0·1)		0·1	·
Telecommunications	**652·7**	**—**	**21·5**	**283·3**	**—**	**—**	**283·3**	**17·8**
Water schemes	**92·0**	**—**	**3·0**	**6·0**	**—**	**—**	**6·0**	**0·4**
Water catchment, treatment and supply	19·2		0·6	6·0			6·0	0·4
Irrigation, agricultural development	72·8		2·4					
Other infrastructure	**15·3**	**—**	**0·5**	**—**	**—**	**—**	**—**	**—**
Global loans for infrastructure (portion not yet allocated)	**16·8**	**—**	**0·5**	**16·8**	**—**	**—**	**16·8**	**1·1**
Industry, agriculture, services	**278·9**	**(86·6)**	**9·2**	**48·8**	**(16·2)**	**—**	**48·8**	**3·1**
Metal production and semi-processing	68·5	(0·8)	2·3	9·6			9·6	0·6
Construction materials	9·8	(4·6)	0·3	5·5	(2·1)		5·5	0·3
Chemicals	53·3	(2·2)	1·8	1·2	(1·2)		1·2	0·1
Metalworking and mechanical engineering	36·7	(19·0)	1·2	8·8	(3·2)		8·8	0·6
Foodstuffs	40·2	(16·3)	1·3	15·9	(1·9)		15·9	1·0
Other	70·4	(43·7)	2·3	7·8	(7·8)		7·8	0·5
Global loans (portion not yet allocated)	**85·4**	**—**	**2·8**	**18·0**	**—**	**37·6**	**55·6**	**3·5**
Total	**3 039·1**	**(217·4)**	**100·0**	**1 511·9**	**(147·0)**	**77·9**	**1 589·8**	**100·0**

BELGIUM	1958-1982 Total	(of which global loan allocations)	%	1978-1982 from own resources	(of which global loan allocations)	from NCI resources	Total	%
Energy	**541·4**	**—**	**86·1**	**484·1**	**—**	**—**	**484·1**	**93·7**
Power stations	506·7		80·6	460·2			460·2	89·1
Gaslines	34·7		5·5	23·9			23·9	4·6
Transport (roads, bridges and tunnels)	**26·0**	**—**	**4·1**	—	—	—	—	—
Industry, agriculture, services	**61·7**	**(48·4)**	**9·8**	**35·3**	**(32·8)**	**—**	**35·3**	**6·8**
Mining and quarrying	6·5	(6·5)	1·0	4·5	(4·5)		4·5	0·9
Chemicals	11·4	(5·4)	1·8	5·0	(5·0)		5·0	1·0
Metalworking and mechanical engineering	6·5	(6·5)	1·0	4·3	(4·3)		4·3	0·8
Foodstuffs	6·2	(6·2)	1·0	5·5	(5·5)		5·5	1·1
Paper, pulp and printing	16·7	(9·4)	2·7	9·9	(7·4)		9·9	1·9
Other	14·4	(14·4)	2·3	6·1	(6·1)		6·1	1·1
Global loans (portion not yet allocated)	**— 0·3**	—	—	**— 2·7**	—	—	**— 2·7**	**— 0·5**
Total	**628·8**	**(48·4)**	**100·0**	**516·7**	**(32·8)**	**—**	**516·7**	**100·0**

million ECUs

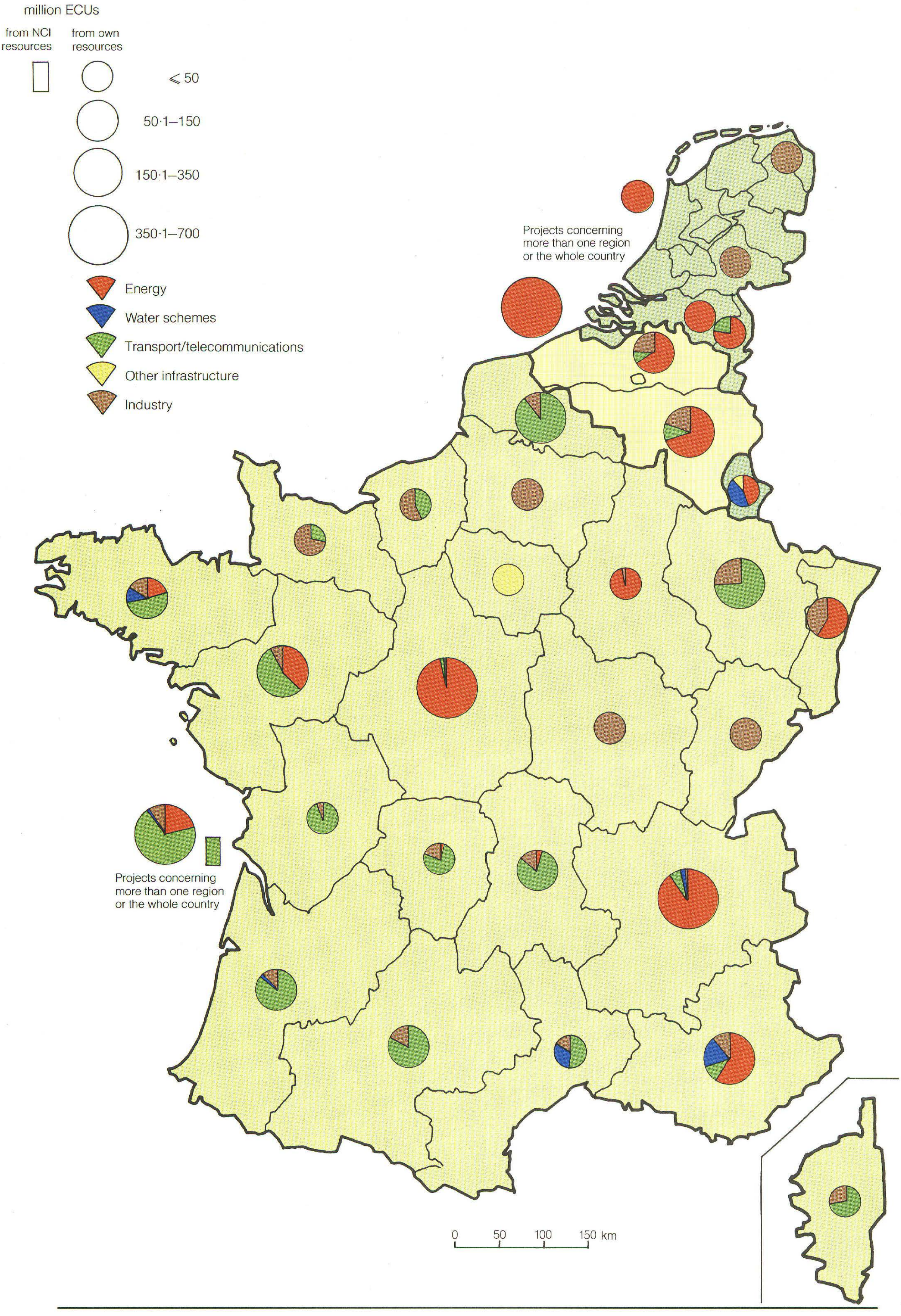
NETHERLANDS	1958-1982 (1) from own resources	%
Energy	**76·1**	**72·3**
Power stations	30·4	43·4
Gaslines	45·7	28·9
Transport (roads)	**8·3**	**7·9**
Industry, agriculture, services	**20·8**	**19·8**
Chemicals	18·0	17·1
Services	2·8	2·7
Total	**105·2**	**100·0**

(1) There were no financing operations mounted during the period 1978-1982 (see p. 51).

million ECUs

LUXEMBOURG	1958-1982 (1) from own resources	%
Energy (power station)	4·0	44·4
Water schemes (supply)	4·0	44·4
Other infrastructure	1·0	11·1
Total	**9·0**	**100·0**

(1) There were no financing operations mounted during the period 1978-1982 (see p. 51).


million ECUs
from NCI resources
from own resources
⩽ 50
50·1–150
150·1–350
350·1–700
Energy
Water schemes
Transport/telecommunications
Other infrastructure
Industry
Projects concerning more than one region or the whole country
Projects concerning more than one region or the whole country
0
50
100
150 km

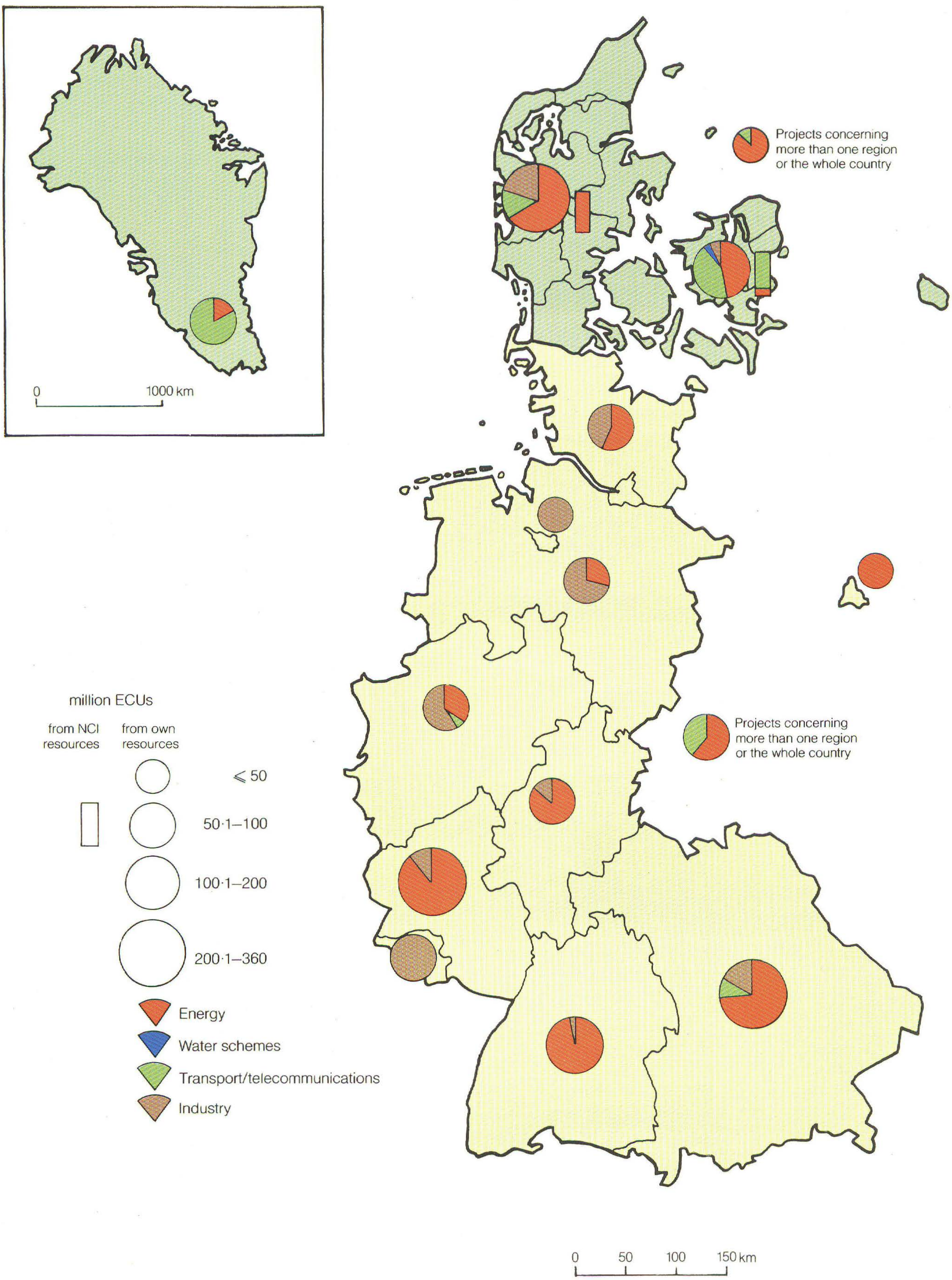
safeguarding of 1 500 in assisted areas). Several harbour improvements have been financed and motorway construction, electricity supply, gas and sewerage facilities which should make an appreciable contribution to improving development conditions. Finance has also gone towards a fishery research and development centre designed to help the industry adapt to new techniques; this should have a spin-off for many areas where fishing is a staple economic activity.

In **Greenland,** where a remote Arctic community (50 000 people) inhabits a territory roughly four times the size of France, economic progress — even assuring basic necessities of life — is subject to severe limitations. The

million ECUs

	1973-1982			1978-1982				
DENMARK	Total	(of which global loan allocations)	%	from own resources	(of which global loan allocations)	from NCI resources	Total	%
Energy	**415·3**	**(5·3)**	**55·0**	**319·7**	**(5·3)**	**65·5**	**385·2**	**57·5**
Power stations	232·3	(5·3)	30·8	198·0	(5·3)	18·2	216·2	32·3
Oil and natural gas production	13·9		1·8					
Power lines	3·2		0·4	3·2			3·2	0·5
Gaslines	165·9		22·0	118·5		47·4	165·9	24·7
Transport	**212·6**	—	**28·1**	**153·4**	—	**48·6**	**202·0**	**30·2**
Roads, bridges and tunnels	165·6		21·9	117·0		48·6	165·6	24·7
Other	47·0		6·2	36·4			36·4	5·5
Telecommunications	**18·2**	—	**2·4**	**12·8**	—	—	**12·8**	**1·9**
Water schemes (water treatment)	**3·6**	—	**0·5**	**3·6**	—	—	**3·6**	**0·5**
Global loans for infrastructure (portion not yet allocated)	**15·2**	—	**1·9**	**15·2**	—	—	**15·2**	**2·3**
Industry, agriculture, services	**82·9**	**(46·4)**	**11·0**	**45·0**	**(27·7)**	—	**45·0**	**6·8**
Chemicals	5·5	(4·4)	0·7	3·5	(2·4)		3·5	0·5
Metalworking and mechanical engineering	17·7	(11·8)	2·3	9·7	(7·8)		9·7	1·5
Electrical engineering, electronics	6·7	(2·2)	0·9	5·0	(2·0)		5·0	0·7
Foodstuffs	20·9	(13·0)	2·7	8·5	(5·9)		8·5	1·3
Services	8·4	(1·1)	1·1	8·4	(1·1)		8·4	1·3
Other	23·7	(13·9)	3·3	9·9	(8·6)		9·9	1·5
Global loans (portion not yet allocated)	**7·5**	—	**1·1**	**5·5**	—	—	**5·5**	**0·8**
Total	**755·2**	**(51·7)**	**100·0**	**555·2**	**(33·0)**	**114·1**	**669·3**	**100·0**

GERMANY	1958-1982			1978-1982				
Energy	**863·0**	—	**71·1**	**414·1**	—	—	**414·1**	**98·5**
Power stations	696·4		57·4	317·1			317·1	75·4
Oil and natural gas production	2·5		0·2					
Power lines	12·5		1·0					
Gaslines	151·6		12·5	97·0			97·0	23·1
Transport	**75·8**	—	**6·2**	—	—	—	—	—
Railways	46·9		3·8					
Other	28·9		2·4					
Industry	**264·8**	**(36·0)**	**21·9**	**6·2**	—	—	**6·2**	**1·5**
Metal production and semi-processing	84·7	(1·9)	7·0					
Chemicals	53·1	(1·5)	4·4	0·8			0·8	0·2
Metalworking and mechanical engineering	35·1	(12·8)	2·9	4·0			4·0	1·0
Motor vehicles, transport equipment	20·3	(0·5)	1·7					
Rubber and plastics processing	25·5	(3·3)	2·1					
Other	46·1	(16·0)	3·8	1·4			1·4	0·3
Global loans (portion not allocated)	**10·3**	—	**0·8**	—	—	—	—	—
Total	**1 213·9**	**(36·0)**	**100·0**	**420·3**	—	—	**420·3**	**100·0**



0
1000 km
Projects concerning more than one region or the whole country
Projects concerning more than one region or the whole country
million ECUs
from NCI resources
from own resources
⩽ 50
50·1–100
100·1–200
200·1–360
Energy
Water schemes
Transport/telecommunications
Industry
0
50
100
150 km

climate is at best rigorous, the towns and villages are scattered along a coastline deeply indented by fjords, no overland transport system exists and there are only a few ports to the South-West which are ice-free all year round. Human problems are perhaps even more complex as Greenlanders have moved within the span of one generation from a simple way of life, based largely on self-sufficiency and barter, with hunting and fishing the principal activities, to a mainly wage-earning economy demanding the import of many goods not produced locally, different skills, higher levels of education and new social patterns.

EIB loans have gone towards essential infrastructure, i.e. a telecommunications system based on micro-wave links using satellites to improve internal and external communications, three regional airports, harbour improvements and commissioning of four cargo vessels, specially designed for Arctic navigation. Other loans have concerned power generating plant.

Germany

Germany's regional problems hardly loom large when compared with disparities existing elsewhere in the Community. Nine of the 11 Länder show a per capita GDP ahead of the EEC average; even the least favoured, for example, is roughly twice as prosperous — on the same measurement basis — as Calabria in Southern Italy, or 65 % more than Greece.

But substantial difficulties were present in earlier years as the economy had to overcome the artificial East/ West division, upsetting long-established production and trading patterns and calling for a remodelling of infrastructure and special measures in the case of West Berlin. There have always been pockets of relatively lesser developed rural areas, essentially in Eastern Bavaria, Lower Saxony and Schleswig-Holstein. More pressing now is the need to generate new activities in areas, such as the Saar, hit by rationalisation in the steel industry and other traditional activities, with general unemployment returning as a major problem for the first time since the mid-1950s.

Roughly 30 % of the almost 1 215 million ECUs made available by the EIB in Germany has gone to investment of regional benefit, mainly industrial. This has included global loans which have helped to finance small and medium-scale ventures and a range of larger industrial projects in most of the main sectors — metals, chemicals, rubber and plastics, pharmaceuticals, mechanical engineering, glass and ceramics etc. Infrastructure improvements have essentially concerned better gas and electricity distribution, including power generation in West Berlin.

EIB regional finance was running at a steady rhythm up to the mid-1970s, but since then several factors, chiefly the availability of ample funds on the domestic capital market at relatively low interest rates, have limited demand, although the Bank remains alert to possibilities for future lending.

Belgium

Long bracketed amongst the most highly developed and industrialised countries, Belgium has nonetheless always had to contend with sensitive problems of regional economic balance which in recent years have become more serious.

Much of the South — the Wallonia region — has seen its old coal and steel-based prosperity whittled away with insufficient new investment to soak up unemployment, which in 1982 was running at 14 % of the active population, or 40 % over the Community average.

Flanders has fared better, bolstered by higher levels of investment in newer, growth industries, but even so is far from immune to difficulties. Some of the Flanders provinces are grappling with their own heavy unemployment, linked in particular to structural changes in the textiles sector.

The situation has induced the authorities to step up regional development action, notably to encourage small and medium-scale ventures; according to most recent figures firms employing between 10 and 500 people provide some 70 % of jobs in Belgium's assisted areas. It is in this sphere that the EIB has been able to help by making a series of global loans which, by end-1982, had been used to help finance ventures involving the creation or safeguarding of some 4 700 jobs.

In earlier years there were also requests for EIB funds to finance a few larger industrial projects in assisted areas and construction of parts of the motorway network, important both for links with neighbouring countries and regional objectives.

So far, however, demand on EIB resources for investment specifically promoting regional development has been modest. By contrast, the Bank has been asked over the years to contribute to several large energy projects (gas pipelines, electricity generation) which account for over 85 % of its financing in Belgium.

Financing operations within the Community from 1958 to 1982 and from 1978 to 1982

Sectoral breakdown

million ECUs

	1958-1982			1978-1982				
	Total	(of which global loan allocations)	% of total	from EIB own resources	(of which global loan allocations)	from NCI resources	Total	% of total
Energy, communications and other infrastructure	**17 037·2**	**(146·2)**	**75·8**	**10 537·7**	**(146·2)**	**1 544·2**	**12 081·9**	**80·1**
Energy	**7 868·0**	**(36·8)**	**35·0**	**5 272·9**	**(36·8)**	**451·5**	**5 724·4**	**38·0**
Production	5 887·9	(15·3)	26·2	3 975·1	(15·3)	307·1	4 282·2	28·4
Nuclear	*2 981·3*		*13·3*	*2 095·3*			*2 095·3*	*13·9*
Thermal power stations	*845·2*		*3·8*	*625·4*		*68·8*	*694·2*	*4·6*
Hydroelectric power stations	*950·6*	*(7·3)*	*4·2*	*557·9*	*(7·3)*	*147·2*	*705·1*	*4·7*
Geothermal power stations and district heating plant	*207·5*	*(5·3)*	*0·9*	*175·9*	*(5·3)*	*31·6*	*207·5*	*1·4*
Development of oil and natural gas deposits	*834·7*	*(2·7)*	*3·7*	*492·4*	*(2·7)*	*35·8*	*528·2*	*3·5*
Solid fuel extraction	*68·6*		*0·3*	*28·2*		*23·7*	*51·9*	*0·3*
Supply systems	1 980·1	(21·5)	8·8	1 297·8	(21·5)	144·4	1 442·2	9·6
Power lines	*600·5*	*(21·5)*	*2·7*	*504·8*	*(21·5)*	*17·1*	*521·9*	*3·5*
Gaslines and oil pipelines	*1 379·6*		*6·1*	*793·0*		*127·4*	*920·4*	*6·1*
Communications	**5 730·3**	**(109·4)**	**25·5**	**3 059·1**	**(109·4)**	**506·3**	**3 565·4**	**23·6**
Transport	2 707·5	(109·4)	12·0	1 383·1	(109·4)	226·8	1 609·9	10·6
Railways	*474·0*		*2·1*	*190·9*		*50·3*	*241·2*	*1·6*
Roads, bridges and tunnels	*1 659·7*	*(84·4)*	*7·4*	*826·6*	*(84·3)*	*176·5*	*1 003·1*	*6·6*
Shipping and inland waterways	*341·7*	*(24·9)*	*1·5*	*187·2*	*(24·9)*		*187·2*	*1·2*
Airlines	*227·2*	*(0·1)*	*1·0*	*178·4*	*(0·1)*		*178·4*	*1·2*
Other	*4·9*							
Telecommunications	3 022·8		13·5	1 676·0		279·5	1 955·5	13·0
Water schemes	**2 706·3**	—	**12·0**	**1 804·9**	—	**271·0**	**2 075·9**	**13·8**
Water catchment, treatment and supply	1 988·5		8·8	1 272·1		271·0	1 543·1	10·3
Agricultural development	717·8		3·2	532·8			532·8	3·5
Other infrastructure	**695·4**	—	**3·1**	**363·6**	—	**315·4**	**679·0**	**4·5**
Global loans (unallocated portion)	**37·2**	—	**0·2**	**37·2**	—	—	**37·2**	**0·2**
Industry, agriculture, services	**5 450·7**	**(1 377·3)**	**24·2**	**2 737·9**	**(1 055·6)**	**261·3**	**2 999·2**	**19·9**
Industry	**4 476·6**	**(1 284·9)**	**19·9**	**2 214·3**	**(970·7)**	**12·2**	**2 226·5**	**14·8**
Mining and quarrying	39·6	(33·3)	0·2	25·1	(25·1)		25·1	0·2
Metal production and semi-processing	853·3	(72·1)	3·8	124·2	(46·2)		124·2	0·8
Construction materials	389·7	(130·6)	1·7	268·0	(106·2)	6·8	274·8	1·8
Woodworking	94·8	(75·7)	0·4	72·0	(59·0)		72·0	0·5
Glass and ceramics	156·3	(43·6)	0·7	93·2	(36·6)		93·2	0·6
Chemicals	666·5	(92·2)	3·0	189·8	(77·7)		189·8	1·3
Metalworking and mechanical engineering	534·0	(251·1)	2·4	325·6	(189·5)		325·6	2·2
Motor vehicles, transport equipment	505·4	(43·9)	2·3	304·8	(34·6)	5·4	310·2	2·1
Electrical engineering, electronics	209·9	(73·3)	0·9	127·6	(47·0)		127·6	0·8
Foodstuffs	459·6	(215·9)	2·0	287·9	(159·0)		287·9	1·9
Textiles and leather	95·8	(75·3)	0·4	56·4	(49·9)		56·4	0·4
Paper and pulp, printing	126·1	(74·8)	0·6	93·3	(61·2)		93·3	0·6
Rubber and plastics processing	177·0	(81·5)	0·8	107·4	(65·3)		107·4	0·7
Other	26·3	(17·9)	0·1	17·8	(12·4)		17·8	0·1
Building and civil engineering	3·7	(3·7)	·	1·0	(1·0)		1·0	·
Industrial estates and buildings	138·6		0·6	120·2			120·2	0·8
Agriculture, forestry, fishing	**78·7**	**(39·9)**	**0·3**	**68·6**	**(35·3)**	—	**68·6**	**0·5**
Services	**114·5**	**(52·5)**	**0·5**	**96·8**	**(49·6)**	—	**96·8**	**0·6**
Tourism	54·1	(43·1)	0·2	44·3	(41·3)		44·3	0·3
Research and development	11·8		0·1	7·4			7·4	·
Other	48·6	(9·4)	0·2	45·1	(8·3)		45·1	0·3
Global loans (unallocated portion)	**780·9**	—	**3·5**	**358·2**	—	**249·1**	**607·3**	**4·0**
Total	**22 487·9**	**(1 523·5)**	**100·0**	**13 275·6**	**(1 201·8)**	**1 805·5**	**15 081·1**	**100·0**

Environmental protection is an aspect of importance in the EIB's work. Seen here are installations financed near Marseilles for rinsing out oil tankers and treating their ballast water, and plant for dealing with industrial effluents at a copper tubing factory in the Abruzzi and a brewery in Apulia.

The Netherlands

EIB operations have been extremely limited in the Netherlands. This is largely a reflection of the healthy conditions on the domestic capital market, with relatively low interest rates, obviating much of the need for firms or public bodies to look further afield for financing. The few regional development projects for which loans have been made to date concern mainly infrastructure (road, gas, electricity) benefiting development in the Limbourg province where coalmine closures called for generation of new activities, and the chemical industry at Groningen.

Luxembourg

The same overall considerations apply to Luxembourg where the Bank has been able to finance only a handful of investments, even these prior to 1970; improvements to water supply represented the main regional impact.

* * *

It is important to stress that **the Bank's regional development financing — as indeed all its lending — is not linked to any country quota system.** The fact that in the past 10 years, for example, only 1·5 % of the Bank's regional lending has gone to investment in Germany, the Netherlands and Belgium is not an implicit level of priority established by the Bank. The EIB is open to financing eligible investment in all Member Countries, but evidently national economic conditions and the unequal gravity of regional problems in different countries determine the pattern of demand on the Bank.

Environmental protection and EIB finance . . .

Environmental protection is an aspect of the EIB's work which has become of increasing interest as public awareness of problems and the need to take remedial action has grown.

Europe's environment — its natural heritage and also man-made environment (town and city culture) — is under pressure. The 10 Community countries represent one of the most densely populated regions in the world: 65 % of people are concentrated in built-up areas, often with problems of noise, dirt and congestion; creeping urbanisation threatens open space; intensive farming methods, in particular misuse of chemical aids, have brought their own problems to the countryside; many of the Community's rivers, and much of its coastal waters, suffer from pollution.

25 years ago, when the Community was created, a publicly expressed ecological conscience was not so evident. The immediate problem was how to stimulate economic growth and the Treaty of Rome, although far-sighted in many other aspects of European development, made no direct reference to an environmental policy.

The Member States of the new EEC did affirm, however, that the "essential objective of their efforts" would be the "constant improvement of the living and working conditions of their peoples", which can be taken as an implicit recognition of environmental values. In 1972 these broad intentions were superseded by adoption of a specific Community environmental policy. This declares that economic expansion is not an end in itself but must be seen in conjunction with preservation of, or improvement in, the quality of life and a more rational management of resources, notably non-renewable materials.

As a development bank, with public responsibilities, the EIB has always felt that concern for the quality of life is as much a part of balanced development as material prosperity. Its basic standpoint is that economic growth must take place *within* a framework of respect for the environment, and that these two aims should be regarded by and large as compatible, not in conflict.

The Bank's standard project appraisal, therefore, includes an evaluation — by its own Technical Advisory Service — of possible consequences for the environment, designed to ensure full compliance with national, Community or international standards and all relevant authorities' demands on safeguards. Utmost importance is attached to pollution prevention at source rather than subsequently trying to conteract the effects. During appraisals, the EIB's Technical Advisers draw the promoters' attention to potential risks and they frequently have some influence on shaping a project, as reconsideration may lead to improved environmental protection measures. Detailed technical descriptions of projects in loan documents include environmental installations; borrowers are contractually bound to implementing the specified measures and there are appropriate monitoring provisions.

(cont'd)

The EIB can also directly finance investment related to environmental protection. It frequently extends finance to cover anti-pollution installations or other environment-related investment where they form an integral part of projects, such as effluent purification and treatment systems etc linked to industrial production, or, as part of agricultural projects, investment such as tree planting, pasture improvement and water-course regulation to control erosion, drainage to prevent long-term salinisation problems from irrigation, and measures to protect wildlife. Loans may also cover aesthetic aspects, for example the planting of trees and shrubs to hide a visually unattractive activity.

Financing of infrastructure to help regional development has included substantial support for investment in water supply and sewerage schemes, principally to serve industry: in many cases the new sewage treatment facilities are linked directly to improved river water quality and/or reduced coastal pollution (some projects have called for oceanographic pollution studies which the Bank has helped to finance).

Finally, the EIB can lend for specific environmental protection projects if they qualify under the Bank's "common interest" criteria, i.e. present a clear benefit to two or more Member Countries or the Community as a whole and/or be seen as exemplary action, promoting the Community's policy on environmental protection. Examples of projects financed include facilities to treat chemical industry effluents before discharge into the Rhine, conforming with the aims of the International Commission for the protection of the Rhine against Pollution; sewerage schemes in Denmark, Greece and Italy financed to help further the pollution control objectives set out in the Helsinki Convention on protecting the Baltic and the Barcelona Convention on protecting the Mediterranean; installations on the Atlantic and Mediterranean coasts of France to deal with oil-contaminated ballast water from tankers; plant to counter atmospheric pollution (dust and grit) from steelworks in Germany; facilities to burn waste from an alcohol distillery in Italy (cutting fuel oil requirements as well as dealing with a serious pollution problem).

The EIB's work is also related to the environment in other ways, less easy to quantify. Its regional development financing overlaps with environmental policy in that better spatial distribution of people and economic activity is bound up with improvement in the quality of life. Projects aimed at rationalising energy consumption may also be seen in a general way as helping to protect the environment, as most energy production is a source of various types of pollution and nuisance.

* * *

In 1983, the EIB signed the 'Declaration of Environmetal Policies and Procedures Relating to Economic Development' under which the United Nations Environment Programme, United Nations Development Programme, the EEC and the world's major development institutions pledge to work to avoid or minimize environmental problems in economic development.

Common European interest, modernisation and conversion

The geographical approach — regional development — is a base element in the "balanced and steady development of the common market in the interest of the Community" which the EIB is pledged to work for under the Treaty of Rome.

But the other tasks given to the Bank — financing investment of "common interest" to several Member Countries or all the Community, or promoting modernisation and conversion and development of fresh activities — have grown fast in significance as attention has turned increasingly towards the broader issue of improving performance of the EEC economy as a whole. The two key aims today are to reduce dependence on energy imports and arrest the decline in industrial competitiveness, both of which contribute strongly to the current unemployment and represent potentially even heavier mortgages on the future. There are also other concerns which are vital to a modern economy, notably development of fast, integrated European transport facilities and protection of the environment. Over the past 25 years the EIB has channelled a total of roughly 9·6 billion ECUs, 68 % in the last five years, to investment eligible along these lines.

Under these headings, the EIB can finance projects wherever they are located (i. e. not necessarily in assisted areas). The roles give the Bank a flexible basis for responding to economic changes and nowhere is this more evident than in the energy field: for almost a decade, since the oil embargo at end-1973, the Bank has considered this as the main sphere calling for investment under common European interest.

Energy — cutting the Community's oil import dependence

Whatever action the Community takes, its economic development and peoples' lifestyles must take into account — at least for the foreseeable future — the need to continue working for a reduction in oil imports.

The cuts achieved so far — oil imports in 1982 were around 40 % less than in 1973 — do not alter the fact that the Community is still the world's major importer. The relative easing of price/supply structure on the markets recently is not undiluted good news if it induces mistaken attitudes. Warnings now sounded by both the Community instances and the International Energy Agency (to which all EEC countries except France belong) are that present reduced levels of energy demand and more attractive oil prices may bring about a loss of momentum in efforts to improve energy efficiency. Moreover, the degree to which energy intensity has been permanently reduced is not clear, because recession is hitting hardest many of the big energy consumers — steel, glass, ceramics — and also forcing some changes in personal consumer habits (car purchase, travel etc.) which may be temporary. When economic activity picks up, the danger is that demand growth will accelerate once more. If there are then further oil price shocks, the Community would find itself exposed to a repeat of financial pressures and an abrupt cutback in economic growth.

* * *

At present, the ten EEC Member Countries, with between them about 6 % of the world's population, account for some 14 % of energy consumption. As a comparison, the United States, with a somewhat smaller population and broadly equivalent industrial output, consumes almost twice as much. The most noticeable difference, however, is in the level of import dependence — 47 % in the case of the Community, 15 % in the United States in 1982; almost 80 % of the Community's energy imports are oil.

The degree of dependence on oil imports varies substantially between the different Member Countries. The United Kingdom has become a net oil exporter thanks to development of North Sea fields, and the Netherlands, though a substantial oil importer, almost offsets this through exporting natural gas. All the other eight countries are in a vulnerable position, however, with six, of them — Belgium, Denmark, Greece, France, Ireland and Italy — running oil import dependency rates in 1982 of between 50 and 70 % of their energy consumption.

Oil prices in 1982 (expressed in ECUs) were elevenfold those in 1973. Although oil imports fell from 599 million tonnes in 1973 to 350 million last year, the bill for these supplies rose from 13 billion ECUs to 84 billion. In real terms, i. e. taking into account the effects of inflation and movements of the US, principal currency for payment of oil imports, against the ECU, it can be said that the average cost per barrel of crude oil imports into the Community last year was over 4 times the price in 1973. The burden of all energy imports on the Community's balance of payments rose to 3·8 % of GDP in 1982, compared with 1·5 % in 1973. It is not just the extent of price increases which is at issue, but also the speed at which they hit the market, leaving little time for adjustment, while industrial changes often require long lead times.

Although it was the Middle East crisis and the oil embargo of 1973-74 which triggered supply problems, the underlying causes had been slowly gathering shape over some 20 years.

The EIB helps the Community reduce dependence on oil imports by financing development of European energy resources, the rationalisation of energy consumption and the diversification of energy imports away from oil. The photos show geothermal power stations in Tuscany, Italy; a pipe laying barge used for offshore oil and gasfield development; the laying of gaslines in the Netherlands.

At the beginning of the 1950s about 3/4 of Europe's energy consumption was met from its own coal production, which had fuelled economic development for over a century; oil represented only 10 % of needs. Steady economic growth in the following years brought heavier energy consumption, increasing between 1950 and 1973 at a rate of roughly 1 % more energy for each 1 % GDP expansion. In more or less the same period, the price of oil was falling in real terms, making the coal mines, with their rising operating costs, less competitive and reducing the incentive to push ahead with development of other energy resources. By 1973 the Community's energy supply situation had been totally transformed by oil, virtually all imported, covering 61 % of energy consumption and coal less than a quarter. While it is true that abundant oil supplies gave a considerable boost to economic growth for two decades, Europe had lost its energy independence.

At the same time the rapidly growing requirements of other industrialised countries and the small but significant rise in consumption in the developing world began to lead to some pessimistic warnings as to future scarcity.

Since 1973, the Community countries have sought increasing cooperation in the energy field to define jointly-agreed goals, work out and pursue an action strategy, with high level investment at the centre of it. It is not exactly a common energy policy. The Treaty of Rome makes no provision for this, although elements of formal collaboration exist under the treaties establishing the European Coal and Steel Community and the European Atomic Energy Community. It does constitute, however, a clear Community approach based on a consensus view of the main problems involved. The key objectives are to:

— brake growth in consumption by more rational use of energy and transparent pricing;

— develop existing European energy resources;

— encourage research and development into alternative forms of energy production and new techniques of energy saving;

— diversify the sources and nature of energy imports so as to "spread" the dependence and achieve better supply security for that part of the Community's requirements which cannot be met from internal resources.

In 1980 these aims were given precision with a series of objectives which the Council of the European Communities set for the Member Countries to reach by 1990.

On average, for the Community as a whole, the ratio between the growth of primary energy consumption and the increase in GDP is to be progressively reduced to 0·7 or less (in other words making Europe a more energy-efficient society), with appropriate pricing policies encouraging this by reflecting true market costs and conditions.

The proposition for oil is that it should drop to approximately 40 % of overall energy consumption (with a higher share of this to come from European fields). The role of solid fuels and nuclear energy in electricity generation would increase to between 70 % and 75 % (compared with about 65 % in 1982). Greater use should be made of renewable and non-traditional energy sources (hydro, solar, geothermal, wind, biomass etc.).

It is difficult to estimate the degree of success to date, but energy consumption did remain more or less stable between 1973 and 1978, while the Community's real GDP increased slightly. A significant impact appears to have been made by the doubling of oil prices in 1979. Between 1979 and 1982 the effect of price-led short-term demand reductions, coupled with gains in energy efficiency thanks partly to new techniques reduced overall demand for energy by 8 % and that for oil by more than 18 %. At the same time, energy production within the Community increased by 7·4 % as a result essentially of nuclear generation and North Sea oil production such that oil imports declined substantially (−28·1 %); oil's share in total energy consumption decreased from 54·4 % to 48·6 %. Just how firm these trends are remains to be seen.

Investment needs

Success in pushing forward on all energy fronts — a higher level of European production, more rational use of resources and diversifying imports — requires time, technological progress, political commitment and, the most tangible element, the mobilisation of financial resources. One of the Community's priority objectives over the coming years is to strengthen energy investment — in particular in rationalising consumption, where major economies can be made (see pages 58 and 59) — bearing in mind that the EEC's main industrial competitors are currently investing in energy at a higher rate. In any case, many projects, even if undertaken now, will not produce results until the end of the decade; the lead time for planning, construction and commissioning of large coal-fired or nuclear stations for example, can be anything between 5 and 12 years.

While public investment at a national level and private capital must play the main role in this, the European Investment Bank has already given a high level of support and is gearing itself to go further. By end-1982, the Bank had made available a total of 7·3 billion ECUs for energy investment which, in one way or another, promotes the Community's energy strategy.

This has been based on a rapid development of lending from the Bank's own resources for investment carried out in the Member Countries (90 % of the total) but there are three special aspects which have widened intervention:

■ the EIB has helped to finance some projects situated outside the EEC but of direct interest to the Community's energy supplies; it can do this, using its own resources, under powers contained in Article 18 of the Bank's Statute. Projects have included development of Norwegian oil and gas fields (production goes mainly to EEC countries); hydroelectric plant in Austria (half of the output is under long-term supply contract to German electricity utilities); gas pipelines in Austria (transporting gas from the USSR to Italy, where it partially substitutes for other supplies sent on to France); a stretch of the Algeria-Italy gasline where it runs through Tunisia;

■ increased support for investment helping to attain Community energy objectives is one of the main aims set for the New Community Instrument since it became operational in 1979; the EIB has used a substantial share of these resources (almost 460 million ECUs or 25 % of NCI funds committed by end-1982) along these lines (see pages 19 and 20);

■ also, since 1977, the Bank has cooperated with the Commission in carrying out lending operations on behalf of EURATOM — European Atomic Energy Community — to help finance the construction of nuclear plant (see page 19).

Wide range of projects

The EIB has no *a priori* preference for kinds of energy projects. The Community recognises that, in the medium term at least, coal and nuclear development will make the major impact on diversification and reduction of oil imports, but the Bank itself has a rather open approach. It insists only that any project must be technically proven, economically useful, financially sound, comply with national and Community environmental requirements, and promote EEC energy strategy. In this context, it is worth mentioning that the Community budget makes provision for grant aid to assist research and development and pilot schemes which may pave the way to viable investment for the EIB to support.

By the nature of things, most finance made available by the Bank has gone to big conventional projects — power station construction (nuclear, coal, hydro), oil and gas field development, major national and European gaslines. But over recent years there has been an increasing range of other investment, including opportunities for rationalising consumption in industry and also in using non-traditional resources (e. g. rubbish burning, geothermal) and developing particular local energy resources (e. g. peat bogs in Ireland, lignite in the South of France).

A rundown of the EIB's activities shows the following main chracteristics:

Electricity generation: funds have gone towards 41 000 MW of electricity generation capacity based on resources other than oil or gas (as a comparison, this is only slightly less than the entire generating capacity in Italy). In the nuclear sector loans have gone to power station construction in Belgium, France, Germany, Italy and the United Kingdom and uranium enrichment facilities in France and the UK. Nuclear currently accounts for about 16 % of the EEC's electricity production.

On the hydroelectricity front, loans have gone to schemes in Belgium, France, Germany, Greece, Luxembourg, Italy and the UK. Conventional hydro projects (i. e. exploiting natural watersheds) are becoming rarer as most of the better, high production sites are already tapped, but over recent years the Bank has been financing several pumped-storage hydro stations which pump up water to a high level reservoir using off-peak electricity, then releasing it to generate electricity as and when needed. These stations are a means of storing electricity and obtaining maximum benefit from the production of the most economic base-load stations (coal and nuclear). Conventional hydro and pumped-storage power stations represent 15 % of the electricity generating capacity in the EEC.

Solid fuel power stations have been financed in Denmark, France, Ireland and Italy, in some cases with linked coal harbour infrastructure. Funds have gone to special trains for moving large quantities of coal to power stations (UK). Community finance for coal mining itself is basically channelled through the European Coal and Steel Community, although the EIB has helped to finance some new mines and modernisation in the UK, lignite mining in France and peat exploitation in Ireland, all largely to supply power stations. Solid fuel power stations currently furnish 33 % of generating capacity in the Community.

Natural gas: The EIB has lent for the construction of some 6 000 km of large diameter gaslines. These help to form a comprehensive system for the transport of gas produced within the Community and imported from other countries, with flexibility for exchange of supplies between the national distributors. Among the major projects financed are the TENP — Trans European Natural Gas Pipeline — taking Dutch natural gas across Germany, through Switzerland and into Italy, and the SEGEO line also exporting Dutch gas, across Belgium into France; lines in Germany importing gas from European Russia through connections at the Czech and

Austrian borders, partly for national consumption, partly for transmission on to France; link-ups of the Danish and German networks; the TAG — Trans Austrian Gasline — bringing Russian gas to Italy, releasing other supplies for France; the Algeria-Italy gasline, running almost 2 000 km (175 km undersea) from fields in the Sahara to the North of Italy. Other developments include stretches of the transmission system for North Sea gas in the United Kingdom and in Denmark. Last year the first loan went for development of the Irish gas transmission system based on resources discovered off the South West coast.

The European gasline projects financed by the EIB will have a combined capacity of around 31 000 million m^3 per annum, or some 64 % of estimated total flow of natural gas through the network of EEC countries in 1982.

Apart from the gaslines, the EIB has channelled funds to the exploitation of gas fields in the British, Danish and Norwegian sectors of the North Sea, on the Italian mainland and around the eastern and southern coasts. Their total output, once all are in full production, should be around 14 500 million m^3 per annum, or the equivalent of million tonnes of oil. Other gas investment concerns storage facilities (using depleted fields in Northern Italy) and import facilities for liquified gas (Southern and Western France).

Without the rapid rise in natural gas usage — from roughly 2 % of the Member Countries' energy consumption in 1960 to 18 % last year — the Community's dependence upon oil imports would be far worse. At present, about three-quarters of the natural gas is produced within the EEC, but some imports are essential and one of the Community aims is to ensure that these are split amongst several supplier countries.

Oil: The EIB has provided over 570 million ECUs for development of almost 30 oil fields on the Italian mainland and around the coasts, and in the British, Danish and Norwegian sectors of the North Sea. The total production of these fields should reach around 24 million tonnes per annum, roughly equivalent, for example, to Belgium's oil consumption in 1982. In addition, the Bank has lent for various equipment, principally in Italy and France, for use in oil and gas prospecting and the laying of pipelines both overland and on the seabed, and for a petroleum harbour in the Shetlands, the pivot of British North Sea oil production. This makes a useful, if relatively modest so far, contribution to increasing the degree of self-sufficiency in oil.

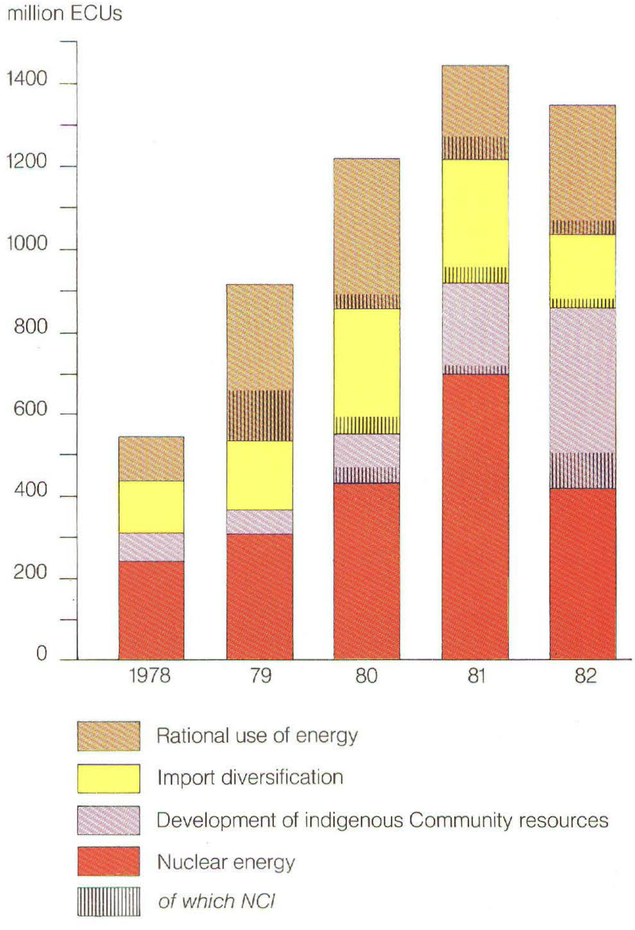
In 1982, thanks mainly to British North Sea and Italian oil (small amounts are also produced in Denmark, France, Germany and the Netherlands), the Community was able to cover about 26 % of its oil consumption. Without substantial new discoveries, however, it would appear that the peak of proven recoverable crude oil reserves in Western Europe was passed about four years ago; present estimates suggest a total of about 3 000 million tonnes, which is about 3·5 % of the world's total and equivalent to around 10 years of the EEC's consumption at 1982 levels.

Rationalisation of energy: a more efficient use of Europe's energy resources is possible in all sectors and in the case of manufacturing industry can lead to substantial production cost benefits which filter down through the economy. The range of investment which the EIB is currently financing is detailed overleaf.

* * *

It is not easy to sum up the overall impact of the projects which the EIB has supported on the grounds of their contribution to Community energy objectives. One has to differentiate between projects which increase indigenous resources within the Community or save energy, and others which replace imported oil with other energy imports (gas, uranium, coal), albeit less critical from a supply or cost angle.

Financing for projects contributing towards attaining Community energy policy objectives, from 1978 to 1982



However, taking as guidelines the technical estimates made for each project at the time of appraisal, it can be calculated that in the last six years alone (1977—1982), the investment which the Bank has helped to finance should, when all is completed and fully operational, serve to replace a total 79 million tonnes of oil imports per annum. This is roughly equivalent to 17 % of the ceiling of oil imports which the Community has set itself for 1990, and corresponds, for example, to total oil consumption in the United Kingdom, Denmark and Luxembourg at 1981 levels.

Communications — the arteries of integration

Transport — the roads, railways, waterways, sea and air links — and also telecommunications are the arteries and most visible element of European economic and social integration. Every citizen can see the impact in easier personal travel and transport of goods from one country to another, and the possibility to dial direct and speak across countries.

Under the heading "comon interest" the EIB has channelled almost 1 250 million ECUs into infrastructure for communications between Member Countries. Together with a rise in car ownership and other factors, such as faster and more comfortable means of public transport, these improvements have helped to foster the movement of trade and people which has gradually altered notions of distance among Europeans over the past generation.

The Bank's activity responds to concerns expressed in setting up the EEC. The Treaty of Rome fixed close

Rationalising energy use in the EEC

Rationalising energy use — in other words cutting consumption and also switching from imported oil to other fuels, mainly coal — is a central issue in the Community's energy strategy.

For better management of resources along these lines, the European Investment Bank has made available a total of 1 465 million ECUs (over 245 million from New Community Instrument resources).

The EIB can contribute to investment promoting:

— more efficient use of energy in industry, agriculture and services, in infrastructure, and increasing efficiency of energy production installations;

— use of renewable or new energy sources;

— manufacture of equipment or materials necessary for energy saving or development of new energy resources;

— substitution of coal for oil;

— use of waste matter for energy production or recycling materials with a high energy content.

Among the larger projects which the Bank has helped to finance are conversion from oil to coal-firing of 3 000 MW of generating capacity in Danish and Italian power stations, plus linked coal-handling facilities.

Although technical constraints limit possibilities for switching to coal-firing in some industrial sectors, there are notable exceptions, one being the cement industry. EIB loans have gone towards conversion to coal at several large cementworks in Italy and Greece, one of which now also meets its energy needs by burning waste products from refineries and chemical works.

Other projects have included district heating systems in Denmark and Italy (some of them using 'waste' steam available from thermal power stations after powering the turbines), geothermal stations in Italy using steam from volcanic sources, a rubbish-burning power station in Denmark, installations in Northern England which compact household and other refuse into fuel bricks for burning in industrial boilers, a computer-based control centre to make the best economic use of Italy's national electricity production and transmission facilities and cut waste, a range of investment in car factories, and modernisation in refining, glass production and other industrial processes to achieve energy economies. To reach smaller-scale investment along these lines the Bank has also granted several global loans (see pages 64 and 65) in Denmark, Greece, Ireland and Italy.

Taken together, the various energy rationalisation investments (fuel switching + economies) should be equivalent to replacing 10 million tonnes of oil imports per annum.

In addition, but impossible to quantify, there is the effect of several industrial projects involving

cooperation in transport as one of the objectives to "eliminate the barriers which divide Europe". One handicap is clear: the Community's communications infrastructure is a collection of national networks, not originally conceived on a European scale. The EEC started out with a problem of how to superimpose a Community logic to a range of facilities modelled under diverse influences and regulations to meet different requirements.

This has called for two-fold action: at the administration level, to lessen many of the technical hindrances to better communications by simplifying or harmonising national formalities, a delicate task still not complete; at the investment level, to reduce physical obstacles by improving the connections between countries' communications infrastructure so that, collectively, it can meet the needs of all Europeans.

manufacture of energy-related materials (e.g. insulation wool, solar panels, lightweight glass for vehicles to help the automobile industry raise mileage performance, sun-barrier glass for air-conditioned buildings).

* * *

With high energy prices penalising waste, and thanks to improvements in energy-saving and coal handling and fuelling technologies, the scope for energy rationalisation has widened rapidly, but the level of investment is disappointingly low.

Rationalisation accounts at present for about a quarter of total on-going energy investment in the ten Member Countries (corresponding to about 0·4 % of the EEC's combined GDP, against 1·6 % for all energy investment). The Community, including the EIB, wants to give every support for stepping up action in this sphere.

In industry alone the impact of more efficient energy use could be considerable. Estimates are that in the developed OECD countries, industry's energy saving potential could be as much as 30 % of consumption between 1980 and 2000. The precise figures would, of course, differ from country to country, depending on the profiles and age of industrial structures, the base line of efficiency and other factors. There is no reason to believe, however, that Community industry's position would be much different from the OECD average.

Industrial energy efficiency interfaces with the broader concern of improving competitiveness — industries which invest in the means to cut or limit their energy costs are likely to have the edge on their competitors in the future.

In the first 10 to 15 years of the EIB's existence, the bulk of the Bank's financing under the 'common interest' heading was aimed at market-opening measures by freeing circulation in the original "Six". While energy has taken on greater importance since 1973, the Bank has nonetheless maintained a strong involvement (200 million ECUs in 1982 alone) in improving communications and problems are still to be solved. Bottlenecks or missing links reduce the efficiency and the potential benefits of increased interdependence of national systems. There are particular difficulties in the peripherally located "new" Member Countries: Greece shares no land borders with other Members, the United Kingdom and Ireland do so only at the Northern Ireland border, and Denmark is in a substantially similar position with its many islands. New momentum for improvements also springs from the need to strengthen links with the candidate countries, Spain and Portugal.

A few overall comments can be made about the EIB's transport financing under 'common interest':

— the bulk of funds has gone towards motorway and other road construction (775 million ECUs, or almost 70 %). This reflects the broad pattern of surface transport investment and demand on the EIB, not any particular bias; the EIB is open to financing viable projects in all transport sectors and has, where possible, done so;

— projects are sometimes concerned not only with communications between Member Countries but also candidate countries to the EEC and other neighbours: Austria, Switzerland, Yugoslavia, Scandinavia;

— many projects financed primarily for 'common interest' reasons also benefit regional development (e.g. transalpine road links opening up areas previously isolated either side of the mountains).

Roads

The EIB has helped to finance around 2 000 km of motorway construction (= roughly the size of the Netherlands motorway network) since 1958, plus improvements to about 3 300 km of other main highways. Much of this was assisted for regional development reasons, but over 65 % of the motorway construction directly concerns transport between Member Countries, for which loans worth 680 million ECUs were granted.

In Italy, funds have gone towards improved communications with Austria, Germany and the Benelux (e.g. through financing stretches of the Friuli, Adriatic and Brenner motorways), and with France and Switzerland (Fréjus tunnel and approach roads, the Tunnels motorway leading up close to the Simplon, the Val d'Aosta motorway, the Flowers Motorway running along the Ligurian coast to the French frontier).

Telecommunications projects financed by the EIB, with loans totalling over 3 billion ECUs in 25 years, range from high technology improvements to international links, such as a satellite earth station in the Abruzzi, to basic extension of trunk and local telephone networks, often helping to break down isolation of distant rural areas, one of the obstacles to their development.

Parallel investment in France (Fréjus tunnel, and stretches of the A 8 La Provençale) has further enmeshed the network with the Italian system, while other loans have gone to improved links with the Benelux, Germany and Switzerland (e.g. parts of the Paris—Brussels, Paris—Metz, Metz—Saarbrücken, Beaune—Mulhouse motorways). In Denmark, loans went to the motorway running through South Jutland to the German frontier and the Bridges motorway linking Copenhagen with the islands of Farø and Falster, another key link between Denmark and Germany and also, in a broader context, between the Community and Scandinavia. In the Benelux, at the hub of European road communications, funds went to some of the most important early developments — part of the Paris—Brussels motorway linking up with the French frontier, which also serves as part of the motorway route between Wallonia and the Ruhr, Germany; the motorway from Antwerp to the Dutch border; the Maastricht—Heerlen motorway in Southern Limburg, key element in the wider system of roads between Antwerp, Brussels and Liège in Belgium and Aachen and the Ruhr. Some of these links form part of the trans-European routes, e.g. the E 1 — London—Palermo or the E 4 — Helsinki—Lisbon.

Rail

Most of the railway projects were financed some years ago (loans worth about 105 million ECUs) and largely concerned improvements to handle heavier freight traffic: works on both sides of the frontier to modernise and reinforce carrying capacity of the main line between France and Italy (Genoa—Chambéry); modernisation of the Bolzano—Brenner pass line (linking Italy with Austria and Germany); electrification works on the backbone North-South and also Moselle lines in Germany, both carrying substantial international traffic. In France, funds went towards introduction of gas turbine trains on the Lyons—Strasbourg route, a high speed link between the Rhône and the Rhine.

The Bank has also contributed to railway service improvements eligible on regional development grounds in France, Greece, Ireland, Italy and the United Kingdom.

Shipping

Loans for a total of 70 million ECUs have gone towards shipping links, including mixed passenger/vehicle ferries run by both British and Irish operators on routes across the Irish Channel, a roll-on/roll-off ferry terminal in Kent, South East England, for sailings to the Continent, plus the "stretching" of hovercraft (welding in a longer central section) to carry more passengers and cars on the heavily used Dover—Calais/Dover—Boulogne routes.

Air

Over the last few years almost 185 million ECUs have been lent towards improved air traffic control facilities to cover Greek airspace, introduction of eight European Airbus jetliners by the French and Italian national carriers, principally on routes within the EEC, and for expansion of one of the UK's principal airports, at Birmingham, where over 60 % of the traffic is to and from Community Member Countries or Spain and Portugal.

* * *

Gauging the form and dimensions of a transport network adequate for the Community's economic development leads very rapidly into guesswork. Many factors could have an influence in the future — changes in the comparative technological advantages between one form of travel and another (e.g. development of more efficient, high speed trains could take pressure off the roads), running costs (future movements in oil prices, use of other fuels or introduction of more efficient cars), environmental considerations, etc. But this said, there is still clearly much room for improvement. The most publicised "missing link" is some form of permanent crossing, under or over the English Channel, but there are many other restrictions on traffic. In 1980 the European Commission estimated that there were still about 6 000 km of road and nearly 3 500 km of railway line which needed to be built or substantially improved to smooth European transport and that many towns which merit better international connections are poorly linked by air services, or not at all.

Telecommunications

Alongside the development of transport facilities comes telecommunications. Out of an estimated world figure of 500 million telephones in service in 1980, 118 million were in the EEC, an average density of 44 per 100 population comparing, for example, with 79 in the USA or 48 in Japan.

The telephone is an indicator of levels of economic development and living standards and, as the Community has grown, its telecommunications network has expanded both quantitively and qualitatively. In the past decade, the number of telephones in the ECC has nearly doubled and today only a tiny fraction of subscribers have no access to automatic trunk and international direct dialling facilities.

Some telecommunications projects have been financed by the EIB for their specific "common interest" with loans worth about 110 million ECUs: extension and modernisation of the French international network, increasing the number of European links via land and submarine

When financing industry, the EIB pays particular attention to the needs of small and medium-scale ventures. They are important for regional development because of their spread of activities and job-creation potential, and are often innovative, launching new ideas and products.

cables, ultra-high frequency beams and satellites; a submarine cable between Denmark and the Netherlands boosting capacity between the two countries and for transit communications to countries to the south (chiefly Belgium and France) and Scandinavian countries to the North; two submarine cables from the United Kingdom, one to the Netherlands (more than doubling capacity for traffic to the Netherlands and Germany), the other to Denmark (almost tripling capacity for calls to Denmark and other Scandinavian countries); a telecommunications satellite earth station in Italy.

The EIB has contributed to the addition of some 5·2 million telephone lines in the Community, which equals the whole of the Netherlands network, or more than twice that of Belgium or Denmark; nearly 2·1 million (40 %) were brought into service in the past five years. Essentially this was to help regional development in the Italian Mezzogiorno, Ireland, parts of France and the United Kingdom, where telephone provision was lagging behind, but given the highly integrated nature of telecommunications there is also a European dimension when looking at the overall impact, as contacts strengthen across the Community.

The development of telecommunications — not only telephones, but also telex facilities and data transmission — will continue to require steady investment, particularly as new technologies (e.g. fibre optic cables, satellite links, fully electronic exchanges) promise improvements to efficiency, reliability and operating costs and should expand the range of services.

Strengthening competitiveness in industry

The price Europe pays for early industrialisation is that it now faces before many of its competitors, or in a more pronounced way, the pangs of modernisation under the double impact of technological advance and restructuring to meet changes in world markets.

The challenge of keeping up with technological innovation and competitiveness is there, of course, for all countries, but the ramifications in Europe are particularly complex. Industrial practices and methods built up over a century or more are exposed to radical changes and are sometimes not very supple in responding. The strains translate directly into a transitional period of social disturbance, with delicate questions of readjustment to find a new balance.

While there are differences in the sectoral, age and past investment profile of industry in the ten Member Countries, which concentrate problems in some more than others and acutely in certain regions, it can be said the Community as a whole is faced with needs to rejuvenate much of its production process. It has to square this at the same time with social concern and there are no real precedents from which to draw experience and few forecasts to help in tracing guidelines. If the destination seems clear — modernisation and the use of technology to expand into new activities with fresh employment potential, increase productivity, shorten working hours, and eliminate laborious and dangerous elements of work — the path is dimly lit.

In contrast, the current problems of change and restructuring are in black and white. In 1974 it took an average 5 workers in the Community to make 1 000 tonnes of crude steel and a total of 156 million tonnes were produced in the EEC; in 1981, a top efficiency company needed less than 2 workers per 1 000 tonnes; the market shrunk to 110 million in 1982 and in the years 1974—1981 the Community's steelworks shed about 250 000 jobs, with further cuts in 1982 and programmed at present. The textiles and garments industry has lost 900 000 jobs since 1974, shipbuilding about 85 000 between 1975 and 1981 . . .

Other sectors have taken up part of the slack, and some with encouragingly dynamic growth, but the general pattern has been one of sluggish generation of new employment, insufficient to fill the gap. In 1981 the Commission estimated that in the previous decade jobs in the Community increased by only 2 million against 5 million in Japan (with less than half the EEC's population) and 19 million in the USA (roughly the same population). And for manufacturing industry, only Ireland among all the EEC Member Countries managed to show a net increase in jobs over the period 1973—1981.

Moreover, the character of unemployment has changed qualitatively. Unskilled labour is less relevant and harder to place in an increasingly technological society; at the same time, unemployment is reaching out to more skilled workers, clerical staff and management, whose chances of finding new work will often be subordinated to retraining. In general, recruitment thresholds are moving up the educational scale.

Many factors (some of them imperfectly understood in themselves and in their interaction) condition chances of finding a coherent way through the upheavals: the profitability of enterprise, entrepreneurial flair, fiscal measures, the effects of inflation, exchange rate fluctuations, interest rates, consumption and saving patterns, international trading agreements, flexibility or lack of it in dealings between all social partners . . .

But one fact is clear: productive investment must be stepped up to increase competitiveness, above all to reinforce Europe's stake in fields of high innovation. Perhaps this should be coupled with efforts to encourage a more open public perception of potential benefits from technological progress; the tendency — understandable but destructive in the long term — is often to measure it largely in terms of threat to the status quo. Recent information campaigns to step up the public's awareness of the growing impact of telematics in business, and its exploitation opportunities, represent one step in this direction.

Advantages from an EEC framework

To maintain or improve its competitive position in the world, and encourage a higher level of investment,

Financing small and medium-scale ventures

"Small is beautiful" passed into economic jargon some years ago and since then bas been used in all kinds of contexts, not always appropriately. The phrase did, however, signal a desirable shift towards more interest in smaller ventures. In fact this year — 1983 — has been designated by the European Community as 'Year of the Small and Medium-sized firm', with the aim of focusing more attention on the value of smaller concerns' contribution to the EEC's economic development. Their collective importance is considerable and can be summarised in four key characteristics.

The first to strike any observer is the number of operations. Independent firms with less than 500 employees account for roughly half of manufacturing and processing industry in the European Economic Community, both in terms of total number of jobs and output.

Secondly comes their diversity. This is linked partly to the increasing specialisation in industry. Market opportunities for smaller concerns tend to widen as they can do sub-contracting work — producing parts or assuring maintenance, repair and other services — which big industry does not want to provide, and frequently cannot economically assure, itself. The main car manufacturers in the EEC, for example, buy in two thirds of their parts and accessories from suppliers, many of them small firms.

This leads to a third characteristic, their propensity to create or safeguard employment. Three examples:

— in France, firms with under 200 employees collectively took on an extra 700 000 people between 1973 and 1980 — a roughly 10 % increase in their workforce; bigger companies shed 600 000 jobs, or 12 % of their labour in the same period;

— in Southern Italy, firms with under 500 employees were creating new jobs at the rate of 10 000 per annum during the period 1974—1980;

— in Belgium, in the years 1975 through 1981, private companies with less than 50 employees together made very limited reductions in their workforce (about 1 %) while bigger companies cut back by 190 000 (about 14 % of their employees).

The fourth striking point is innovation. Small or medium-scale ventures generally have to be nimble to survive and quickly seize upon new technological and market possibilities. Their agility injects vigour into the economy and sharpens competition, while the introduction of new ideas and techniques is an essential contribution to the renewal cycle in industry.

The EIB has become increasingly involved in providing finance for small and medium-scale ventures. It first adopted specific measures to steer funds in their direction some 15 years ago and by end-1982 had helped to finance 3 750 ventures setting up or expanding in less-favoured regions, 60 % in the last five years.

Primarily, this has stemmed from an awareness of their value to regional development. Although many activities demand economies of scale and levels of resources — in finance, manpower, marketing and export organisation etc. — which only large enterprises can provide, small and medium-scale ventures both widen and balance the spread of economic development. The importance of this has been starkly underlined by the current

industry derives some solid advantages from being in the EEC framework.

The European dimension replaces the narrowness of 10 fragmented markets. Even if there are still various hindrances to completely free trading, and recession has fanned some old embers of protectionism, benefits of economy of scale are nonetheless possible for production of a vast range of goods. The market's size can also give a viability to investment in costly modernisation and technological innovation, which would be harder to justify in a smaller, national context.

The EEC is a framework which should permit closer cooperation between enterprises from different countries, in the financial and commercial fields and also in production and all-important research and development. This is not to advocate less competition, but rather to work out rational and beneficial approaches to common problems (for instance, too much laboratory effort, either in inventing new techniques or expanding application of existing technologies, is wasted in duplication instead of moving on to other fields). Multinational firms can be a powerful force for efficiency in developing resources; the positive role they play in Europe's industrial integration, and strengthening of technological capacity, is rarely given due credit and tends to be overshadowed in the public mind by questions of a political and social nature.

A European dimension is particularly important in data

problems of some old industrial areas tied to one or two large, traditional activities and which now have little alternative employment to cushion the effects of closures.

Whatever their size or market, small and medium-scale ventures have one common denominator: their value in providing jobs. Taken together, those financed by the EIB involve the creation of an estimated 93 000 full-time jobs and the safeguarding of a further 39 000. In the Bank's experience, such ventures provide roughly three times the jobs, for a given amount of investment capital, as larger concerns.

* * *

The EIB makes finance available through "global loans". These are basically lines of credit to financing institutions working at regional or national levels. They use the funds to make smaller sub-loans for investments chosen, in agreement with the EIB, from among those submitted by their clients.

In this way the EIB can provide finance in quite modest amounts — most credits are between 100 000 and 400 000 ECUs but they can be for as little as 25 000 — which it would hardly be a practical economic proposition for the Bank to handle directly. Moreover, the intermediary bodies with their local knowledge and contacts, and on-the-spot personnel for the negotiating groundwork, can reach a wider spread of smaller concerns than the EIB could hope to.

In 1982 some of the New Community Instrument resources were also used to make global loans specifically for financing small and medium-scale ventures in areas *not* eligible for regional assistance. This reflects a growing concern in the Community that the EEC must improve its manufacturing performance and step up investment by productive enterprise generally, particularly in industries with high innovatory potential.

By end-1982 a total of 133 global loans worth nearly 1 800 million ECUs had been made to 42 banks and other financing bodies in eight Member Countries; by far the majority of the investments assisted with these funds — 90 % by number, nearly 75 % by amount — were carried out by independent firms with under 500 employees, in many instances small family concerns.

Other global loans

In 1979, the Bank began making global loans to help finance smaller scale public infrastructure works (e.g. road and port improvements, rural electrification) carried out to improve conditions for regional development.

In 1980 it widened the concept to cover small and medium-scale investments in industry or infrastructure which help to rationalise energy consumption and, in particular, reduces oil consumption. These global loans can be used to finance investment anywhere, irrespective of regional considerations.

* * *

With these extensions of the global loan concept, the EIB can now help to finance small and medium-scale investment of differing kinds in most parts of the Community.

gathering, storage and transmission (telematics) so that management of industry throughout the Community has access to up-to-date information on commercial, technical, legal, governmental matters which can affect its decisions. This is even more crucial for the small or medium-sized company without the resources for a large informatics staff of its own. Here the European Community is already heading off the dangers of split effort through the founding of Euronet — DIANE (Direct Information Access Network for Europe) — a European network for the dissemination of information, run in close cooperation by the national post and telecommunications administrations and backed by Community funds.

The Community has also consistently worked for mutual recognition throughout the EEC of professional qualifications, rendering Europe's most precious asset — its human capital — more mobile.

Investment support

For **Investment,** the help comes primarily through the European Investment Bank and the European Coal and Steel Community (financing modernisation in these two sectors and helping new industries to set up in coal and steel closure areas). In addition, the Commission deploys various budgetary funds for research and development. The Social Fund can help retrain workers to cope with new technologies.

For its part, the EIB has channelled a total of almost 1 billion ECUs to industrial investment eligible under the broad heading "modernisation and conversion". This is not the full picture. Projects concerning modernisation of equipment and application of new technology to save energy are listed elsewhere. More important, problem sectors have tended to be bunched in regions consequently classified as handicapped areas, where the Bank has helped to finance much modernisation and conversion, but on the strength of regional development. This is the case, for example, with finance for the car industry in Southern Italy, or rationalisation and modernisation of steelworks in some parts of the United Kingdom. The EIB's total involvement is therefore appreciably more than a quick statistical assessment suggests.

Apart from modernisation to cope with problems arising from sudden market and technological changes, other factors can justify EIB financing. The Bank supports projects which look ahead by strengthening sectors important to the Community because they generate new technologies; investment which leads to an extension in use of advanced technologies already existing in other sectors; cooperation between enterprises from different Member Countries which leads to a pooling of financial, technical and commercial resources to achieve a stronger position in important activities.

These different concerns have led the Bank into financing investments of a quite diverse nature: biotechnology in Italy (manufacture of cancer treatment drugs and less toxic phytopharmaceuticals for crop protection), and satellite tracking and launching technology in Italy and France; hydrodynamic testing facilities for working out ship design in the Netherlands; extension of technology, much of it from the aerospace industry, into construction of high speed trains in the United Kingdom.

In Italy, the Bank has helped to finance conversion of a typewriter factory producing standard electric typewriters to manufacture electronic word-processing models; modernisation of tractor works to produce more powerful, technologically advanced machines; restructuring of refinery plant to respond to changes in the petrochemicals market; rationalisation to help companies succeed in certain segments of the highly competitive textiles and garment manufacturing sectors. Modernisation has been supported in steel mills in France and Germany, and in various agro-industrial activities, including cooperatives as in Denmark and Ireland.

Some of the projects involving European industrial cooperation are well publicised examples of the benefits of working together (e.g. construction facilities for the European Airbus jetliner); others are less known but make a useful contribution to pursuit of economic integration (e.g. a factory in Italy, under a joint-venture agreement between French and Italian vehicle manufacturers, to build a new generation of diesel engines; a factory to produce metallic surface reflective glass for thermal insulation, with an input from Italian and British interests; construction, then extension of a bio-medical factory, producing components for heart pacemakers, heart valves etc., benefiting from close collaboration with European scientific and university institutions).

Another slant to the Bank's activities in industrial modernisation and conversion has been introduced with the New Community Instrument financing facilities. In 1982 the Council of Ministers decided that part of the NCI resources could be used to help attain "the Community's priority objectives" for the promotion of productive investment in small and medium-sized undertakings.

Following from this, several global loans were signed last year in France and Italy, and others negotiated in the United Kingdom, which came into operation this year, to finance small and medium-scale ventures in non-assisted areas.

This breaks new ground. The European Council has often expressed concern that investment growth in productive enterprise is insufficient, especially in those industries that offer high innovatory potential and in the reorientation of industries to exploit advanced technology. The EIB's "traditional" global loans, from its own resources, help to meet some requirements of small and medium-scale ventures in this direction, but they cover investment either in assisted areas (under the regional development criteria) or in rationalising energy consumption. Global loans from European Coal and Steel Community resources are restricted to investment in areas where there are specific problems linked to contraction in these two industries. The NCI global loans are complementary and allow smaller business, previously not eligible under the above arrangements, to also tap funds for their investment.

By spreading out its financing facilities in this way, the Community stresses the contribution it believes small and medium-scale ventures can make, with their inventive attitudes and sense of enterprise, to the general aim of strengthening manufacturing performance.

Financing outside the Community

The European Investment Bank had provided a total of 3·3 billion ECUs by end-1982 for investment in some 70 countries outside the Community. Seen against the overall volume of EIB activity this is a relatively small share, about 13 %, but operations have grown fast in recent years (two-thirds of the total has been made available since 1978) and, qualitatively, an important factor lies in the favourable conditions attached to most of this finance. The Bank's action outside the EEC takes on significance beyond the amounts involved because it contributes to Community policies of development cooperation and foreign relations, having many ramifications for the EEC's present and future standing in world affairs.

In all cases, the Bank's lending is carried out within the framework of agreements negotiated between a country or group of countries and the EEC; these generally provide for other forms of assistance handled by the Commission of the European Communities and preferential trading arrangements.

Background to the EEC's cooperation policies

The Community is more than a common market and more than just a system to promote unity between the countries and peoples directly involved. One of its aims is to work for peace and stability in international relations; another is to promote world trade. Just as they recognised the need to break away from restrictive national dimensions, so the Member Countries saw that even a wider, Community entity could not be self-sufficient, turned in upon itself. The EEC started out looking well beyond its own frontiers and the Treaty of Rome reflects this in certain provisions on international relations. Some of these have led directly to financial cooperation and the Bank's involvement.

First is the question of **enlargement.** The signatory countries call "upon the peoples in Europe who share their ideals to join in their efforts"; any democratic European State may apply to become Member. Portugal and Spain currently receive investment support helping to pave the way for their membership. Greece also benefited from access to EIB financing during its association with the Community up until membership in 1981.

Beyond this lies a broader approach to development assistance in the whole **Mediterranean region,** which has come about in several stages. The Community started out with a few "good neighbour" provisions for close trading links with some newly independent countries on the southern shore of the Mediterranean. A major step was taken in 1963 when Turkey signed an association agreement with the Community, with long-term perspective of membership. In 1972 the EEC decided to build up a framework of cooperation to cover all Mediterranean littoral countries wishing to maintain or develop special ties with the Community. The Bank is now lending in 11 Mediterranean countries, in addition to Portugal, Spain and Turkey.

Agricultural development and food processing, to meet local needs or to bring in export earnings, are important sectors for EIB activity in many of the countries outside the Community in which the Bank operates. The photos show processing of pineapples in the Ivory Coast, cattle raising and cultivation of date palms in Tunisia, and preparing land for afforestation in Portugal.

The third key element is cooperation with the 63 **African, Caribbean and Pacific (ACP) countries** which have signed the Lomé Conventions. This stems from responsibilities towards then colonies or other dependent territories which several Member Countries carried with them into the new EEC. The Rome Treaty provided for their association in tariff-free trading arrangements "to serve primarily to further the interests and prosperity of the inhabitants of these countries and territories in order to lead them to the economic, social and cultural development to which they aspire". Within a few years, many of the countries had achieved their independence and had to decide whether they wished to continue as "associates", which most did. Through to the mid-1970s, some 20 African countries were associated to the Community under the Yaoundé Conventions; afterwards aid has grown under the far more comprehensive Lomé Conventions, embracing many Commonwealth countries which began to strengthen links with Europe when the United Kingdom joined the EEC.

Apart from the specific interests related to the Community's own enlargement, several concerns motivate the expansion in development cooperation policies:

■ there is the moral imperative: to help many countries closely intertwined with Europe, with a shared past and close cultural links, to grapple with basic obstacles to achieving better living standards for their peoples. All the ACP and most of the Mediterranean region states are developing countries; many of the ACP are amongst the world's poorest;

■ underdevelopment and instability tend to go together and Europe has a strong geopolitical interest in reducing tensions and strengthening the chances for equilibrium on its own doorstep and southwards from it;

■ this in turn is closely bound up with reciprocal economic advantages. In 1981, the EEC's imports from Mediterranean countries and the ACP were worth in total 56 billion ECUs. These countries are also key markets for Community products, together accounting for 27 % of the EEC's exports in the same year, i.e.

collectively an outlet twice as big as the United States, 13 times Japan or 4 times the COMECON. Improved economic growth in the Mediterranean and ACP countries is essential to the well-being of the EEC economy, and vice-versa. This interdependence also covers the potential for European industrial cooperation and investment, and the Community's clear interest in maintaining adequate access to raw materials in a number of the countries, particularly in the ACP. Aside from its humanitarian or political dimensions, therefore, Community development assistance can be seen as a constructive effort towards expanding world trade on more of a partnership basis.

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By far the majority of Europe's development aid-flow passes directly from the Member States to recipient countries under bilateral arrangements, but the tendency over the years has been to shift somewhat more responsibility onto the Community level.

Cooperation dealt with on an EEC basis is non-aligned, respecting countries' rights to follow their own patterns of political and social development. Aid forms are extremely varied, embracing preferential trading arrangements, technical and industrial cooperation, food aid, payments designed to help countries which are dependent upon exports of a few commodities to ride out the ups and downs of market prices, and investment finance, divided into different facilities from outright grant aid to various kinds of loans and risk capital support.

The Commission of the European Communities carries responsibility for the major share of Community development assistance, but the EIB has a distinct role and, in some countries and sectors of investment, is the main or sole Community source of financial cooperation.

Under current and foreseen agreements with Portugal, Spain, the other Mediterranean countries and the ACP, the Community is due to make available a total of up to about 8 billion ECUs, essentially within the years 1981—1986; the EIB has accepted to provide up to 2·4 billion of this from its own resources (close to 30 % of the total) and additionally manage substantial EEC budgetary funds, on the Community's behalf, described later.

The EIB's role

The possibility for the EIB to operate outside the Community was laid down in Article 18 of the Bank's Statute. This stipulates that the EIB's essential task is to lend for investment in the European territories of Member States but gives special powers to the Board of Governors to authorise lending further afield.

A few such authorisations have been extended for financing specific projects outside the Community but of direct interest to it (e.g. loans for development of oil and gas deposits in the Norwegian sector of the North Sea, a hydroelectric power station in Austria, half the output of which will go to German consumers, construction in Tunisia of part of the Algeria—Italy gasline). Much more important, the clause opened the way, as Community aid policy evolved, for the Bank's experience as a project financing body within the EEC to be put to use to the benefit of countries outside.

It meant also that as the Bank borrows resources on the capital markets, amounts could be mobilised for development cooperation additional to financial assistance provided by the Member States or the Community from budgetary funds. With the general economic situation putting other pressures on the budget in the last few years, this has become a more important aspect; there has been a shift within the Community aid framework towards a bigger share of operations handled by the EIB, financed from its own resources. For example, under the second Lomé Convention about 16 % of the total foreseen aid package is made up of EIB own resources loans, against about 11 % under the first Lomé Convention.

Certain basic principles govern the EIB's development cooperation activities:

■ the Bank lends within the **framework of agreements** negotiated between the Community and the countries concerned, but in each case the maximum amount for EIB lending must be formally approved by the Bank's own Board of Governors. These amounts are "ceilings", not commitments, to be reached only if sufficient, good quality investment projects are identified; the agreements have a set timespan within which lending can be carried out, usually about 5 years;

■ finance can be provided for investment carried out by public, semi-public or private sector promoters, but in all cases the EIB deals only with **finance proposals presented either by the authorities or with their agreement** and these must be for specific projects. The starting point to most project identifications is a visit to the country for discussions on national development priorities with the Government, financing institutions and important public and private enterprises;

■ as in EEC Member Countries, the Bank only finances part of projects' fixed investment costs — up to 50 %; **frequently it lends in conjunction with other aid agencies** (see page 85);

■ all EIB project appraisals adopt a multi-disciplinary approach to establish the **economic, financial and technical validity of investment proposals.** When working in developing countries, however, the procedures — similar to those of the World Bank and other major aid agencies — go deeper into basic factors of national development, such as impact on balance of payments, value added, government revenues. Rigorous appraisals are necessary: the EIB can never provide more than a fraction of these countries' development finance needs, and this places a high premium on using limited resources to best effect;

■ lending is **not "tied" to purchases from certain suppliers.** The Bank's principal concern is that whatever investment project it finances should have the best possible chances of success. It follows that equipment, services etc. must be chosen with the needs of the project uppermost. Broadly speaking, the EIB requires appropriate forms of competitive bidding (national or international invitations to tender or consultation) where amounts involved are fairly substantial. In the case of international tendering, bidding must be open at least to undertakings in the EEC Member Countries plus the African, Caribbean and Pacific countries when dealing with loans under the Lomé Conventions, or in the country directly concerned when dealing with loans under one of the cooperation agreements with Mediterranean countries. EIB finance may also be used for goods or services supplied from firms based in countries where the Bank borrows funds, or in other countries if, in the Bank's opinion, particular technical or other benefits for the project are involved;

■ as far as **environmental protection** is concerned, the Bank's approach in the Community, explained on pages 51 and 52, also applies mutatis mutandis to investment projects in non-EEC countries. Experience has shown, however, that there are certain specific problems outside the Community:

a) in many countries environmental standards may be missing or incomplete;

b) the strong social and political pressures to speed up economic growth may carry the risk of sacrificing longer term and perhaps less tangible benefits of environmental protection;

c) in most developing countries there is limited local experience in examining environmental problems in depth.

The Bank's technical appraisal takes on added importance in these circumstances, particularly in formulating suggestions on how to overcome potential difficulties.

■ the EIB works in **close cooperation with the Commission of the European Communities.** In most countries there is a broad division of responsibilities between the two institutions aimed at structuring assistance in a versatile way so as to match finance conditions to project and borrower needs. The Commission is concerned primarily with the kind of projects which require a very soft, largely grant aid-oriented approach, e.g. social equipment (education, health services etc.), basic infrastructure and rural development, and in providing funds for various types of technical assistance. The EIB concentrates on fields more appropriate for the kinds of loan finance which it deploys: industry, agro-industry, mining, energy, tourism, major agricultural improvement schemes and economic infrastructure such as railway or port development, the emphasis varying from country to country. There are often projects, however, which call for a blend of different kinds of financial support, with an input from both the Bank and the Commission.

■ the EIB makes funds available under two broad headings:

— **ordinary operations:** these are loans from the Bank's own resources, but with the lending rates reduced, in most cases, by **interest subsidies** paid from Community budgetary funds. Borrowers therefore receive loans on substantially more attractive terms than the Bank itself could afford to give, bearing in mind it has to raise its funds by offering competitive rates on the capital markets; and

— **special operations:** these are financed entirely from **EEC budgetary funds which the EIB manages under mandate** from the Community. The finance does not have to reflect the harder realities of the capital markets and is invariably provided on highly concessionary terms. All special operations are accounted for separately from the Bank's other activities, off balance sheet, in what is known as the "Special Section" (see page 99).

■ **adequate security has to be obtained for EIB loans.** This is a statutory requirement, whether for lending inside or outside the Community. The Bank must safeguard its credit-standing and ability to raise funds on the markets on best conditions. Its own borrowers would be the first to suffer — through harder terms — from any neglect of this responsibility.

Security is assured through a triple approach. The Bank's own appraisal of each project looks to supporting only soundly conceived investments, and this is coupled with procedures it adopts to monitor implementation. Contractual security arrangements are made for each, individual loan agreement, usually in the form of a guarantee from the State concerned, or banks or industrial groups, in appropriate circumstances. Beyond this, the Community itself stands as guarantor for the EIB's lending outside the Community by giving **blanket guarantees** covering 75 % of lending both in the Mediterranean and Lomé Convention countries.

Mediterranean finance agreements — key data

The following table summarises the loan and grant aid provisions in the cooperation arrangements between the EEC and Mediterranean region countries.

million ECUs

		Loans from EIB's own resources	budgetary funds: loans on special conditions	budgetary funds: grant aid	Total assistance
European countries					
Portugal	Exceptional financial aid to help Portugal at a time of "particular economic difficulties" (1975-1977)	150 (1)	—	30	180
	Financial protocol (1978-1981)	200 (1)	—	30	230
	Pre-accession aid, within the framework of EEC membership negotiations (1981 up to Portugal's accession)	150 (1)	—	125	275
		500	—	185	685
Spain	Pre-accession aid, within the framework of EEC membership negotiations (1981 up to accession)	200	—	—	200
Turkey	Association agreement signed 12. 9. 1963				
	1st financial protocol (1964-1969)	—	175	—	175
	2nd financial protocol (1973-1976)	25	195	—	220
	3rd financial protocol (1979-1981)	90	220	—	310
	4th financial protocol (not yet signed: expiry foreseen 31. 10. 1986)	225	325	50	600
		340	915	50	1 305
Yugoslavia	Interim lending arrangements following Declaration of Belgrade (1976-1978)	50	—	—	50
	Financial protocol (1. 7. 1980-30. 6. 1985)	200	—	—	200
		250	—	—	250
Cyprus	Financial protocol (1. 1. 1979-31. 12. 1983)	20 (1)	4	6	30
Malta	Financial protocol (1. 11. 1978-31. 10. 1983)	16 (1)	5	5	26
Sub-total European countries		*1 326*	*924*	*246*	*2 496*
Maghreb					
Algeria	1st financial protocol (1978-1981)	70 (1)	19	25	114
	2nd financial protocol (1. 1. 1983-31. 10. 1986)	107 (1)	16	28	151
		177	35	53	265
Morocco	1st financial protocol (1978-1981)	56 (1)	58	16	130
	2nd financial protocol (1. 1. 1983-31. 10. 1986)	90 (1)	42	67	199
		146	100	83	329
Tunisia	1st financial protocol (1978-1981)	41 (1)	39	15	95
	2nd financial protocol (1. 6. 1983-31. 10. 1986)	78 (1)	24	37	139
		119	63	52	234
Mashreq					
Egypt	1st financial protocol (1978-1981)	93 (1)	14	63	170
	2nd financial protocol (1. 1. 1983-31. 10. 1986)	150 (1)	50	76	276
		243	64	139	446
Jordan	1st financial protocol (1978-1981)	18 (1)	4	18	40
	2nd financial protocol (1. 1. 1983-31. 10. 1986)	37 (1)	7	19	63
		55	11	37	103
the Lebanon	1st financial protocol (1978-1981)	20 (1)	2	8	30
	1st Emergency aid (1977-1978)	20	—	—	20
	2nd financial protocol (1. 3. 1983-31. 10. 1986)	34	5	11	50
	2nd Emergency aid (1982-. . .)	50	—	—	50
		124	7	19	150
Syria	1st financial protocol (1978-1981)	34 (1)	7	19	60
	2nd financial protocol (1. 2. 1983-31. 10. 1986)	64 (1)	11	22	97
		98	18	41	157
Sub-total Maghreb + Mashreq		*962*	*298*	*424*	*1 684*
Israel	1st financial protocol (1978-1981)	30	—	—	30
	2nd financial protocol (not yet signed: expiry foreseen 31. 10. 1986)	40	—	—	40
		70	—	—	70
Total Mediterranean		**2 358**	**1 222**	**670**	**4 250**

(1) Indicates provision for subsidies on EIB loans, paid from grant aid.

Mediterranean countries

Currently, the Bank's activity in the Mediterranean region extends to 14 countries. Six are European — Portugal, Spain, Turkey, Yugoslavia, Malta and Cyprus; the others cover most of the southern and eastern shores — Algeria, Morocco, Tunisia (the Maghreb), Egypt, Jordan, the Lebanon, Syria (the Mashreq), and Israel.

By the end of 1982, EIB financing operations in these countries amounted to a total of some 1 815 million ECUs, with the major share of this — over 1 250 million — concentrated in the five years 1978—1982. The various investments supported — in industry, agriculture, energy production and transmission, transport and other spheres — represent, or will represent when fully completed, a total of around 10·7 billion ECUs in capital formation.

As Europe's crossroads with Africa and Asia, the Mediterranean is self-evidently a region of extreme importance for the EEC, itself the largest demographic and economic entity in the zone. With Portugal and Spain's membership, the Community will have 5 out of its 12 countries at the entry to the Mediterranean or occupying most of the northern shore, accounting for more than half of its population.

No single, overall treaty or structure governs Community cooperation in the region, but a succession of agreements with different aspects predominating.

Portugal and Spain: the EEC candidates

In Portugal and Spain financial cooperation is bound up with the Community's own future, the aim being to smooth their accession to the EEC. Both countries are less economically developed than the present Community average: between them they will add over 35 % to the EEC's land mass, 17 % to its population but not much more than 8 % to its GDP. Regional problems are severe: 25 million out of their total 45 million population live in areas where the level of development is broadly no better than, and often below, that of the Italian Mezzogiorno. Agricultural productivity is generally low (average output per agricultural worker about half the present EEC average); Portugal, in particular, boasts relatively few large-scale, internationally competitive undertakings; both countries have many small concerns, which are often poorly equipped. Infrastructure shows many deficiencies.

Greater impetus has to be given to modernisation and restructuring in their economies if Portugal and Spain are to be geared for the stronger competition implicit in EEC membership and contribute on more equal terms to the common market.

In **Portugal,** pre-accession aid arrangements agreed by the Community came into force on 1 January 1981 and provide for 150 million ECUs in loans from the EIB's own resources (up to 125 million with 3 % interest subsidies paid from the Community budget). In addition, the Commission of the European Communities administers 100 million ECUs of grants for various cooperation projects, including technical assistance (studies, services of consulting engineers etc.), partly intended for use in identifying and preparing investment schemes for possible EIB lending.

Even before Portugal's application for EEC membership, the EIB was lending in the country. This was first carried out under a Community "emergency aid" agreement to help Portugal with its economic problems immediately after restoration of democracy in 1974, then under a formal financial protocol which ran up to the start of the pre-accession arrangements. By end-1982, the Bank had lent a total of 460 million ECUs in the country, 84 % carrying 3 % interest subsidies.

In **Spain,** the Bank's involvement is more recent, dating from May 1981. Pre-accession aid is set at 200 million ECUs of loans, subject to a limit of 100 million per annum. By end-1982, the Bank had lent 145 million.

Looking beyond this, both States will become members of the EIB automatically upon accession to the Community; borrowers for investment in these countries will then have access to EIB financing on the same terms and conditions as in any other EEC country.

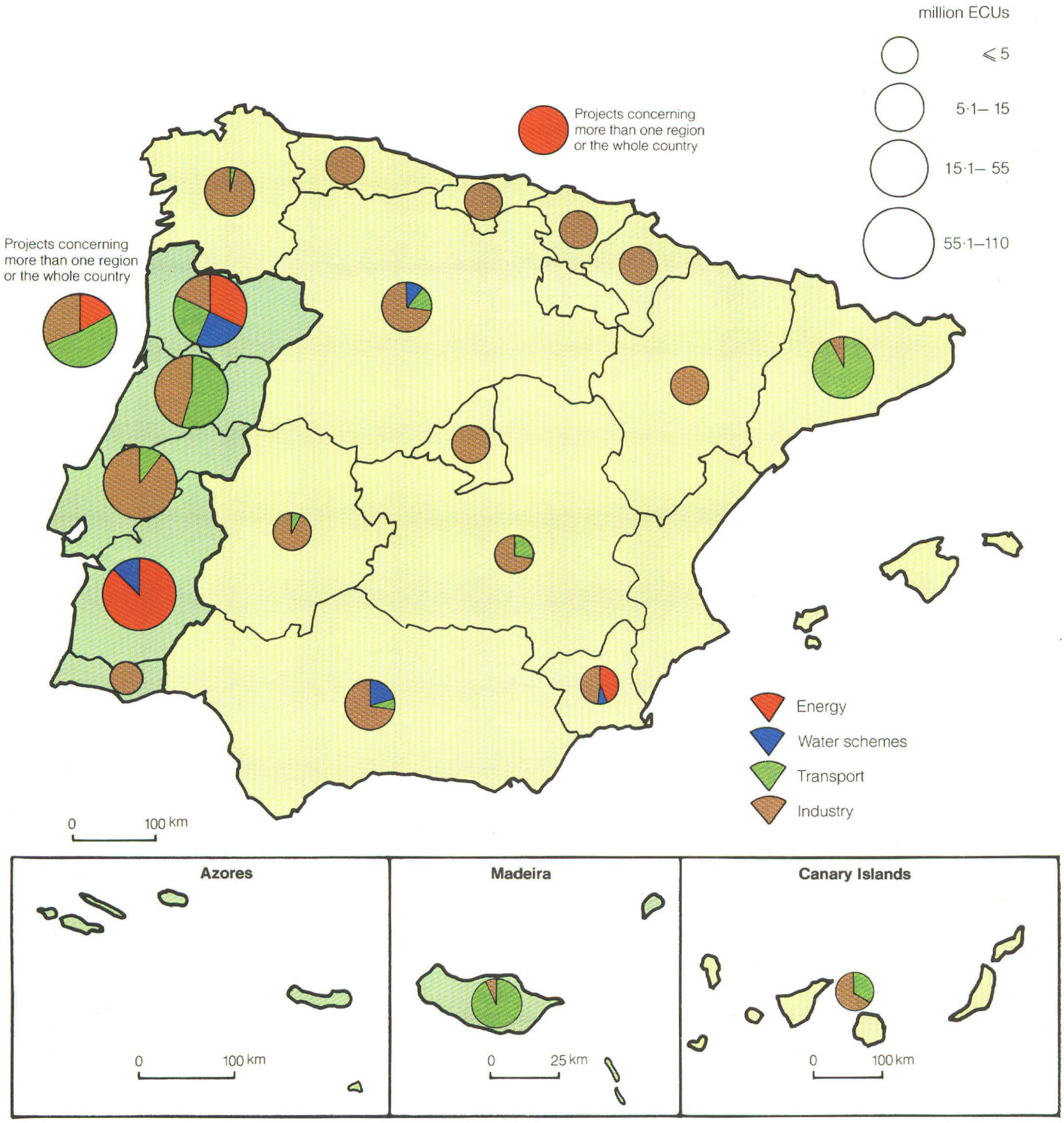
Main features of the Bank's lending are:

industry: the bulk of finance has been provided in the form of global loans to support investment in small and medium-scale concerns. Many of these enterprises have been sheltered by tariff walls and firms have not felt the full pressure to adopt modern methods, invest in new technology or more rational use of energy. They have also enjoyed a trading advantage of industrial wage levels appreciably lower than the EEC average, particularly in Portugal, but this is fast being eroded. By channelling funds through several national financing institutions, the Bank tries to help the process of spreading awareness among entrepreneurs of the implications of competing in a bigger market.

In Spain, a further global loan was granted specifically to help finance conversion from oil to coal-firing of 15 cementworks; a loan was also granted to reduce energy consumption in an oil refinery. In Portugal, several larger industrial projects have been assisted, involving modernisation of a fertiliser plant, glass fibre and plastics production, cement and metallurgy.

agriculture: Portugal has a structural deficiency in food production, even of some basic foodstuffs. The Bank has helped to finance irrigation schemes in North East and Southern Portugal to increase the level of self-supply in certain products and raise incomes in poor agricultural areas; it has also financed forestry development for paper and paper pulp manufacture.

energy: both countries face the same need to invest in new energy production facilities, exploiting indigenous resources, where possible. Portugal is about 70 % dependent on oil imports for its energy, Spain about 65 % (figures for 1980). Projects financed by the EIB include 1 250 MW of new electricity generating capacity in Portugal (mainly hydroelectric or coal-fired), erection of 240 km of high voltage power lines, including link-up with the Spanish grid, and installation of a computer-controlled electricity despatching system to optimise



PORTUGAL	Total	(of which global loan credits)	%
	million ECUs 1976-1982		
Energy	**120·0**	—	**26·1**
Power stations	90·0		19·6
Power lines	30·0		6·5
Water schemes (irrigation)	**27·0**	—	**5·9**
Transport	**121·0**	—	**26·3**
Roads, bridges and tunnels	56·0		12·2
Shipping	54·0		11·7
Airlines	11·0		2·4
Industry, agriculture, services	**149·8**	**(61·8)**	**32·5**
Metal production and semi-processing	22·1	(2·1)	4·8
Construction materials	28·2	(3·2)	6·1
Chemicals	30·5	(5·5)	6·6
Metalworking and mechanical engineering	12·5	(12·5)	2·7
Agriculture	18·0		3·9
Other	38·5	(38·5)	8·4
Global loans (portion not yet allocated)	**42·2**	—	**9·2**
Total	**460·0**	**(61·8)**	**100·0**

SPAIN	Total	(of which global loan credits)	%
	million ECUs 1981-1982		
Energy	**17·1**	—	**11·8**
Hydrocarbons production	2·1		1·4
Gaslines	15·0		10·4
Water Schemes (water supply)	**4·2**	**(4·2)**	**2·9**
Transport	**45·8**	**(5·8)**	**31·6**
Railways	40·0		27·6
Roads, bridges and tunnels	5·8	(5·8)	4·0
Global loans for infrastructure (portion not yet allocated)	**16·0**	—	**11·0**
Industry, agriculture, services	**53·0**	**(51·1)**	**36·6**
Construction materials	24·4	(24·4)	16·8
Woodworking	4·9	(4·9)	3·4
Glass and ceramics	4·1	(2·2)	2·8
Metalworking and mechanical engineering	3·8	(3·8)	2·6
Foodstuffs	10·7	(10·7)	7·5
Other	5·1	(5·1)	3·5
Global loans (portion not yet allocated)	**8·9**	—	**6·1**
Total	**145·0**	**(61·1)**	**100·0**

coordination of national generation and transmission facilities. In Spain, funds have gone towards a 130-km gasline linking a gasfield in the Pyrenees with the main Barcelona—Basque region gasline, plus small and medium-scale investments in hydroelectric installations and for working of coalmines.

These various schemes, plus the energy rationalisation financed in industry, should help the two countries save or replace between them about 3 million tonnes of oil per annum.

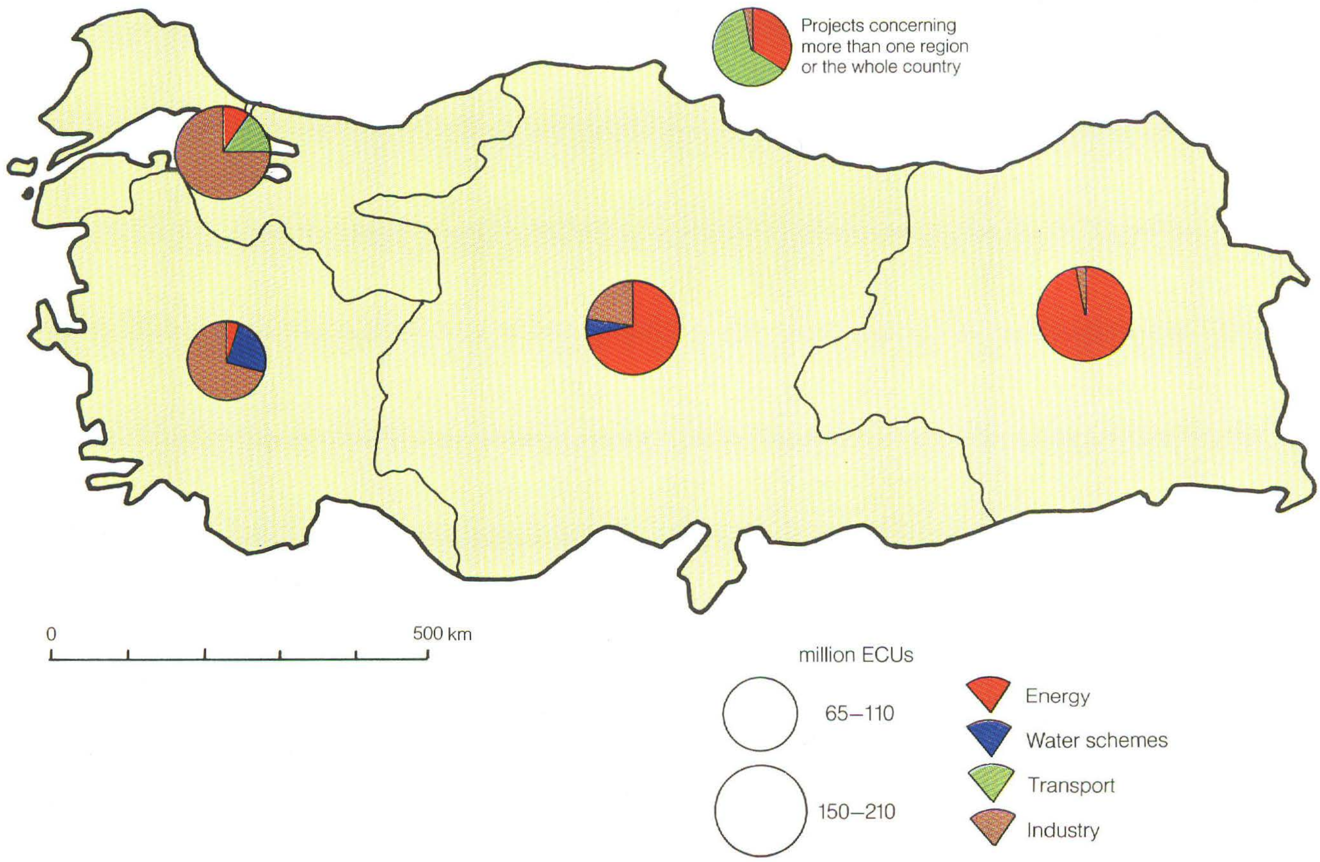
communications: in Portugal, the rugged hinterland and limited road network means a heavy dependence on sea transport. The EIB has helped to finance expansion of the Lisbon, Leixoes (Oporto) and Aveiro ports. Other loans have gone towards work on the Lisbon—Algarve highway, improvements to the highway linking the Lisbon—Oporto motorway with the Spanish frontier, and equipment at Funchal airport, Madeira, where 250 000 islanders depend mainly on tourism for their livelihood. The Spanish national railways have received a loan to assist in the financing of a rail by-pass around Barcelona, which will relieve congestion on services to and from the city and on longer distance traffic between south-eastern Spain and France. Also in Spain, a global loan is being used to finance small and medium-scale road and other infrastructure improvements, primarily to help regional development.

* * *

Once Portugal and Spain become Members of the Community, an appreciable demand for EIB financing operations can be expected in both countries. This process will be facilitated by the experience gained prior to accession and is one of the reasons why the EIB is spreading its loans widely, familiarising itself with development in all the main sectors in these countries and demonstrating to Portuguese and Spanish borrowers the multiple financing possibilities open through the EIB.

Turkey: associated with the EEC for 20 years

In Turkey, the Community's assistance has a blend of motives. It is support for a developing country (per capita income roughly a third of that in the least prosperous EEC Member Countries) and a means to further the close association between Turkey and the EEC.



million ECUs

TURKEY	EIB own resources Total	(of which global loan credits)	Budgetary resources Total	(of which global loan credits)	Total	(of which global loan credits)	1965-1982 %
Energy	**10·0**	—	**346·9**	—	**356·9**	—	**50·6**
Power stations			325·3		325·3		46·1
Power lines	10·0		21·6		31·6		4·5
Transport	—	—	**67·5**	—	**67·5**	—	**9·6**
Railways			38·9		38·9		5·5
Roads, bridges and tunnels			20·0		20·0		2·8
Airlines			8·6		8·6		1·3
Water schemes (agricultural development)	—	—	**36·0**	—	**36·0**	—	**5·1**
Industry, agriculture, services	**105·0**	**(85·0)**	**139·6**	**(18·2)**	**244·6**	**(103·2)**	**34·7**
Construction materials	8·8	(8·8)	7·7	(0·2)	16·5	(9·0)	2·3
Chemicals	5·6	(5·6)	36·5	(2·7)	42·1	(8·3)	6·0
Metalworking and mechanical engineering	17·6	(17·6)	4·3	(4·3)	21·9	(21·9)	3·1
Electrical engineering, electronics	15·2	(15·2)	1·7	(0·8)	16·9	(16·0)	2·4
Paper and pulp, printing	24·8	(4·8)	57·7		82·5	(4·8)	11·7
Other	33·0	(33·0)	31·7	(10·2)	64·7	(53·2)	9·2
Total	**115·0**	**(85·0)**	**590·0**	**(18·2)**	**705·0**	**(103·2)**	**100·0**

The association dates back to 1963. The agreement then signed in Ankara states that the "support given by the European Economic Community to the efforts of the Turkish people to improve their standard of living will facilitate the accession of Turkey to the Community at a later stage".

Three financial protocols allowed for total aid of 705 million ECUs, fully committed by end-1981. The Bank was responsible for handling all the operations. About 80 % was in the form of highly concessionary loans — extra long term, nominal interest rate — provided from budgetary funds; the remainder was in standard loans from the Bank's own resources.

A fourth protocol has been drawn up providing for a substantial increase in financing — total 600 million ECUs (see table page 72 for details) — but awaits necessary approvals before lending operations can start again.

Roughly half of the total lending in Turkey has gone to energy supply and transmission. Funds have been directed towards 4 250 MW of new electricity generating capacity using hydro resources and lignite desposits. The annual output of these stations, once all equipment is in full operation, should be equivalent to about 5 million tonnes of oil (corresponding to 42 % of Turkey's oil imports in 1981). Loans have also gone to erection of some 1 900 km of high tension lines and for installation of a national grid control centre.

Industrial development is the next major sector. Funds were provided mainly in the form of global loans to finance private enterprise, small and medium-scale ventures; larger scale projects concerned essentially public sector basic goods production (e.g. paper, petrochemicals, fertilisers). Two main aims have been to encourage export-oriented activities and foster competitive import substitution industries.

Other lending in Turkey has supported agricultural development (irrigation facilities, land levelling and consolidation, works to combat erosion and protect against flooding, forestry development) and transport improvements, in particular the construction of the

Greece prior to accession

Since Greece joined the European Economic Community on 1 January 1981 and became at the same time Member of the European Investment Bank, financing operations in this country have been conducted in exactly the same manner as in any other EEC country.

For almost 20 years prior to membership, however, Greece was linked to the Community through an Association Agreement. Amongst other aspects, this agreement — signed 9 July 1961 — was the first under which the EIB was asked to extend its operations beyond the Member States.

There were two financial protocols which involved the Bank in lending a total of some 350 million ECUs.

The first came into effect in November 1962. The Bank lent from its own resources with 3 % interest subsidies paid from the EEC Member States' own budgets on most loans (for transport, energy and land improvement projects). Operations were interrupted in 1967 following the coup d'état in Greece. It was possible to recommence lending only towards the end of 1974, after restoration of democratic government and following reactivitation of the Associaton Agreement. The protocol expired at end-1975.

The second protocol covered the period from autumn 1978 to accession; most finance was again in the form of EIB loans (subsidised this time from the Community budget), plus a small amount of special loans and grant aid, both from budgetary funds.

The aims under the two protocols were to strengthen key areas of the Greek economy, helping to increase performance to a level more approaching that of the Community and so easing integration.

Special priority was given to improving agricultural productivity, essentially through irrigation plus some forestry development (37 % of the total) and to helping industrial development, mainly small and medium-scale ventures (25 %). Funds also went towards energy provision (essentially development of hydro resources, cutting oil import dependence) and for road and rail improvements.

There is a direct similarity between the objectives of these earlier operations in Greece and the work which the Bank is currently carrying out in Spain and Portugal under pre-accession finance arrangements.

Bosporus bridge, economically and symbolically important, linking Europe and Asia Minor, and for which the EIB acted as coordinator of the international financing consortium.

Yugoslavia: common interests

Yugoslavia's geographical position, bordered by seven countries including two EEC Members, Italy to the North and Greece to the South, gives it a distinct position in Mediterranean affairs.

In the joint "Declaration of Belgrade" towards the end of 1976, Yugoslavia and the Community announced their intention to strengthen and diversify relations and increase trade. The EIB's Board of Governors authorised the Bank to lend a first 50 million ECUs for investment projects of common interest to Yugoslavia and the Community. New arrangements followed as Yugoslavia and the Community then signed a formal cooperation agreement, with a financial protocol providing for the EIB to lend a further 200 million up to mid-1985. A total 117 million had been lent by end-1982.

Transport is an evident field of common interest. EIB funds have gone towards construction of sections of the Trans-Yugoslavia Highway which will run almost 1 200 km from the Italian and Austrian frontiers to the Greek border. The highway should permit substantial cuts in haulage costs to the benefit of Yugoslavia in its domestic and international trade and also to the Community which will have better road access to Turkey and the Middle East, as well as improved links between Greece and other Member Countries. The EIB's funds went towards some of the most important parts of the motorway — the Belgrade throughway, the link-up with the Greek frontier crossing, the Ljubljana by-pass, which connects with the Ljubljana—Trieste motorway.

Energy is another area of cooperation. EIB loans have gone towards erection of 1 100 km of transmission lines, including connections with the Italian and Greek networks, and for modernisation of the country's system for controlling and monitoring electricity generation and transmission. Although primarily benefiting Yugoslavia's internal development, these installations help to widen the possibilities for electricity exchanges between the grids of European countries.

Cyprus and Malta

Cyprus and Malta both signed association agreements with the EEC at the beginning of the 1970s. Financial cooperation has come about more recently. Current protocols provide for up to 30 million ECUs in Cyprus and 26 million in Malta (see table page 72), mostly in the form of loans from the EIB's own resources with Community interest subsidies.

In Cyprus there is a special condition that any investment financed must benefit both the Greek and Turkish communities on the island. By end-1982, the EIB had made loans for uprating a power station, improvements to water supplies and sewerage facilities. In Malta, loans have gone to development at Valetta commercial port, which handles virtually all the island's imports and exports.

Lending in the Maghreb and Mashreq countries

With countries along the southern and eastern shores of the Mediterranean, Community action takes on much more the character of development aid in a traditional sense. All seven Maghreb and Mashreq countries come within the lower half of middle-income developing countries. Although each is faced with its own specific economic problems, most have in common a fast rising population, low land and labour productivity in agriculture, and emergent industries, mainly small and medium-scale ventures, up against many difficulties.

The Community's cooperation with these countries can be seen both in terms of Mediterranean development and in the strengthening of economic relations with the Arab world. Financial protocols forming part of the cooperation agreements with the Maghreb and Mashreq first came into force in 1978; new ones have recently been ratified to assure continued assistance through towards the end of 1986. They bring the total provision for EEC financial assistance in the seven countries to close on 1 685 million ECUs, roughly 60 % in the form of loans from the EIB's own resources, the remainder in Community grant aid (largely for paying interest subsidies on EIB loans) and finance in the form of special loans (extra long term, minimal interest rate), which in many cases the EIB manages on the Community's behalf.

The division of financial assistance is broadly similar for the seven countries, although the package for the Mashreq is slightly softer, with a stronger component of outright grant aid, to take account of their somewhat lower stage of economic development compared with the Maghreb.

For the Lebanon, 70 million ECUs of EIB loans has been provided for as a specific extra contribution of "exceptional aid" to help the country's economic recovery.

By end-1982, finance channelled by the EIB to investment in these countries totalled over 325 million ECUs, 88 % in loans from the EIB's own resources (more than half subsidised by the Community), the remainder in loans on special conditions. In agreement with the Governments concerned, the Bank has spread its lending widely in different sectors of development.

Transport improvements represent the largest share of operations (about 43 % of the total amount) and include several projects improving links with neighbouring countries or facilitating trade with Europe and further afield; expanded port facilities in **Morocco** for shipping exports of phosphate rock and for handling agricultural and general import/export trade; a railway line in **Tunisia** for carrying phosphate rock to processing plants and track relocation of part of the Algiers—Tunis line to make way for a reservoir which will be used for irrigation; deepening and widening works to the Suez Canal in **Egypt** and expansion of ship repair and maintenance facilities; construction of a highway in **Syria,** mainly to cut the cost of transport from farming areas in the East to the main population centres in the West; improvements to the main highway between Constantine, **Algeria**'s third city, and the Bazoul area.

Loans for energy development (about a third of the total) have gone towards development of a gasfield in **Egypt** to supply local industry, replacing oil which can be released for export, and 600 MW of new electricity generating capacity; expansion of two power stations (460 MW) in the **Lebanon;** small generating units for Sahara oasis towns in **Algeria;** improved electricity transmission and distribution facilities in **Jordan,** mainly to serve small-scale industry near the capital, Amman.

Possibilities for financing industrial development have centred on small and medium-scale ventures. The Bank made global loans to local development banks in **Morocco, Egypt, Tunisia** and **Jordan.** Two points of particular interest: part of the funds in Morocco were made available from budgetary resources to finance equity participations in industrial ventures, and in Jordan to give technical and financial assistance to entrepreneurs of handicraft ventures. A loan also went to construction of an industrial zone near Amman to enable firms to set up modern factories outside the congested city.

Most Community support for agricultural development in the Maghreb and Mashreq countries is in the form of grant aid and channelled through the Commission of the European Communities. The Bank has, however, provided finance in **Tunisia** via national banking and credit circuits, for investment in a range of agricultural production (poultry, market gardening, date plantations, livestock farming, irrigation, grazing land improvements). Tunisia is a substantial net importer of food and virtually all of the increased production is aimed at supplying the domestic market.

Agreement with Israel

Israel concluded a cooperation agreement with the EEC in May 1975. A financial protocol, in force from 1978 to 1981, provided for the EIB to lend up to 30 million ECUs. A second protocol has been drawn up and awaits signature.

Given Israel's status as a relatively developed country, compared with most others in the region, no provision has been made for grant aid or finance on special conditions. The loans made by the EIB are on its normal terms.

The funds under the first protocol were deployed to finance small and medium-scale industry through two global loans to a local development bank. The ventures concerned energy-saving equipment, medical apparatus, food products, paper and building materials.

The African, Caribbean and Pacific Countries

The African, Caribbean and Pacific (ACP) countries in which the EIB operates under the Lomé Conventions have widely differing backgrounds and economic aspirations, but share many of the same harsh problems.

All 63 ACP countries, with a population of about 350 million, have a collective economic weight, measured in GNP, roughly comparable to that of Spain; considering that on average about a fifth of their GNP only represents barter exchanges at subsistence level, their real participation and influence on the level of international economic activity is further reduced. Out of 73 countries in the world which in 1980 had a per capita income of less than US$ 1 000 per annum, 49 were ACP countries; of the 34 countries with per capita incomes of less than US$ 370, 25 of them were ACP.

Many ACP countries have missed out on mining investment in recent years. One of the objectives of the second Lomé Convention is to redress this and the EIB has helped to finance a number of projects enabling countries to better develop their mineral resources.

Small domestic markets are a handicap to development (out of 41 independent countries in the world with a population of less than 1 million, 30 are ACP states) and for many of the bigger countries low population density makes infrastructure development such as roads, water supplies and telecommunications difficult and costly (average population density in the African ACP is about 8 people per square km = 1/20th the EEC average).

Agriculture is the dominant sector employing on average well over half of the labour force and producing 30/40 % of GNP. Most of the ACP countries are still at the beginning of their industrial development and depend largely on exports of basic products, with so far limited domestic opportunities to process their own resources. Virtually all of them have been severely hit by the world recession: prices for their raw material exports have declined relative to the cost of their imports of manufactured goods. Only a handful are oil exporters; most others have suffered from higher energy costs.

Entrepreneurial, managerial and technical skills need time for formation, but the ACP are young countries; most have attained independence in the past 25 years, several quite recently.

Only a few qualify for access to international capital markets and most manifestly need financial assistance, on a secure and favourable long term basis, to help spur their development.

The Lomé Conventions cannot be answers to all these problems and in any case provide only part of the development assistance needed by these countries, Nonetheless, they contain features making them a unique arrangement between developed and developing countries.

Outstanding factors are the comprehensive nature of the agreements, both in overall scope and definition of terms, and their contractual base, negotiated by two blocs of countries as political equals, offering the ACP a certain assurance of consistent support for developing their economies.

The current Lomé Convention, which came into force at the beginning of 1981 and runs to end-February 1985, counted 63 signatory ACP countries at end-1982 (43 in Africa, 12 in the Caribbean, 8 in the Pacific (1). Community financial assistance extends to more than 5·6 billion ECUs, with the EIB providing from its own resources or managing from budgetary funds a combined amount of up to about 1·35 billion.

The preceding Convention (1976 to end-1980) was signed by 46 countries, joined by 13 others during its duration; it provided for roughly 3·5 billion ECUs in

(1) ACP signatories to the second Lomé Convention (as at end-1982):
West Africa: Benin, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierre Leone, Togo, Upper Volta
Central Africa: Burundi, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tomé and Principe, Zaire
East Africa: The Comoros, Djibouti, Ethiopia, Kenya, Madagascar, Mauritius, Seychelles, Somalia, Sudan, Tanzania, Uganda
Southern Africa: Botswana, Lesotho, Malawi, Swaziland, Zambia, Zimbabwe
Caribbean: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Lucia, St Vincent and the Grenadines, Surinam, Trinidad and Tobago
Pacific: Fiji, Kiribati, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu, Western Samoa.

Lomé Conventions: breakdown according to forms of development finance (1)

million ECUs

	Managed by the EIB			Managed by the Commission			
		Financed from budgetary resources					
	Loans from EIB own resources	Risk capital operations	Grant aid for interest subsidies on EIB loans	Other grant aid	Loans on special conditions	Stabilisation of export earnings (STABEX)	Special finance facility for minerals (SYSMIN)
Lomé 1	400	101	100	2 085	474	400	
Lomé 2 (2)	700 + 200 (3)	291	175	2 862	545	566	282

(1) The sums include the financing provisions, under the relevant decisions of the Council of the European Communities, for Overseas Countries and Territories (OCT).
(2) This line does not include the cost of Community delegations in ACP countries, financed from budgetary resources.
(3) Provision under declaration annexed to the Convention foreseeing the possibility for the EIB to lend up to 200 million ECUs from its own resources for mining and energy investments of joint interest to the ACP and the Community.

financial assistance, with the EIB responsible for a total 600 million of this (the table on page 80 details the different resources deployed by the EIB under these Conventions).

Both developed out of the geographically much more limited Yaoundé Conventions covering the period 1964—1975, which were signed between the Community and some 20, mainly West African countries. These provided for aid packages totalling 1 800 million ECUs of which the EIB provided or managed about 290 million. The Yaoundé Conventions helped to establish different financing techniques and the experience gained under them has been important for the subsequent expansion of activity in the ACP [1].

The two Lomé Conventions have provided for a range of financing facilities. Most of the financial aid is in the form of outright grants or loans on very soft conditions provided by the Commission from the resources of the European Development Fund — EDF, which are intended mainly to finance agriculture, infrastructure and social projects with a more indirect return (these are dealt with exclusively by the Commission, with the exception that the Bank has accepted a mandate for the recovery of principal and interest on the loans, on the Community's behalf).

(1) Decisions of the Council of Ministers have extended aid provisions in the Yaoundé and Lomé frameworks to Overseas Countries, Territories and Departments closely linked to certain Member Countries (since March 1980, the French Overseas Departments have been assimilated to the Metropole for the purposes of EIB lending).

Financing provided by the EIB under the Lomé Conventions [1]

Breakdown by sector — position at end-1982

	million ECUs		
	Total	(of which credits from global loans)	%
Industry	**468·4**	**(80·3)**	**54·1**
Agro-industry	149·8	(25·3)	17·4
Mining	120·1	(2·4)	13·9
Construction materials	56·0	(4·0)	6·5
Chemicals	53·3	(6·4)	6·2
Metal production and semi-processing	29·9	(9·9)	3·5
Textiles	24·6	(8·2)	3·5
Other	34·7	(24·1)	4·1
Hotels and tourism	**24·8**	**(5·5)**	**2·9**
Global loans (part still being allocated) **and other finance for Development Banks**	**76·0** [2]	—	**8·8**
Energy	**255·8**	**(2·4)**	**29·6**
Hydroelectric power stations	103·2	(0·2)	11·9
Thermal power stations	67·5	(1·6)	7·8
Other power stations	9·0		1·1
Development of oil and natural gas deposits	7·5		0·9
Nuclear energy	15·0		1·7
Power lines	53·5	(0·6)	6·2
Transport and telecommunications	**28·0**	**(1·0)**	**3·3**
Preinvestment studies	**11·2**	**(0·5)**	**1·3**
Grand total	**864·2**	**(89·7)**	**100·0**

(1) Including aid under the Council of the European Communities' decisions concerning Overseas Countries and Territories.
(2) Difference between the sum of global loans granted (152·8 million ECUs) and the amount of credits from the global loans provided as at 31 December 1982.

The EIB's basic role under both Conventions has been clearly defined as being the primary source of finance for **industry, agro-industry, mining and tourism,** although it also increasingly helps to finance investment in energy and can also support other revenue-generating economic infrastructure (e.g. telecommunications, port or railway improvements).

Most of the Bank's lending under the Lomé Conventions — about 70 % — has come from its own resources. Repayments are eased through use of part of the EDF grant aid to subsidise the interest rates. In principle, the subsidy should be 3 %, but an overriding clause limits the net rate to a maximum of 8 %. In recent times of high interest rates, this ceiling has been of substantial benefit to borrowers.

In addition, the EIB is responsible for deploying amounts set aside in the EDF for risk capital assistance. Operations under this heading represent a particularly valuable form of aid in ACP countries where industrial development is almost invariably faced with special problems, and where the general economic situation, particularly in the least developed of them, calls for a substantial measure of financial support along flexible lines.

Risk capital operations can take the form of:

— quasi-capital assistance to a Government or a national development institution to enable it to take a stake in an enterprise (which can then lead to the firm contracting loans, on the strength of its improved capital base);

— a direct participation on the Community's behalf (holdings are kept only as long as strictly necessary for a project's success, and then afterwards transferred, normally to interests in the ACP country concerned);

— subordinated loans, repayable after other priority debts have been reimbursed;

— conditional loans, with repayment linked to fulfilment of conditions which indicate that the project has passed teething problems and reached a certain level of profitability;

— finance for preinvestment studies. These enable the Bank to come in at an early stage in project preparation,

Financing provided by the EIB under the Lomé Conventions

Geographical breakdown — position at end-1982

	Loans from own resources		Risk capital operations		Total	
	m ECUs	%	m ECUs	%	m ECUs	%
Least-developed ACP countries (1)	**139·1**	**20·8**	**108·21**	**58·8**	**247·31**	**29·0**
Benin	—	—	0·35	0·2	0·35	.
Botswana	21·5	3·2	1·75	1·0	23·25	2·7
Burundi	—	—	5·80	3·1	5·80	0·7
Cape Verde	—	—	5·38	2·9	5·38	0·6
Chad	—	—	7·50	4·1	7·50	0·8
Comoros	—	—	0·18	0·1	0·18	.
Djibouti	—	—	3·21	1·8	3·21	0·4
Dominica	—	—	1·00	0·5	1·00	0·1
Ethiopia	—	—	0·50	0·3	0·50	.
Gambia	—	—	2·39	1·3	2·39	0·3
Grenada	—	—	2·40	1·3	2·40	0·3
Guinea	4·4	0·7	0·30	0·2	4·70	0·6
Lesotho	—	—	3·10	1·7	3·10	0·4
Malawi	14·5	2·2	4·55	2·5	19·05	2·2
Mali	—	—	6·36	3·5	6·36	0·8
Mauritania	25·0	3·7	—	—	25·00	2·9
Niger	16·0	2·4	0·90	0·5	16·90	2·0
Rwanda	—	—	3·00	1·6	3·00	0·4
St. Lucia	—	—	1·18	0·6	1·18	0·1
Seychelles	—	—	1·58	0·9	1·58	0·2
Somalia	—	—	2·81	1·5	2·81	0·3
Sudan	—	—	6·50	3·5	6·50	0·8
Swaziland	19·0	2·9	1·15	0·6	20·15	2·4
Tanzania	5·0	0·7	15·25	8·3	20·25	2·4
Togo	20·7	3·1	5·25	2·8	25·95	3·0
Tonga	—	—	1·32	0·7	1·32	0·2
Tuvalu	—	—	0·13	0·1	0·13	.
Uganda	—	—	10·35	5·6	10·35	1·2
Upper Volta	8·0	1·2	7·93	4·3	15·93	1·9
Vanuatu	—	—	1·00	0·5	1·00	0·1
Western Samoa	—	—	3·32	1·8	3·32	0·4
West African region (2)	5·0	0·7	1·76	1·0	6·76	0·8
Other ACP countries	**528·5**	**79·2**	**75·71**	**41·2**	**604·21**	**71·0**
Barbados	11·5	1·7	—	—	11·50	1·4
Cameroon	53·3	8·0	4·60	2·5	57·90	6·8
Congo	—	—	3·33	1·8	3·33	0·4
Fiji	36·0	5·4	1·97	1·1	37·97	4·4
Gabon	22·0	3·3	—	—	22·00	2·6
Ghana	16·0	2·4	2·25	1·2	18·25	2·1
Guyana	—	—	3·20	1·7	3·20	0·4
Ivory Coast	69·0	10·3	2·93	1·6	71·93	8·5
Jamaica	—	—	5·00	2·7	5·00	0·6
Kenya	75·9	11·4	2·80	1·5	78·70	9·2
Liberia	7·4	1·1	0·99	0·6	8·39	1·0
Madagascar	—	—	4·62	2·5	4·62	0·5
Mauritius	16·5	2·5	0·53	0·3	17·03	2·0
Nigeria	50·0	7·5	—	—	50·00	5·9
Papua-New Guinea	54·9	8·2	13·90	7·6	68·80	8·1
Senegal	33·0	4·9	12·62	6·9	45·62	5·4
Trinidad & Tobago	18·0	2·7	—	—	18·00	2·1
Zaire	—	—	11·64	6·3	11·64	1·4
Zambia	42·0	6·3	4·93	2·7	46·93	5·5
Zimbabwe	20·0	3·0	0·40	0·2	20·40	2·4
Caribbean region	3·0	0·5	—	—	3·00	0·3
Total ACP countries	**667·6**	**100·0**	**183·92**	**100·0**	**851·52**	**100·0**
OCT						
Cayman Islands	3·0		—		3·00	
French Polynesia	—		0·85		0·85	
Netherlands Antilles	—		0·84		0·84	
New Caledonia	7·0		1·00		8·00	
Grand total	**677·6**		**186·61**		**864·21**	

(1) As classified under Article 155 of the Second Lomé Convention.

(2) Loans granted to the West African Development Bank which embraces six members of the West African Monetary Union, including four listed under Article 155.

encourage thorough consideration of ideas prior to their implementation and minimise the risk to countries of misallocating scarce investment resources. If the study finally recommends abandoning the project investigated, the financial obligations of the borrower are waived.

Unlike the Mediterranean agreements, there are no country-by-country quotas for the EIB under the Lomé Conventions, only overall amounts. The broad aim is to achieve a reasonably balanced distribution of financing among the countries but the actual division depends to quite an extent on how countries are able to generate and come forward with possible projects or studies.

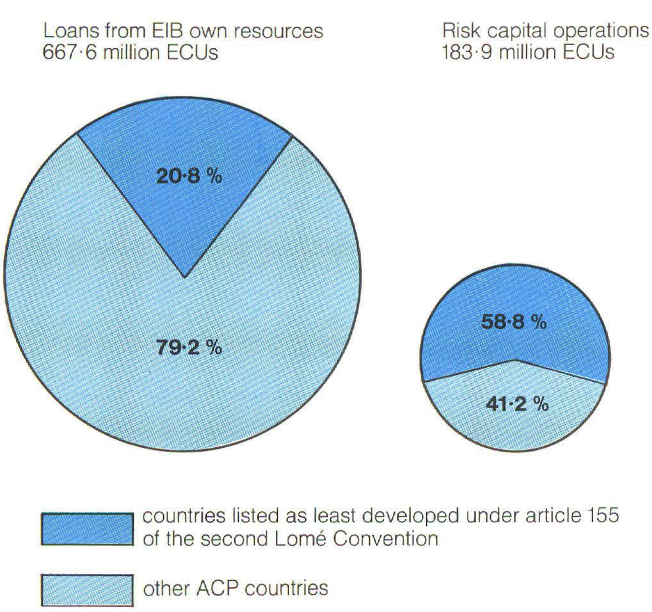
There is, however, a distinction to be made between least developed, poorer ACP countries and those in a relatively better situation. Up until end-1982, about 79 % of funds lent by the Bank in ACP countries from its own resources — i.e. at interest rates between 5 and 8 %, even after deduction of subsidies — went to investment in countries considered more developed, while 59 % of risk capital operations, on appreciably softer conditions, were carried out in countries listed as "least developed" in Article 155 of the second Lomé Convention. A slightly different way of expressing the division is to take a GNP benchmark. There are 26 ACP countries which in 1980 had a per capita GNP of US$ 400 or below: these low income countries accounted for 65 % of risk capital operations up to end-1982, while those above the benchmark represent 89 % of funds lent by the Bank from its own resources. This emphasises the importance of the risk capital facility in enabling the Bank to support development, mainly in industry, in countries where otherwise it would find it difficult to operate. Risk capital is sometimes used in conjunction with a loan from the EIB's own resources, permitting a "fine tuning" of aid to the characteristics of a given investment.

* * *

A breakdown of Bank lending under the first Lomé Convention and the second Convention up until end-1982 shows that over 65 % — some 570 million ECUs — went to industry and agro-industry, mining, hotels and tourism and, in particular, to the financing of small and medium-scale ventures via ACP countries' own development banks; almost 30 % — 256 million ECUs — to energy schemes, of which the majority, principally hydroelectric, will help cut dependence upon oil imports; the remainder — some 39 million ECUs — went to communications infrastructure and the financing of studies.

Broad geographical breakdown of financing operations under the Lomé Conventions up to end–1982

(according to Article 155 of the second Lomé Convention)



Industrial development

Expansion of the industrial sector is a main element in the development process even if, for most ACP countries, advances in the rural economy and food production are the first priority.

Experience has shown that industrialisation at all costs is no solution. Much depends on a country's geographical situation, available markets, its raw materials endowment, skill levels and other factors. Recognising, however, that potential is bound to differ from country to country, the Lomé Conventions have sought to generally promote and diversify industry in the ACP and there are several aspects of particular importance: increasing export earnings, particularly through development of mining and other natural resources; expansion of agro-allied industries which can slow down the rural exodus and give a stimulus to food production; encouragement of indigenous small and medium-scale ventures to supply more national needs, widen the scope for training skilled manpower and develop entrepreneurial talents among increasing numbers of better-educated people; the gradual transfer of technology; protection of the environment.

The Conventions have also underlined the necessity to spread industrial development outside the main urban areas and, where possible, to seize chances for cooperation between countries so that regions like West Africa or the Caribbean can derive more benefit from their collective market potential.

Agro-industry has been the largest single industrial sector for financing (see page 82), both in total amount but more particularly in number of operations. The EIB has channelled funds to investment covering a wide range of processing activities in 23 countries. Many of the operations concern investment helping to meet local consumption (e.g. a rice mill in Mali, dairy products in

Somalia, palm oil mills in several African countries), others are export-oriented (e.g. rubber in the Ivory Coast, palm oil in Papua-New Guinea, groundnut oil in Senegal, tea processing in Kenya) with, in some cases, important foreign currency-earning potential.

Mining investment has been assisted in six ACP countries. One of the themes of the second Lomé Convention is to stimulate development. The Bank's operations in this field are dealt with in greater detail on pages 88 and 89. Downstream activity in **metals production and processing** has been supported in eight countries. Two of the largest loans went to expanding and modernising aluminium production in Cameroon, making good use of abundant national hydroelectric resources for the smelting; other investments have been for modernisation of a bauxite-to-alumina plant in Guinea, improvements to cobalt production facilities in Zambia, to produce high grades of industrial cobalt and diversify away from over-dependence on copper.

Finance has been provided in 14 countries for manufacture of **construction materials,** mainly cement (e.g. plants in Cameroon, Kenya, Senegal and Zambia). Because internationally traded cement is a relatively tight market, and transport costs are high, ACP countries are exposed to both occasional irregularity in supplies and substantial foreign exchange outgoings. All the schemes financed by the Bank are import substitution investments.

Co-financing with other development organisations

The European Investment Bank works in close cooperation with Member States' bilateral aid organisations, other international lenders, in particular the World Bank group, and more recently the various bilateral or multilateral financial institutions in the Arab oil-producing countries. These contacts often help in the identification of possible projects for financing and in easing the complicated business of constructing financing plans for a number of the larger projects. Co-financing has become a frequent practice in recent years. It may take the form of loans from two or three aid agencies for precisely the same investment. Alternatively, major development projects can be divided into principal components (say industry and the infrastructure directly necessary) with agencies making separate contributions. The Bank has often taken an active role on behalf of its borrowers in seeking to coordinate different sources of finance.

In the future it seems the need for co-financing is bound to grow. Budgetary limitations in times of economic stringency, and the rising cost of development projects in general, make financing from one source of funds increasingly difficult to arrange.

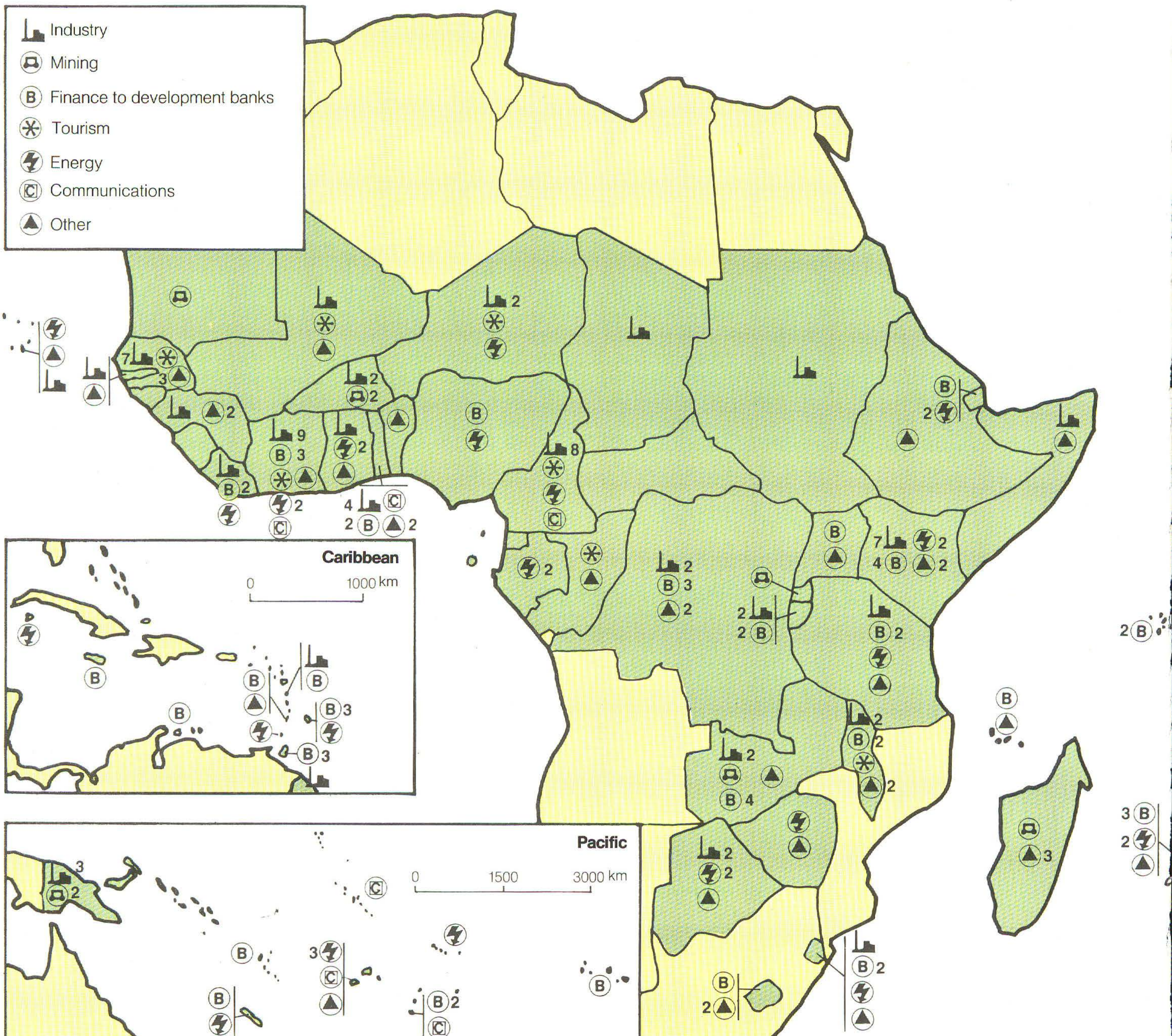
Co-financing is a particularly important factor in the African, Caribbean and Pacific countries, where the EIB's most frequent partners are the Caisse Centrale de Coopération Economique (France), the Commonwealth Development Corporation (United Kingdom), the Kreditanstalt für Wiederaufbau (Germany) and the World Bank group. Under the first Lomé Convention, for example, over 45 projects benefited from co-financing arrangements. Their estimated cost was nearly 2·5 billion ECUs. Co-financing provided by the EIB and partners covered 1·1 billion ECUs equivalent to 46 % of the total outlay, of which 330 million (13 %) from the Bank's own resources as well as from budgetary funds it handles. A similar pattern is emerging from the lending operations financed to date under Lomé 2. An interesting recent example of international co-financing was offered with the establishment of an industrial complex for producing phosphoric acid and fertilizers in Senegal. Apart from the EIB, finance was provided by the World Bank and the International Finance Corporation, the African Development Bank, the Arab Bank for Economic Development in Africa, the Islamic Development Bank, the Kuwait Fund, the Caisse Centrale de Coopération Economique, Deutsche Finanzierungsgesellschaft für Beteiligungen in Entwicklungsländern GmbH, plus the Senegalese, Nigerian, Ivory Coast and Cameroon governments.

For the countries in the Mediterranean basin, co-financing tends to take place with Arab Funds, the World Bank and some bilateral aid sources in EEC Member Countries, notably the Kreditanstalt für Wiederaufbau (Germany). Co-financed projects are fewer but usually involve large investment schemes and hence substantial amounts. By end-1982, some ten projects for a total projected cost of 3·1 billion ECUs attracted nearly 950 million ECUs provided by co-financing arrangements, covering 30 % of outlay; the EIB's share was around 365 million ECUs (12 %), from its own resources and budgetary funds.

Some of these projects are examples of international aid cooperation calling for several sources of finance, e.g. construction of the Bosporus bridge in Turkey, and hydro and lignite power stations, needed to cut the country's crippling dependence on oil imports; a multi-purpose (hydro, irrigation, drinking) water resources development in Northern Tunisia.

One of the aims under the Lomé Conventions is to help ACP countries gradually build up their own local industries. The EIB helps to finance small and medium-scale ventures, in a wide range of activities, through funding national or regional development banks' own lending.

In the **chemicals** industry, the combination of limited markets and generally high capital costs and technology requirements restrict possibilities for development; the EIB has been able, nonetheless, to support projects in seven countries, building up an export capacity in some cases, replacing imports in others, with useful transfers of technology taking place. In Botswana, for example, a country heavily dependent upon cattle raising and beef exports, funds were provided for a factory to produce foot-and-mouth disease vaccines, available also for neighbouring countries where the same virus is found. In Senegal, the largest industrial project ever carried out there — concerning production of sulphuric and phosphoric acids and solid fertilizers — is being supported by the EIB (the Ivory Coast, Cameroon and Nigeria are among the partners in the scheme).



One of the industries for which local markets are often large enough for some form of local processing is **textiles.** Finance has gone to investment in 11 countries (e.g. for cotton mills in Cameroon and Niger and a canvas mill in Tanzania), aimed mainly at investment satisfying local demand, though small surpluses are available for intra-ACP trade. In some cases these investments are linked to national cotton growing schemes.

Other industrial development has been financed in the **glass and ceramics sector, mechanical engineering, woodworking, paper and printing, transport equipment, rubber and plastics processing, electrical engineering.**

Hotels and tourism development has been assisted in 13 countries (e.g. hotels in the capitals or main cities of Cameroon, the Congo, Ivory Coast, Malawi, holiday hotels and tourism circuits in Mali, a coastal tourist hotel in Senegal). The sector is important for foreign exchange earnings, the creation of many service jobs in urban areas of high unemployment and also because adequate accommodation in the main business centres is part of the necessary infrastructure to attract new activity.

About half the industrial, hotel and tourism investments assisted in the ACP are small or medium-scale ventures where the finance was channelled by the EIB through

Helping the ACP States develop mineral resources

Mineral resources hold a number of keys to development in many ACP States. Both Lomé Conventions, particularly the second, have recognised this by trying to encourage more investment. Up to end-1982, the EIB had channelled about 170 million ECUs to various projects, among them: working of iron ore deposits and construction of an ore enrichment plant in Mauritania; copper, gold and molybdenum mining in Papua-New Guinea; processing of dumped mining "waste" to recover the copper content in Zambia; copper and cobalt mining in Zaire; tin and tungsten mining and construction of a tin smelter in Rwanda; modernisation of uranium ore processing plant in Gabon; reopening of a gold mine in Upper Volta.

Potentially, benefits from more intensive development are several. Exporting mineral resources can be a quick method for a country to increase its foreign exchange earnings and achieve greater financial independence. Revenues generated for the government can enable it to reduce fiscal pressure on agriculture and other sectors and also deploy more resources for investment. Even though mining is normally fairly capital intensive, it nonetheless provides useful employment and can play a role in skill-training. Processing of ore often demands some transfer of technology.

Most observers agree, however, that so far the ACP have fared rather poorly in exploiting their resources. Development has run up against a number of obstacles. The first lies in the overall market context. With recession in industrialised countries, there has been an appreciable decline in demand for minerals, accompanied by a stagnation or drop in prices, with the result scarcely conducive to much fresh investment. Indeed, several ACP States which are highly dependent upon exports of ores and associated by-products have suffered considerable setbacks in their national finances.

Mining schemes undertaken in the ACP also tend to be confronted with more than just the standard run of teething problems inherent to reasonably large-scale industrial projects, in that, apart from setting up adequate financing arrangements and mapping out markets etc., promoters are often faced with limited reliable infrastructural support, lack of which is still holding back development. The situation is quite the reverse in some other parts of the world, for example, Australia, where enormous mineral wealth is served by a well-developed network of supportive infrastructure.

The ACP's share of new mining activity has dwindled over the years, with a few exceptions, while existing operations have often missed out on consistent investment in modernisation and new methods.

Signs are, however, that conditions for investment might improve. Industrialised countries are becoming more conscious that a significant upturn in demand could lead to shortages of some minerals, and see a need to assure and diversify sources of supply. The Lomé Conventions in principle constitute a more cooperative framework for investment. A special annex to the second Lomé Convention foresees the possibility for the Bank to lend up to 200 million ECUs especially for mining and energy projects deemed of mutual interest to the ACP State concerned and the Community. This is apart from any loans for mining dealt with as part of the Bank's general lending in the ACP under Lomé 2.

local development banks, now a major form of EIB lending (see page 91).

Energy problems

Commercial energy consumption in the ACP (i.e. excluding wood-gathering etc., admittedly an important energy source in many countries) is still tiny compared with the EEC's; on a per capita basis it works out at around 1/30th. Even so, this represents a substantial charge to fragile economies as most are highly dependent upon oil for their energy supplies (70 % to 100 % in the majority of cases) and their needs are met mainly, and often entirely, through imports. For many ACPs, the rise in oil prices has had a major impact on their development as foreign currency earnings, which otherwise could be ploughed into productive or social investment, are being siphoned off to pay the oil bills. Net oil imports into the present 63 ACP countries cost 4 300 million ECUs in 1981; the same countries faced an oil import bill of around 400 million in 1973.

Against this background, even a relatively small capacity to produce more energy internally can be a substantial asset. The EIB has channelled funds to a widening range of investment, including thermal power stations burning locally-mined coal in Botswana, Niger, Zimbabwe; hydroelectric power stations in Cameroon, Fiji, Gabon, Ghana, Kenya, Mauritius, Swaziland and Western Samoa and a geothermal power station in Kenya's Rift Valley. Taken together, their projected annual output is equivalent to 1·7 million tonnes of oil per annum.

Funds have gone to erection of power lines in several countries, in particular interconnection of the Ghana and Ivory Coast grids enabling the best economic use of their combined resources, and development of oil and gas deposits off the Tanzanian coast. In a few cases the Bank has also helped to finance oil-fired generating equipment, but only where no other viable energy source was available.

An important area of EIB mining sector finance concerns the use of risk capital to fund feasibility studies: these have been or are being carried out on diamond mining in Ghana, working of iron ore and phosphate deposits in Senegal, tin in Zaire, rehabilitation of chromium mines in Madagascar and copper mines in Uganda.

Parallel to the EIB's own financing of mining investment, the Commission uses a special financing facility under Lomé 2 (SYSMIN) designed to help countries remedy the harmful effects on their income of serious temporary disruptions affecting mining activity. If there are sudden drops in exports seriously compromising otherwise viable and economic lines of production, funds can be used to help maintain plant or export capacity or pay for technical assistance and basic studies to rehabilitate mines.

* * *

In all mining finance operations the EIB pays particular attention to the contractual relationships between the ACP State concerned and any foreign partners. Sustained investment in mining will be fostered only if there is a recognisable balance between the host country getting a just return, respecting its national interests, and the operating company getting a sound investment, commensurate with its engagements. Care has to be taken to ensure that the host country is not burdened with road, port or energy infrastructure costs out of proportion to the benefits it derives from the project itself. An important aspect here is the cost of financing infrastructure. Where the EIB lends for a major mining development, cooperation with other sources of finance, e.g. European Development Fund or the World Bank, can lead to the infrastructure element being funded on appropriate terms.

Communications

Basic improvements to communications infrastructure in the ACP usually call for outright grant aid, dealt with by the Commission. There have been some sizeable projects, however, where EIB loans were an appropriate form of finance: the strengthening of the Ivory Coast's international telecommunications, including participation in the ATLANTIS Intercontinental Submarine Cable Scheme (South America—Africa—Europe); modernisation of part of the Trans-Cameroon railway; extension of the Port of Lomé.

Preinvestment studies

Financing of studies, using risk capital resources, does not commit the Bank to lend for the project itself, if it eventually gets off the ground. But normally one of the aims is to define the investment in such a way that the EIB, or other financing institutions, may decide, on the basis of the conclusions, whether or not to provide support. For example, studies financed in Cape Verde to determine the feasibility of building a ship repair yard, a geological study to prove hydrocarbon deposits off the

Tanzanian coast, a feasibility study on construction of a coal-fired power station in Botswana all led to the Bank helping to finance the capital expenditure recommended.

By end-1982, studies had been or were being financed in 37 ACP countries, covering potential investment in fields as diverse as ethanol production from sugar cane in Mauritius and industrial processing of manioc in the Ivory Coast to the possible establishment of tourism facilities in Kenya and Lesotho. Studies have also been financed on the creation of new development banks in several ACP countries and, in some cases, funds have been made available to banks to carry out their own studies on possible investment projects.

* * *

Final comments

Development aid as a human objective is basically a recent phenomenon. It gathered force only in the past two decades. Indeed, much of the talk of "economic interdependence", which today is held to justify assistance from industrialised countries to the developing world, has sprung up in the past 10 years, with the start of oil supply/cost problems.

It is hardly surprising that policies in this field are subject to dynamic change as problems are better analysed, shortcomings measured, assumptions questioned and new approaches tried. This applies to the whole spectrum of development assistance, from work undertaken by United Nations specialised agencies to that of individual countries, and the Community is no exception. Its development objectives and techniques are subject to continuous critical review so as to structure assistance effectively.

This said, Community development assistance has progressed to the point where today the total public aid flow from the EEC — bilaterally from the Member Countries, through the Community and via contributions to the activities of multilateral institutions like the World Bank — accounts for around half of the Western world's official assistance to developing countries. In 1981, it amounted to about 0·53 % of the Community's GNP (compared with around 0·20 % for the United States, 0·28 % for Japan or 0·14 % for the Eastern bloc).

The Community must be seen not only as a provider of assistance to the Third World but also as a reliable partner in trade. Financial cooperation with developing countries is a complement to, but not a substitute for, their exports.

In times of recession and unemployment this is a policy difficult to further, but the fact is that the EEC is already the developing world's main trading partner. In 1981 37 % of exports from EEC Member Countries (excluding trade between each other) went to developing countries. An improvement in their prosperity and purchasing power is a vital component in the Community's own recovery as many benefits from increased trade and exchange are reciprocal.

Working with national development banks

Small and medium-scale ventures account for the dominant share of industrial activity in the vast majority of the countries outside the Community in which the EIB works. Moreover, in most of them, they represent the only realistically possible approach to industrialisation, at least for the immediate future.

When these ventures turn to their national development banks for investment support, the funds they receive are quite likely to have stemmed from the EIB.

Up to end-1982, the Bank had provided over 600 million ECUs to 45 development banks in 35 countries. This represents roughly a quarter of the EIB's lending for industrial development in the ACP states and nearly 60 % in the Mediterranean countries.

Aspects of this activity differ according to the countries. In Portugal, Spain and Turkey, EIB funds have gone to quite large financing institutions with extensive experience in dealing with a diverse smaller industry sector. The central problem here is to help firms modernise and hone their competitiveness. This is especially so in Portugal and Spain in view of imminent EEC membership.

In some of the lesser developed Mediterranean countries, and the ACP as a whole, industrialisation is more recent, aimed largely at import substitution, and entrepreneurial skills need time to grow; development banks are often small and without the same experience (several have been created in only the last few years).

The EIB has been able to provide support in various ways, tailored to the specific circumstances of the country and the operational possibilities of the development banks. In most cases it has lent funds from its own resources in the form of global loans, i.e. the same credit line procedure, subject to a few modifications, that the Bank uses to finance smaller-scale development in the EEC Member States. The local institutions split up the funds into a number of sub-loans. Conditions laid down for the use of the finance (e.g. the size, nature and location of ventures to be assisted) are generally fixed in negotiating each operation. All the ventures are financed in agreement with the EIB.

Other forms of support have been to use Community budgetary resources in the form of risk capital to take participations in the equity of development banks in several ACP countries, so strengthening their capital base, or to subscribe to bonds issued by a bank. The EIB has sometimes provided risk capital enabling banks to take participations in ventures they finance, rather than making loans, or to finance feasibility studies. In several cases, the EIB has provided funds directly to States to help set up new development banks. In some Mediterranean countries, the EIB has channelled budgetary funds through to development banks so that they can finance feasibility studies, technical assistance, and various risk capital contributions to help very small scale and handicraft investments.

Most of the banks operate on a national basis, but the EIB has also assisted some with a wider remit, covering West Africa, East Africa and the Caribbean.

* * *

Before making funds available to a development bank, the EIB discusses with the organisation the means to ensure a reliable investment identification and appraisal approach, along the same broad lines as the Bank's own procedures. There is then continuous contact between the EIB and the bank concerned because a feedback of information and monitoring of the strength of appraisals is seen as an important part of the cooperation.

The process allows for a dialogue on the most applicable analytical methods and techniques. It encourages the development banks, which must of course select financially promising investments, to be equally conscious of the need to look for a good economic return.

In dealing with the EIB and working according to its financing criteria, the staff of these banks can sometimes broaden their experience and this makes some contribution to development of the financial/banking sectors of the countries concerned. As a general point, it can be said that operational efficiency and management quality represent the development banks' best guarantee of success, not simply the total volume of funds made available to them.

The EIB and its financial resources

The growth of the European Investment Bank's financing operations has also entailed development of the Bank's borrowings on the capital markets, which constitute the major part of its resources. Annual borrowings have risen from an average of around 150 million ECUs in the second half of the 1960s to some 500 million from 1970 to 1974, 1 450 million from 1975 to 1979 and to an average 2 650 million over the past three years, 1980-1982.

Although the European Community taps capital markets under other borrowing names (the European Coal and Steel Community raises funds for investment concerning these sectors; the European Economic Community borrows in its own name for the New Community Instrument; the European Atomic Energy Community raises funds to finance nuclear plant), the EIB is not only the Community's major investment financing body but also its major borrower. Out of all Community fund-raising on the capital markets in the past 5 years, 1978-1982 (total about 18·9 billion ECUs), the EIB accounts for approximately 65 % (12·4 billion ECUs). Taking a somewhat different yardstick, the World Bank borrowed the equivalent of roughly 26·6 billion ECUs in its last five financial years.

This chapter outlines the EIB's financial structure and how it obtains its resources on the capital markets. It also explains the factors determining the Bank's excellent credit standing with lenders, the key to the satisfactory fulfilment of its tasks.

The EIB's capital

The Bank's financial structure is based on the capital subscribed by the Member States, currently standing at 14·4 billion ECUs. This is divided into

— **capital paid in or scheduled to be paid in** which the EIB's Statute fixes at slightly under 10·2 % of the subscribed capital (this is broadly similar to the set-up in other institutions of the same nature, e.g. the comparable figure at the World Bank is 9·5 %).

— **unpaid capital,** the function of which is to act as a last resort guarantee. It is subject to call, in whole or in part, by simple majority decision of the Board of Directors but only in the express circumstance of the Bank requiring the funds "to meet its obligations towards those who have made loans to it" (Article 5 of the EIB's Statute). Such a situation has always been considered extremely unlikely. The Bank is effectively managed as though the unpaid capital does not exist, although for creditors it obviously constitutes a reassuring, statutory protection.

When it was founded, in 1958, the EIB's subscribed capital was 1 billion ECUs. The table overleaf shows the evolution since then. The capital has been increased six times, for two different reasons.

The first is that the EIB Statute itself sets a limit on the overall volume of the Bank's lending with respect to its capital. Article 18 states that the "aggregate amount outstanding at any time of loans and guarantees granted by the Bank shall not exceed 250 % of its subscribed capital". This ensures that the Bank's financial ratios are sound and that its expansion is controlled by periodic reviews by the shareholders — the Member States — whenever the portfolio of loans and guarantees approaches the limit. The Member States have always responded by granting a capital increase sufficient to enable the Bank to continue its growth over the next few years. This is not a mechanical exercise because each increase implies a close examination of the EIB's operations by the Member States and their further endorsement of the Bank's financing policies. The major decisions in this respect were the doubling of the subscribed capital in 1978, to accommodate the European Council's call in 1977 for more intensive Community financing activities, and a redoubling in 1981.

The second reason for capital increases was the accession to the EEC and simultaneous membership of the EIB of Denmark, Ireland and the United Kingdom in 1973 and Greece in 1981; these countries contribute between them over 27 % of the Bank's subscribed capital.

The effect of the different increases is that the Bank's statutory limit on outstanding loans and guarantees, following the 250 % rule, has risen from 2·5 billion ECUs when it started out in 1958 to 36 billion now. At end-1982, the portfolio of loans and guarantees had reached 20·7 billion (about 57·5 % of the current permitted level).

The strength of own funds

The Bank's Statute stipulates that a reserve fund equivalent to up to 10 % of the subscribed capital "shall be built up progressively" and that the Board of Directors may decide to set aside additional reserves.

By end-1982, 1 620 million ECUs of retained earnings had been appropriated to reserves, including the 1982 surplus already written in. Capital paid in totalled almost 835 million at the same date, bringing the combined value of the **Bank's own funds close to 2·5 billion ECUs.**

Evolution of the European Investment Bank's capital

	Community of Six						Enlargement of the Community 1 January 1973	
	Initially		Decision of Board of Governors 26 April 1971					
	Subscribed capital	Paid-in capital	Subscribed capital	Paid-in capital	%		Subscribed capital	Paid-in capital
Germany	300·0	75·0	450·0	90·0	30·0		450·0	90·0
France	300·0	75·0	450·0	90·0	30·0		450·0	90·0
United Kingdom	—	—	—	—	—		450·0	90·0
Italy	240·0	60·0	360·0	72·0	24·0		360·0	72·0
Belgium	86·5	21·625	129·75	25·95	8·65		118·5	23·7
Netherlands	71·5	17·875	107·25	21·45	7·15		118·5	23·7
Denmark	—	—	—	—	—		60·0	12·0
Greece	—	—	—	—	—		—	—
Ireland	—	—	—	—	—		15·0	3·0
Luxembourg	2·0	0·5	3·0	0·6	0·2		3·0	0·6
Total	**1 000·0**	**250·0**	**1 500·0**	**300·0**	**100·0**		**2 025·0**	**405·0**

N.B. The part of the subscribed capital which is not set to be paid in is available for call by decision of the Board of Directors to such extent as may be required to meet the Bank's obligations in respect of its borrowings (Article 5 of the Bank's Statute).

The build-up of reserves proceeded relatively slowly in the first 15 years of the Bank's existence to reach about 190 million by 1972, but has speeded up over the past decade as the income earned from the investment of own funds has been helped substantially by high rates of interest prevailing on the markets. This interest income — the major element in the EIB's annual operating surpluses — is important in giving the Bank extra room for manoeuvre in keeping to moderate lending rates at the same time as further consolidating its financial position.

The reserves can be seen as:

— safeguarding the Bank against risks on loans and guarantees (part of the reserves is always kept in liquid form — see pages 96 and 97);

— acting as a source of equity capital to finance the Bank's fixed assets and loans;

— protecting the Bank's paid-in capital against erosion by inflation, a factor of particular importance in recent years (with the build-up of reserves and capital injections, the Bank's own funds have increased fivefold over the past decade, outperforming inflation which has led to an average threefold increase in prices).

The key significance of a healthy level of own funds lies in reinforcing the EIB's credit standing and helping the Bank to perform its function of raising funds on the markets.

Borrowing policies

The EIB is a continuous borrower. New public bond issues or private placings have averaged around 70 per annum over the last three years and, in 1982, the take-up of funds was equivalent to 60 million ECUs a week. This requires sensitivity in approach. On the one hand the Bank's goal is to raise funds on conditions permitting it to support development projects of importance to the Community by offering promoters attractive interest rates. But it must always balance this against the need to stay up with market requirements, offer a competitive deal to investors and cultivate the ground for future borrowings.

It endeavours to achieve this by:

— varying its approach to the markets and using different borrowing techniques;

— borrowing on all the world's major markets, in the main internationally-traded currencies, European and others, and promoting use of the ECU;

— spreading calls on the markets over different medium and long-term maturities;

— watching closely the way its bonds perform on the secondary markets.

As far as **broad borrowing approaches** are concerned, the EIB generally raises larger amounts by means of public issues. These are floated for varying sums but may reach the equivalent of 200 million ECUs at a time

million ECUs

Community of Nine					Community of Ten				
Decision of Board of Governors 10 July 1975		Decision of Board of Governors 19 June 1978			Enlargement of the Community 1 January 1981		Decision of Board of Governors of 15 June 1981, which took effect from 31 December 1981		
Subscribed capital	Paid-in capital	Subscribed capital	Paid-in and to be paid in	%	Subscribed capital	Paid-in and to be paid in	Subscribed capital	Paid-in and to be paid in	%
787·5	123·75	1 575·0	202·5	22·22	1 575·0	202·5	3 150·0	320·625	21·875
787·5	123·75	1 575·0	202·5	22·22	1 575·0	202·5	3 150·0	320·625	21·875
787·5	123·75	1 575·0	202·5	22·22	1 575·0	202·5	3 150·0	320·625	21·875
630·0	99·0	1 260·0	162·0	17·78	1 260·0	162·0	2 520·0	256·505	17·5
207·375	32·5875	414·75	53·325	5·85	414·75	53·325	829·5	84·43	5·76
207·375	32·5875	414·75	53·325	5·85	414·75	53·325	829·5	84·43	5·76
105·0	16·5	210·0	27·0	2·96	210·0	27·0	420·0	42·75	2·925
—	—	—	—	—	112·5	14·465	225·0	22·9	1·563
26·25	4·125	52·5	6·75	0·74	52·5	6·75	105·0	10·6875	0·729
5·25	0·825	10·5	1·35	0·15	10·5	1·35	21·0	2·1375	0·146
3 543·75	**556·875**	**7 087·5**	**911·25**	**100·0**	**7 200·0**	**925·715**	**14 400·0**	**1 465·715**	**100·0**

on the international market or the foreign issues — Yankee Bonds — market in New York. Private placings are made with or without the issue of marketable securities either with a bank or group of banks (notably the case on the German and Swiss markets) or directly with major institutional investors such as insurance and investment companies, pension funds, savings banks etc. (especially in the Netherlands, the Middle East and Japan).

At end-1982, cumulative public issues over the 25 years totalled the equivalent of about 10·9 billion ECUs (10·4 billion outstanding) against approximately 7·1 billion ECUs (6·1 billion outstanding) obtained via private placings, including 210 million ECUs in the form of short and medium-term interbank deposits.

The proportion between public and private issues evidently varies according to availability of funds. In a few, exceptional years (see table, page 97) more has been raised through private issues than public, but the split over the past five years has been fairly consistent at about 60 % public/40 % private.

Finally, like the World Bank and the International Finance Corporation, the EIB allows third parties to acquire an interest in its loans through participation certificates (carrying its own guarantee) in the currencies, for amounts and over terms requested by investors (see page 102).

The **world-wide spread** of borrowing activity is something which has developed gradually. The EIB's Statute specifies that "the Bank shall borrow on the international capital markets the funds necessary for the performance of its tasks" and also that it may borrow on Member States' capital markets (the competent authorities in a Member Country may refuse to allow an EIB borrowing operation only if there is reason to fear serious disturbances on the capital market).

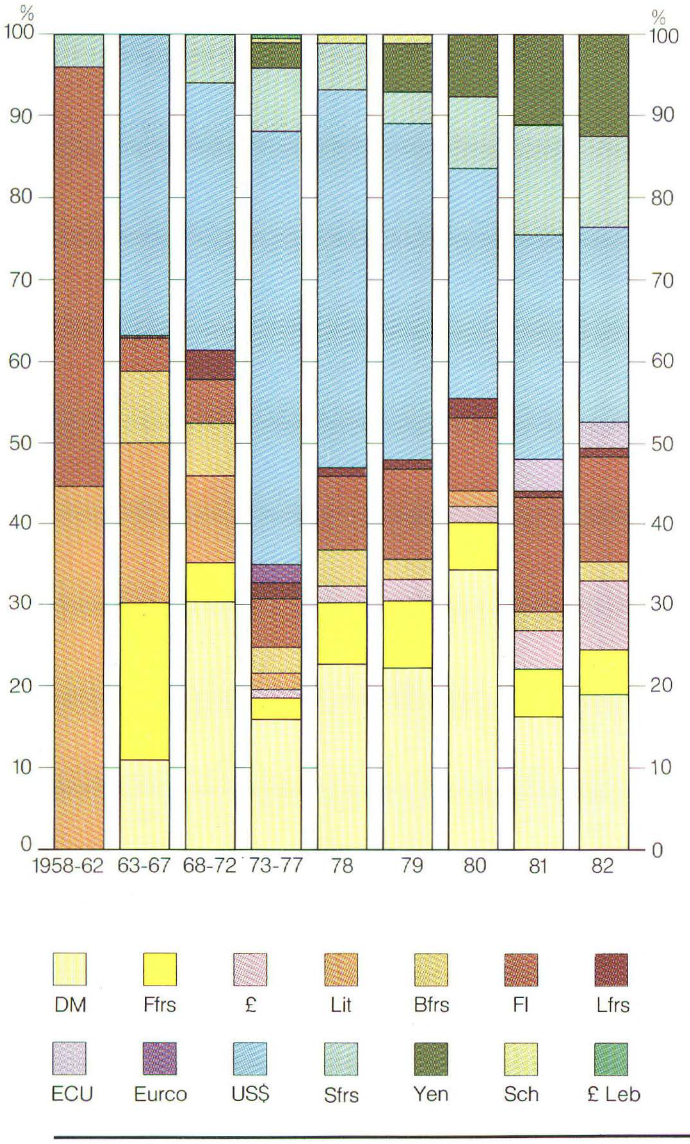
An initial objective, given the economic situation at the time, was to bring extra capital into the Community by tapping the US market. Events proved otherwise, however. From 1963 through 1973, the US Government applied a tax regime (Interest Equalisation Tax) which had the effect of making the cost of capital on the US market too high for borrowers in industrialised countries other than Canada and the USA itself. From its beginning, therefore, the EIB depended very largely on capital markets of Member States and then the nascent international market.

Since the mid-1970s an effort has been made to tap more national markets outside the Community and to broaden activities on the international market. On several occasions the Bank has been the first to broach a new market or has established an early EIB presence there.

The suspension of the Interest Equalisation Tax in the US in 1974 enabled the placing of many large public issues directly on the US domestic market. The first call on the Japanese market to raise Yen was made the next year. The Bank made its entry in 1975 and 1976 as the first European long-term borrower on the Asian US$ market in Singapore and Hong Kong, and made its first issue on the Austrian market in 1976. It opened up the Euro-yen market in 1977 and in 1978 was to the fore in tapping US$ on the Japanese market. More recently, in 1982, the EIB attracted much attention in making its first borrowing on the sterling "Bulldog" market (foreign issues placed on the UK domestic market) and it has become the foremost issuer of ECU-denominated bonds (see page 101). The Bank now conducts issuing operations on all the world's major financial markets.

As to the **currency spread** of the EIB's operations, the proportion of each currency within the total of borrowing changes from one year to another. This depends very much on the preferences expressed by the EIB's own borrowers, which the Bank tries to meet as far as it can, but is always subject to availability of resources on the various markets at reasonable cost, which is influenced by many factors such as the monetary policy of the country of a given currency, the state of national economies and comparative levels of interest rates, likely currency movements, etc. The Bank navigates between these variables, trying to borrow on the most favourable terms it can obtain at a given time, in such amounts and over such periods as it may require.

Currency composition of EIB borrowings



The EIB has raised funds in a total of 12 currencies over the years, about 52 % non-Community (mainly US-dollars, Swiss francs and Yen) and about 46·5 % in EEC Member States' currencies; the remainder is made up of borrowings in composite currency units, principally the ECU, although before this, in 1973 and 1974, some borrowings were made in a roughly similar unit, the Eurco.

Outstanding borrowings at end-1982 were denominated as follows (in order of decreasing importance): US-dollars 38·4 %, Deutsche Mark 20·9 %, Dutch guilders 10·5 %, Swiss francs 9·1 %, Yen 7·5 %, French francs 4·5 %, sterling 3 %, Belgian francs 2·3 %; the remaining 3·8 % were split between ECUs, Luxembourg francs, Lire, Eurco, Austrian Schillings and, dating from some years ago, Lebanese pounds.

This leads to the **range of maturities.** As a long-term credit institution providing finance for industrial and infrastructure projects, the Bank lends mainly for terms of between 10 and 15 years, a smaller proportion of credit being advanced over 5 to 10 or 15 to 20 years. The Bank's aim is to achieve a high degree of congruity between maturity dates for both its loans and borrowings. The average life of the funded debt at end-1982 was 6·4 years, which compared with 6·7 years for the loan portfolio. The table on page 100 shows the maturity breakdown of the Bank's borrowings over the past five years, 1978-1982.

The fifth point — **performance of EIB paper on the secondary markets** — is of major importance because it has a strong bearing on the conditions for new issues. For this reason the Bank acts in a number of ways to smooth out procedures and promote the sound marketability of Bank securities. In particular, it has come to have widespread recourse in international market issues to the technique of "purchase funds", whereby the EIB undertakes, subject to a predetermined ceiling, to intervene on the markets and buy up its bonds if the prices are below par. This is important in underpinning loan issues during early years and is a feature which has found much favour with investors.

EIB issues are quoted on all the major stock exchanges in Europe, in the United States, Japan, Hong Kong and Singapore. Although much secondary market trading in EIB securities is dealt with outside the stock exchanges, the official quotations are nonetheless important in serving as a clear price guide.

Liquidity and portfolio management

Through its liquidity and portfolio management the Bank is itself a substantial investor, placing funds on the money markets and buying and selling securities.

Operational liquidity is held against impending loan disbursements over the coming few months. The EIB works primarily in the Community, where its loans are generally disbursed soon after loan contract signature, usually within 60 days. For this reason it differs from other long-term finance institutions, operating mainly in developing countries, which tend to carry a large overhang of undisbursed commitments running well into the future. The EIB is able to closely match its borrowing pattern to projected loan disbursement requirements, but there must always be some flexibility, according to progress on projects and other factors which may determine the date of contract signature and drawdown. The Treasury Department uses funds for which there is no immediate need to generate revenue by placing them, typically on the interbank market on a monthly roll-over basis.

The permanent reserve liquidity was worth 440 million ECUs at end-1982. The fact that the EIB always keeps a large portion of its reserves in liquid form is a cautious provision representing an additional safeguard built into the Bank's financial structure. The permanent reserve liquidity is held in securities with a first-rate signature, enjoying immediate access to a large secondary market, and in short-term bank deposits.

Credit standing

The two leading credit rating agencies — Moody's and Standard & Poors — evaluate the EIB's creditworthiness on the financial markets as "AAA", the highest classification.

The calibre of the EIB's signature is a fundamentally important asset to the Bank and never more so than at the present time when there is a certain malaise on the capital markets and reduction of confidence on the part of lenders who see a series of worrying country and corporate debt situations among many traditionally large borrowers.

The EIB's position is that it strives not only to be a sound lender, for good economically and financially justified investments, but equally a sound borrower, and that the two are indissoluble.

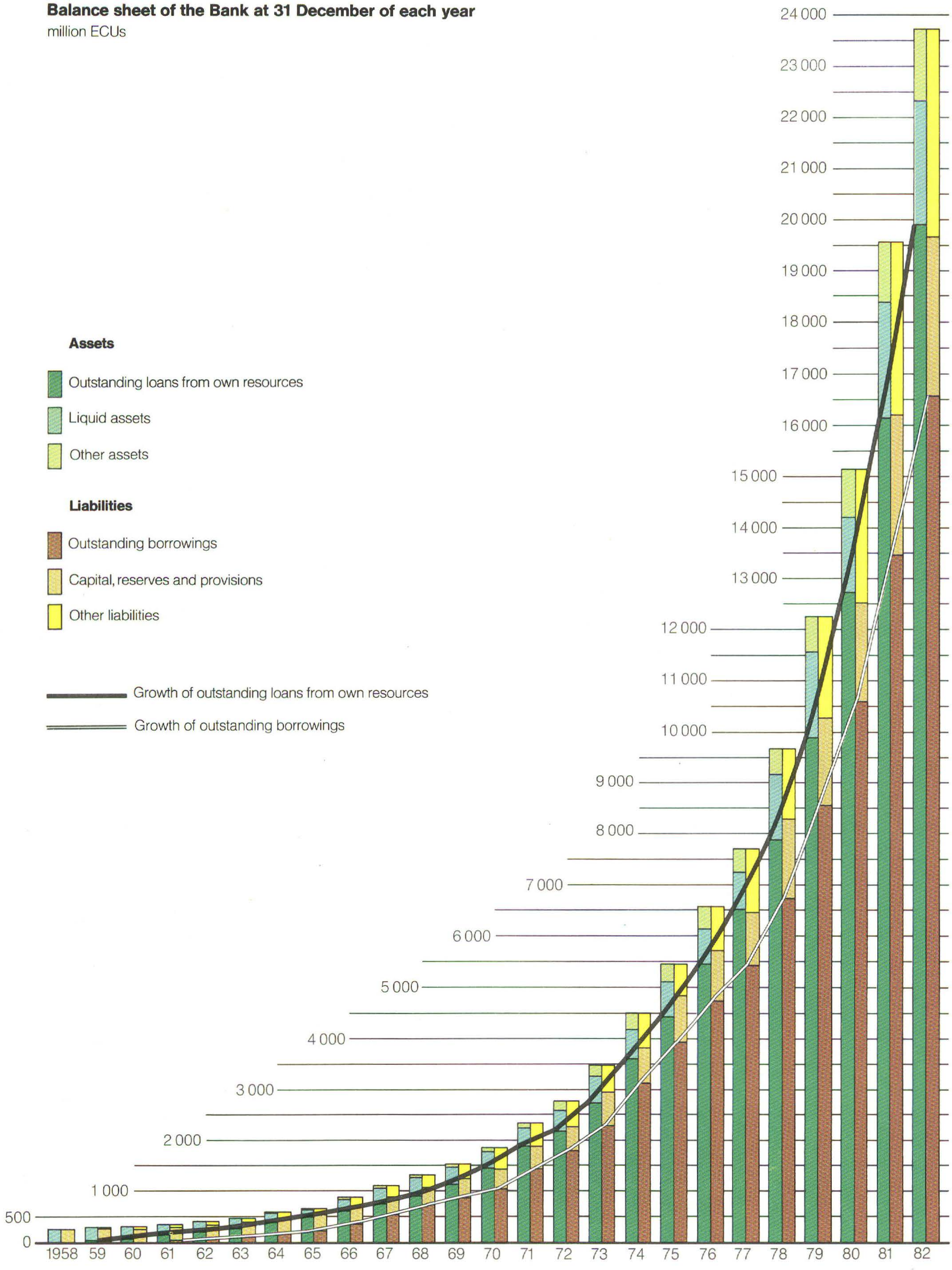
Investor's recognition of the Bank's creditworthiness depends on several factors, some rather technical, others more a matter of perception as to the inherent strengths in the EIB's structure and the way it works.

Funds raised from 1961 to 1982

	Issues					
		Amount (million ECUs)				
Year	Number	Private issues	Public issues	Total	Participations by third parties in EIB loans (million ECUs)	Funds raised (million ECUs)
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
1979	59	983·2 (3)	1 453·4	2 436·6	44·6	2 481·2
1980	73	874·5	1 509·0	2 383·5	83·3	2 466·8
1981	57	974·9 (4)	1 267·8	2 242·7	67·0	2 309·7
1982	91	1 319·4 (5)	1 826·3	3 145·7	59·5	3 205·2
1961—1982	**534**	**7 111·0**	**10 925·0**	**18 036·0**	**529·0**	**18 565·0**

(1) Including 87 million in medium-term interbank operations.
(2) Including 39·9 million in medium-term interbank operations.
(3) Including 1·5 million in medium-term interbank operations.
(4) Including 92·8 million in medium-term interbank operations.
(5) Including 105·7 million in medium-term interbank operations.

Balance sheet of the Bank at 31 December of each year
million ECUs



There are the conventional financial ratios, for example, which show 0·7 : 1 subscribed capital to loans and guarantees outstanding at end-1982, 0·87 : 1 subscribed capital to borrowings outstanding and 0·12 : 1 own funds to loans and guarantees outstanding. Such ratios vary somewhat between official long-term lending institutions because of differences in their functions and statutory requirements, but they clearly confirm the strength of the EIB's financial position.

Of basic importance to credit standing are the following aspects:

■ the very nature of the projects that the EIB finances: Article 20 of the Statute stipulates that **these must contribute to an increase in economic productivity in general,** for which reason the EIB finances the fixed asset components of tangible investment projects designed to achieve a particular objective of the sort that can be implemented in a given period of time. No funds are locked up in lending for balance of payments reasons, general treasury requirements or straight commercial transactions;

■ the EIB's financial and administrative autonomy guarantees its freedom to make **genuine professional assessments** of the projects it is to finance on a case-by-case basis, not to work to quotas for countries or sectors;

■ no project in the production sector can be financed unless it appears sure to **generate sufficient operating profits** to cover loan repayments. In the case of infrastructure investment the financial return may be difficult to judge, but the Bank is no less insistent on clear economic viability and a sound financing plan;

■ the EIB makes its **loans conditional upon the granting of a guarantee** by the Government of the country in which the project is to be implemented **or by some other equally acceptable security.** In practice this means that about 90 % of its loans carry the guarantee of a State or a public institution, which amounts to almost the same thing. In the relatively few operations where the EIB has given its own guarantee on finance provided for projects by third parties, it has itself taken appropriate counter-guarantees. Outside the Community, in addition to the individual security on each loan, the EIB is further covered by blanket Community guarantees, amounting to 75 % of the credit advanced;

■ the Bank's **loan portfolio is diversified** through virtually all sectors of economic activity and possible risks are additionally spread because the Bank keeps its financing within a limit of 50 % of the fixed asset cost of any given project (the average in 1982 was slightly less than a third);

The Special Section

The European Investment Bank's "Special Section" can be likened to a trusteeship or fiduciary arrangement, whereby the Bank accounts for financial operations which it carries out as agent and under mandate for the European Economic Community and the European Atomic Energy Community, and also directly for the account of Member States. It encompasses a volume of loans and other operations which reached a cumulative total of almost 4·6 billion ECUs at end-1982.

In these operations the EIB engages its normal professional responsibility in terms of project appraisals and the banking procedures for making loans and overseeing their reimbursement, but it bears no financial responsibility — the risk remains with the mandator — and its own credit standing on the financial markets is not involved.

The Special Section expresses this by being a separate financial statement, presented "off balance sheet", although it is an integral part of the Bank insofar as the work is carried out by EIB staff and the accounts are controlled by the Bank's Audit Committee.

The Section was set up by decision of the Board of Governors in 1963 when the Bank was first faced with carrying out mandate lending in Turkey, using funds provided directly by the Member States from their own budgets; shortly afterwards came financing in Africa, using European Development Fund resources under the first Yaoundé Convention.

Since then, an increasing volume of operations has been taken into the Section as the Bank has come to handle New Community Instrument loans in Member Countries and much development assistance in the Mediterranean and African, Caribbean and Pacific (Lomé Convention) countries. Loans for nuclear plant, provided from Euratom funds, also come into the Section, although the Bank's responsibilities here are limited to loan appraisal and management, the actual loan decisions being entirely the Commission's prerogative (see page 20).

■ the EIB is not tied to any one currency or market and is in any case required by its Statute **to run no currency risk.** It disburses loans in the currencies it raises and the borrowers have to repay the principal and interest in the currencies they receive;

■ the EIB's loans have never been involved in debt reschedulings; the original repayment schedules laid down in loan contracts must be followed;

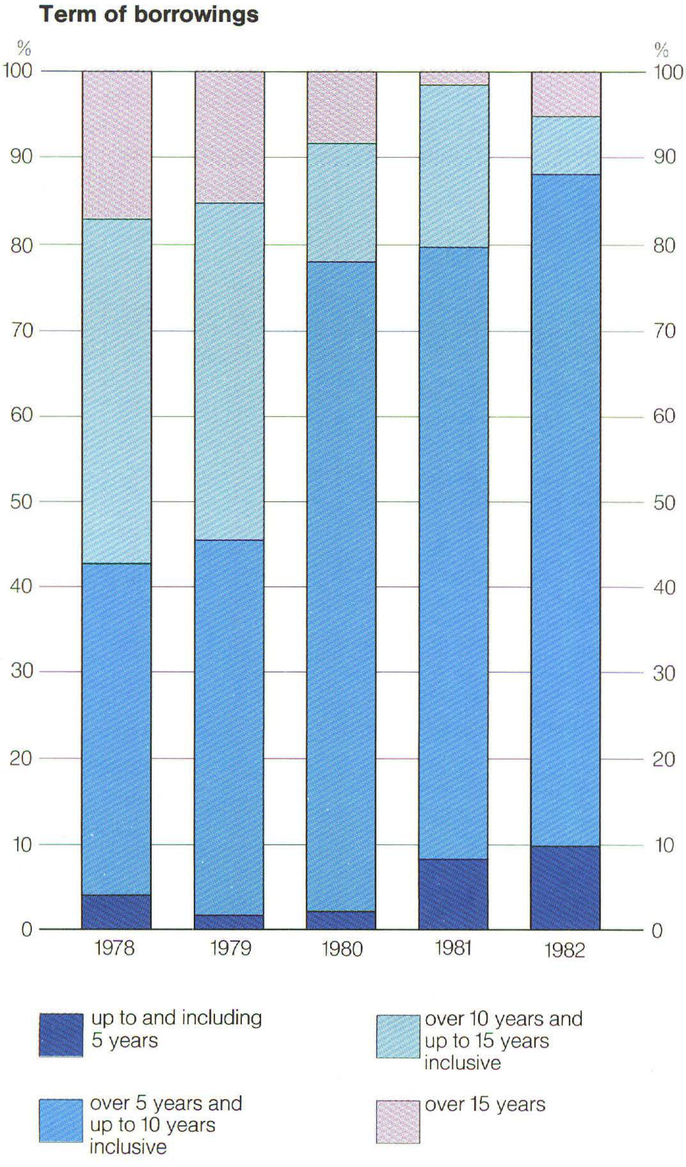
■ there is an **independent check on the regularity of the Bank's operations** by an Audit Committee (public accounts monitoring officials from Member Countries) appointed directly by the Board of Governors to "verify that the operations of the Bank have been conducted and its books kept in a proper manner"; the Committee carries out its tasks on the basis of reports drawn up by the international auditors, Price Waterhouse & Co. The financial statements and the year-end accounts are published, with explanatory notes, in the Annual Report, after approval by the Board of Governors;

■ ultimate security for lenders, however unlikely the need, lies in the concept of the **unpaid or guarantee capital,** which can be called in only to meet the Bank's obligations to creditors, as already discussed, and the **additional safety net of reserves** built up through consistent retention of earnings.

The effect of these different elements is to subject the Bank's operations to a protective financial discipline, safeguarding the interests of the Bank's shareholders and final guarantors — the Member States — and investors, whether subscribers to new EIB issues or bearers of existing bonds.

Any organisation coming regularly onto the markets for large amounts must always be prepared to defend its record. The EIB is able to point out that it has never suffered a loss on any loan made or guaranteed by it since the Bank's inception 25 years ago.

Term of borrowings



Lending rates

The fact that the EIB's management of its own funds and its treasury operations generate surpluses to build up reserves, leaves the Bank free to set the rates of interest on the loans that it makes with only a narrow operating margin to cover its own costs, fulfilling the statutory duty to work on a non-profit-making basis. For some while now the margin has been in the order of 0·15 % over the cost to the Bank of replacing the funds disbursed in a given loan.

In essence, therefore, the EIB places its "AAA" credit standing and borrowing capability at the service of its own borrowers. Many of these would not be able to tap the same capital markets on comparable conditions, if at all.

Lending rates are fixed periodically by the Board of Directors. Each of the currencies used by the Bank is given a specific rate for the different loan terms offered, which may range from 5 to 20 years. No differences are made for type of project financed, the location or the status of the borrower. The rates charged on loans are generally established at the dates of contract signature and are not subject to revision.

In most cases the Bank lends in a mixture ("cocktail") of currencies. In practice there are two kinds:

— **standard mixes,** based largely on the currencies in more plentiful supply to the Bank and where the precise composition (typically four or five currencies), term and interest rates are all fixed in advance;

— **varying mixes,** tailored to varying requirements. A borrower may, for example, ask for a high proportion of US$ and DM because he has a stable income in these currencies which offsets any exchange risk, or request another currency or currencies in view of payment for equipment to be purchased from other countries. His own assessment of interest rates and exchange risk trends naturally influences the choice, although this is always clearly subject to the currencies (14 at end-1982) and terms the Bank can effectively offer.

In addition, the Bank exceptionally makes
— loans in a single non-Community currency, mainly the US$, Swiss franc and Yen;
— matched maturity arrangements (back-to-back operations) in Community and other currencies for certain major financing operations.

The ECU may be used for disbursement of loans, treated either as a single currency or as one component of a mixed currency loan.

As the vast majority of EIB loans are mostly or entirely in foreign currencies, the question of exchange rate fluctuations is one of importance to borrowers. At end-1982, the authorities in seven Member Countries — Belgium,

ECU borrowing and lending

The adoption of the ECU as the European Community's monetary and accounting unit, and the building up of a capital market for borrowing and lending in ECUs, are developments of considerable importance for the European Investment Bank and to which it has lent support in several ways.

When the ECU was introduced with the creation of the European Monetary System at end-1978, this began a movement for its general adoption as the unit for Community statistics and financial transactions.

To support this policy, the EIB's Board of Governors decided to use the ECU as the Bank's unit of account with effect from 1 January 1981. This involved no change in value because the Bank's unit had previously the same composition as the old European Unit of Account, which itself was equal to the ECU. It was significant, nonetheless, in assuring that the Bank's future operations would be consistent with the general development of the European monetary identity which lies with the ECU.

The ECU consequently came to be used for denomination of the Bank's capital, reserves and provisions and for drawing up the balance sheet and financial statements. The EIB then began offering loans denominated and disbursed in ECUs, the attraction to clients being the inherent stability of the unit and hence a reduced exposure to exchange rate movements.

The first lending in ECUs began in July 1981 and increased pace so that by end-1982, total ECU-denominated loan disbursements came to 356 million ECUs, relating to 43 projects. The chief beneficiaries were public bodies in France, Italy, Greece and Ireland, mainly for financing infrastructure or agricultural development schemes.

The EIB has a strong interest in fostering the development of a long-term ECU capital maket so that it has a constant flow of resources to meet demand. The Bank was the first European Community organisation to make a public issue in ECUs, when this activity commenced in 1981.

The principal characteristics of issues of this kind are: the definition of the ECU as an "open basket", which means that it at all times corresponds with the European Monetary System definition; net proceeds of the issue are credited to an ECU-denominated account, which obliges the subscriber to pay in ECUs and the borrower to make service payments in ECUs by crediting to the bondholder sums due as interest or repayment of principal by means of a transfer to an ECU account.

By end-1982, the EIB had launched operations for a cumulative amount of 197·2 million ECUs, making the Bank the largest issuer on the international ECU market. Through its treasury operations the EIB has also helped to establish and consolidate a short-term ECU money market.

The Bank's ECU lending rates are set periodically, as for other currencies, according to the evolution of borrowing costs on the capital market; in practice the rates are usually at levels close to the weighted average for the currencies making up the ECU.

Denmark, France, Greece, Ireland, Italy and the United Kingdom — were operating exchange risk cover schemes aimed at facilitating access to finance for enterprises (particularly small and medium-scale firms) setting up or expanding in Assisted Areas. Exchange risk cover has been extended in some countries to further lending for energy rationalisation in industry and in connection with the New Community Instrument global loans for financing small and medium-scale ventures in non-Assisted Areas.

Participations in EIB loans

The European Investment Bank has consistently tried to widen its appeal to different categories of investors and meet increasingly sophisticated requirements. Apart from its variety of public issues and private placings, the Bank also offers the possibility to acquire participations in its own loans. By end-1982 the Bank had raised a total of almost 530 million ECUs in this way.

The EIB's Statute has always empowered the Bank to dispose of claims to third parties as a means of raising money. The formula of participations in loans is one to which the World Bank has had quite wide recourse. There is an important difference, however, with EIB operations of this nature because all the participations carry the Bank's own guarantee as to payment of both principal and interest.

Participations in loans are useful to investors looking for a prime signature placing in currencies and over terms that may not be readily available on the capital markets. This could be a question of the banking system itself, for example, looking for short or medium-term sure investments to set against deposits placed by customers with the same maturity dates. Institutional investors known for the long-term nature of their commitments, e.g. insurance companies and pension funds, may wish an investment precisely tailored to their actuarial requirements.

Participations have the advantage in such cases of being *ad hoc* operations, available at any time, with considerable possibilities for meeting varying needs in amount, currency and maturity.

Since the first participation certificates were allotted in 1972, the Bank has carried out 96 such operations, in most of the currencies which it regularly handles, over terms of between 2 and 20 years and in amounts ranging from about 2 million to 25 million ECUs.

Participations in loans may relate to one or more due dates in a loan repayment schedule, or to all instalments throughout the life of a loan. The former type may be assigned at any time following the EIB's disbursement of a loan, whereas the latter participations are allotted only before or at the disbursement of the loan concerned. Participations may be transferred, in whole or in part, from the original investor to others, with the Bank's assent.

There is an aspect of importance in terms of the Bank's direct relations with the borrower of a loan in which a participation is allotted. Although the participant in the loan has a stake in the debt owed to the EIB, the handling of that debt remains contractually entirely with the Bank. Should there ever be a problem, the Bank would represent the participant's interest as well as its own.

The people, the organisation

The capital structure and financial resources which the EIB has to carry out its tasks have been discussed in some detail. Human resources are certainly no less important.

One of the Bank's strengths (in common with other Community institutions) lies in the fact that it brings together, and benefits from, professional experience drawn from 10 countries. The daily working relationships, at all levels, are a microcosm of the kind of European cooperation which the Treaty of Rome stands for; they have been greatly facilitated by the grouping of activities under one roof, in the new headquarters building in Luxembourg.

The management

More formally, another strength lies in the EIB's organisational structure which places the Bank under the overall control of the Member States but gives it, at the operational level, free exercise of economic and banking judgement to fulfil its tasks to the best effect.

There is a three-tier management. At the top is the **Board of Governors,** whose members are Government Ministers, one from each Member State, usually the Minister responsible for finance. The Governors lay down general guidelines on credit policy, approve the balance sheet and annual report, decide on capital increases, appoint the Directors, Members of the Management Committee and Audit Committee. The office of Chairman is for one year (from one annual meeting to the next) and is held by each Member of the Board in rotation, according to the alphabetical order of the names of the Member States. For the year 1983/84 the Netherlands Governor is Chairman.

The **Board of Directors** consists of 19 Members (18 nominated from the 10 Member States and 1 by the Commission of the European Communities) and 11 Alternates (10 nominated from the Member States, 1 by the Commission).

France, Germany, Italy and the United Kingdom each nominate three Directors and two Alternates; Belgium, Denmark, Greece, Ireland, Luxembourg and the Netherlands each nominate one Director; one Alternate is nominated by common accord of the Benelux countries, and one by common accord of Denmark, Greece and Ireland.

The appointments are decided on the grounds of professional experience. Those chosen are typically heads of public credit institutions or banks, or senior officials from finance, economics or industry ministries. Notwithstanding their national commitments, they are responsible only towards the EIB when acting in their capacity as Directors. They are appointed by the Board of Governors for terms of five years, which may be renewable.

The Board of Directors has sole power to decide on the granting of loans or guarantees, on the raising of loans and the fixing of interest rates. It is charged with ensuring that the EIB is managed in accordance with the provisions of the Treaty of Rome and of the Bank's Statute, which forms an integral part of the Treaty, and with the Governors' general directives; it must submit the annual report on the Bank's activities for the Governors' approval.

On average, the Directors meet every six weeks. Alternates normally attend but have no vote unless they replace an absent Director. The President of the EIB, or in his absence one of the Vice-Presidents, presides over meetings but does not vote.

While decisions to borrow and lend belong to the Directors, they act only on proposals from the Bank's **Management Committee,** which consists of the Bank's President and five Vice-Presidents, appointed by the Board of Governors on a proposal by the Board of Directors for six-year terms, which are renewable.

The Management Committee is the Bank's full-time operational controller, running all current affairs. The point that the Board of Directors acts on proposals from the Committee is significant. It means that loan recommendations come up, on the judgement of the Management Committee, and are not handed down. The Committee itself requires a full appraisal from the staff before coming to its own decision whether to recommend a loan or not.

The present Management Committee has been chaired since 1970 by Yves Le Portz, who joined the Bank as Vice-President in 1962. An Inspecteur Général des Finances, Mr Le Portz pursued a distinguished career in French financial and economic administration before coming to the EIB. Among other positions, he was France's Delegate to the United Nations Economic and Social Council and, from 1958 to 1962, Director-General of Finance, Algeria.

The five Vice-Presidents are Horst-Otto Steffe (since 1972), former Manager of the EIB's Research Directorate, prior to that holding a number of senior positions at the Commission in Brussels, concerned with economic and monetary policies; C. Richard Ross (since 1978), previously Deputy Secretary, Central Policy Review Staff ("Think Tank"), UK Government Cabinet Office; Arie Pais (appointed 1982), former Minister of Education and Science in the Netherlands and Member of the First Chamber of the Parliament; Lucio Izzo (appointed 1982), former Economic Adviser to the Minister of the Treasury, Rome, and before that Economic Adviser to the Minister of the Budget; Noel

Whelan (appointed 1982), former Secretary, Department of the Taoiseach (Prime Minister), Dublin, and Chairman of the National Economic and Social Council.

In addition, there is a three-man **Audit Committee** (in practice the Members are officials responsible for auditing public accounts in Member Countries) which verifies that the operations of the Bank have been conducted and its books kept in a proper manner.

The structure given here is that effective since 1 January 1981 when Greece joined the Community and became the EIB's 10th Member. The original version of the Bank's Statute, drawn up in 1957 with six States in mind, put the number of Governors at 6, the Directors at 12 (each with an Alternate) and the number of Members of the Management Committee at 3 (the President and two Vice-Presidents).

The 25 years have seen 78 Ministers nominated as Governors and service rendered by 109 Directors and Alternate Directors, three Presidents, 14 Vice-Presidents and 10 Members of the Audit Committee. The lists on pages 106-115 give their names and periods of service.

The staff

All the **personnel** employed by the EIB — who, incidentally, do not have the civil servant status as in other Community institutions; they are Bank employees — are nationals of Community Member Countries.

They come from a wide range of backgrounds including the commercial banking sector, central banks and public credit institutions, national and international aid agencies, industry and government. At end-1982, there were 561 people, including a small staff at the Bank's Department for Italy in Rome, the representative office in Brussels and the United Kingdom Liaison Office in London.

Staffing of the Bank in relation to the total volume of its lending activities has evolved as follows:

	Number of staff	Financing operations (in million ECUs (¹))
1960	86	25·4
1965	139	109·0
1970	196	354·3
1975	354	1 006·5
1980	500	3 498·5
1981	528	3 848·1
1982	561	4 695·7

(¹) Figures do not include Euratom loans, for which the Bank nonetheless carries out the loan appraisal and management work.

Approximately 40 % of the present staff hold executive functions, 60 % are non-executive personnel, secretaries and technicians.

Of the 245 women employed by the Bank at end-1982 (44 % of the staff), 16 held executive posts, while 229 were engaged in non-executive and secretarial work. A more representative participation of women in senior posts, in line with modern attitudes, is one of the Bank's personnel management objectives.

The EIB attaches much importance to on-going professional training. In 1982 alone almost 120 people participated in seminars or followed technical or professional training courses; some 230 people attended language courses.

Staff representation to the Bank's administration is entrusted to nine people, elected by the personnel through secret ballot.

The new headquarters

The Bank moved to its own purpose-built headquarters in Boulevard Konrad Adenauer — close to the offices of other Community institutions: the European Parliament, the Commission and the Court of Justice — in the Autumn of 1980.

Previously, the EIB had always rented premises, never entirely satisfactory. It started off in 1958 with temporary offices in Brussels, offered by the Banque Nationale de Belgique — Nationale Bank van België and moved twice to larger accommodation in the city.

In 1968 the EIB was asked to transfer to Luxembourg as part of a general reorganisation following the Treaty establishing a single Council and a single Commission of the European Communities (previously there had been separate bodies for the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community) and the concomitant decision of Member States' representatives on location of Community institutions. Luxembourg became the site for most of the Community's credit and investment activities.

The Bank moved to 2, Place de Metz which since 1952 had been the seat of the High Authority of the European Coal and Steel Community (most of whose services went to Brussels). To cope with expansion it was obliged to additionally occupy 11 other premises in Luxembourg by the time it moved to the new building in 1980.

The EIB was the first Community institution to directly handle the construction of its own headquarters. The purchase of the site on the Kirchberg plateau was agreed to by the Luxembourg Government and the contract between the Grand Duchy and the Bank concluded in November 1972.

An architectural competition was organised and some 40 architects were suggested to the Bank by the professional associations in the then six Member Countries of the Community. Four bureaux, of French, German, Italian and Dutch architects, were asked to submit their works to an international jury (members: Jørgen Bo, Copenhagen; Marcel Breuer, New York and Paris; Paul Waltenspuhl, Zurich and Geneva).

Although the plans enabled a certain number of ideas to be aired, none met the Bank's needs fully. As three new Member Countries joined the Community on 1 January 1973 it was decided to widen the search. This led to the appointment of Denys Lasdun and Partners of London in June 1973 as the Architects, with the first brief to study the site and recommend the volume of building and subsequently to lead the team that designed and supervised the construction.

The building has brought together the work of design, engineering, construction and equipment firms from throughout the Community. Looking to possible future staffing requirements, it is large enough for 800-1 000 people, but at present about a quarter is let to the European Parliament's General Secretariat.

The building was officially inaugurated on 20 May 1981 in the presence of His Royal Highness Jean, Grand Duke of Luxembourg.

Governors of the European Investment Bank

(1958 — May 1983)

Belgium	Henri LIEBAERT, Minister van Financiën	January 1958 — June 1958
	Jean VAN HOUTTE, Minister van Financiën	June 1958 — April 1961
	André DEQUAE, Minister van Financiën	April 1961 — July 1965
	Gaston EYSKENS, Minister van Financiën	July 1965 — March 1966
	Robert HENRION, Ministre des Finances	March 1966 — June 1968
	Baron SNOY et d'OPPUERS, Ministre des Finances	June 1968 — January 1972
	André VLERICK, Minister van Financiën	January 1972 — January 1973
	Willy DE CLERCQ, Minister van Financiën	January 1973 — June 1977
	Gaston GEENS, Minister van Financiën	June 1977 — May 1980
	Robert HENRION, Ministre des Finances	May 1980 — June 1980
	Paul HATRY, Ministre des Finances	June 1980 — October 1980
	Mark Frans EYSKENS, Minister van Financiën	October 1980 — April 1981
	Robert VANDEPUTTE, Minister van Financiën	April 1981 — December 1981
	Willy DE CLERQ, Vice-Eerste Minister, Minister van Financiën en Minister van Buitenlandse Handel	December 1981 —
Denmark	Per HÆKKERUP, Økonomi- og Budgetminister	January 1973 — October 1973
	Knud HEINESEN, Finansminister	October 1973 — December 1973
	Anders ANDERSEN, Finansminister	December 1973 — February 1975
	Knud HEINESEN, Finansminister	February 1975 — October 1979
	Svend JAKOBSEN, Finansminister	October 1979 — December 1981
	Knud HEINESEN, Finansminister	December 1981 — September 1982
	Henning CHRISTOPHERSEN, Finansminister	September 1982 —
Germany	Franz ETZEL, Bundesminister der Finanzen	January 1958 — November 1961
	Heinz STARKE, Bundesminister der Finanzen	November 1961 — December 1962
	Rolf DAHLGRÜN, Bundesminister der Finanzen	December 1962 — November 1966
	Franz-Josef STRAUSS, Bundesminister der Finanzen	December 1966 — October 1969
	Alex MÖLLER, Bundesminister der Finanzen	October 1969 — May 1971
	Karl SCHILLER, Bundesminister für Wirtschaft und Finanzen	May 1971 — July 1972
	Helmut SCHMIDT, Bundesminister der Finanzen	July 1972 — May 1974
	Hans APEL, Bundesminister der Finanzen	May 1974 — February 1978
	Hans MATTHÖFER, Bundesminister der Finanzen	February 1978 — April 1982
	Manfred LAHNSTEIN, Bundesminister der Finanzen	April 1982 — October 1982
	Gerhard STOLTENBERG, Bundesminister der Finanzen	October 1982 —
France	Pierre PFLIMLIN, Ministre des Finances, des Affaires Économiques et du Plan	January 1958 — May 1958
	Edgar FAURE, Ministre des Finances, des Affaires Économiques et du Plan	May 1958 — June 1958
	Antoine PINAY, Ministre des Finances et des Affaires Économiques	June 1958 — January 1960

France *(cont'd)*	Wilfrid BAUMGARTNER, Ministre des Finances et des Affaires Économiques	January 1960 — January 1962
	Valéry GISCARD d'ESTAING, Ministre de l'Économie et des Finances	January 1962 — January 1966
	Michel DEBRÉ, Ministre de l'Économie et des Finances	January 1966 — May 1968
	Maurice COUVE de MURVILLE, Ministre de l'Économie et des Finances	June 1968 — July 1968
	François-Xavier ORTOLI, Ministre de l'Économie et des Finances	July 1968 — June 1969
	Valéry GISCARD d'ESTAING, Ministre de l'Économie et des Finances	June 1969 — May 1974
	Jean-Pierre FOURCADE, Ministre de l'Économie et des Finances	May 1974 — August 1976
	Michel DURAFOUR, Ministre délégué auprès du Premier Ministre, chargé de l'Économie et des Finances	August 1976 — March 1977
	Robert BOULIN, Ministre délégué à l'Économie et aux Finances	March 1977 — April 1978
	René MONORY, Ministre de l'Économie	April 1978 — May 1981
	Jacques DELORS, Ministre de l'Économie, des Finances et du Budget	May 1981 —
Greece	Ioannis PALEOCRASSAS, Alternate Minister of Coordination	January 1981 — October 1981
	Apostolos LAZARIS, Minister of Coordination	October 1981 — July 1982
	Gerassimos ARSENIS, Minister of National Economy	July 1982 —
Ireland	George COLLEY, Minister for Finance	January 1973 — March 1973
	Richie RYAN, Minister for Finance	March 1973 — June 1977
	George COLLEY, Minister for Finance	June 1977 — December 1979
	Michael O'KENNEDY, Minister for Finance	December 1979 — December 1980
	Gene FITZGERALD, Minister for Finance	December 1980 — June 1981
	John BRUTON, Minister for Finance	June 1981 — March 1982
	Ray MacSHARRY, Deputy Prime Minister, Minister for Finance	March 1982 — December 1982
	Alan DUKES, Minister for Finance	December 1982 —
Italy	Giuseppe MEDICI, Ministro del Tesoro	January 1958 — February 1959
	Fernando TAMBRONI, Ministro del Bilancio, Ministro del Tesoro a.i.	February 1959 — March 1960
	Paolo Emilio TAVIANI, Ministro del Tesoro	April 1960 — February 1962
	Roberto TREMELLONI, Ministro del Tesoro	February 1962 — June 1963
	Emilio COLOMBO, Ministro del Tesoro	June 1963 — August 1970
	Mario FERRARI AGGRADI, Ministro del Tesoro	August 1970 — February 1972
	Emilio COLOMBO, Ministro del Tesoro	February 1972 — June 1972
	Giovanni MALAGODI, Ministro del Tesoro	June 1972 — July 1973
	Ugo LA MALFA, Ministro del Tesoro	July 1973 — March 1974
	Emilio COLOMBO, Ministro del Tesoro	March 1974 — July 1976
	Gaetano STAMMATI, Ministro del Tesoro	July 1976 — March 1978
	Filippo Maria PANDOLFI, Ministro del Tesoro	March 1978 — October 1980
	Beniamino ANDREATTA, Ministro del Tesoro	October 1980 — December 1982
	Giovanni Guiseppe GORIA, Ministro del Tesoro	December 1982 —

Luxembourg	Pierre WERNER, Président du Gouvernement, Ministre d'État	January 1958 — June 1974
	Raymond VOUEL, Vice-Président du Gouvernement, Ministre des Finances	June 1974 — August 1976
	Jacques POOS, Ministre des Finances	August 1976 — July 1979
	Pierre WERNER, Président du Gouvernement, Ministre d'État	July 1979 —
Netherlands	H. J. HOFSTRA, Minister van Financiën	January 1958 — December 1958
	J. ZIJLSTRA, Minister van Financiën	January 1959 — August 1963
	H. J. WITTEVEEN, Minister van Financiën	August 1963 — May 1965
	A. VONDELING, Minister van Financiën	May 1965 — December 1966
	J. ZIJLSTRA, Minister van Financiën	December 1966 — April 1967
	H. J. WITTEVEEN, Minister van Financiën	April 1967 — July 1971
	R. J. NELISSEN, Minister van Financiën	July 1971 — May 1973
	W. F. DUISENBERG, Minister van Financiën	May 1973 — November 1977
	F. H. J. J. ANDRIESSEN, Minister van Financiën	November 1977 — February 1980
	Fons van der STEE, Minister van Financiën	March 1980 — November 1982
	H. Onno RUDING, Minister van Financiën	November 1982 —
United Kingdom	Anthony BARBER, Chancellor of the Exchequer	January 1973 — March 1974
	Denis HEALEY, Chancellor of the Exchequer	March 1974 — May 1979
	Geoffrey HOWE, Chancellor of the Exchequer	May 1979 —

Members of the Board of Directors
(1958 — May 1983)

*Directors
**Alternates

A	Michel ALBERT, Director, Directorate-General for Economic and Financial Affairs, Commission of the European Communities — Brussels	**June 1966 — June 1969
	Paul ARLMAN, Plaatsvervangend Directeur Buitenlandse Financiële Betrekkingen, Ministerie van Financiën — The Hague	*June 1981 —
B	Aldo BALDARI, Ispettore Generale del Tesoro, Ispettorato Generale per i Rapporti Finanziari con l'Estero (IRFE), Ministero del Tesoro — Rome	**May 1963 — December 1972
	Roger BARNES, Assistant Chief Cashier, Bank of England — London	**July 1975 — July 1977
	Alfred BECKER, Sprecher des Vorstands der Kreditanstalt für Wiederaufbau — Frankfurt	*June 1973 — August 1980
	Günther BERGAN, Ministerialrat, Bundesministerium für Wirtschaft — Bonn	**January 1958 — July 1958
	Friedrich BERNARD, Ministerialrat, Bundesministerium der Finanzen — Bonn	**May 1962 — June 1973
	François BLOCH-LAINÉ, Directeur Général de la Caisse des Dépôts et Consignations — Paris	**January 1958 — June 1966 *June 1966 — September 1967
	Franco BOBBA, Director-General for Economic and Financial Affairs, Commission of the European Communities — Brussels	*July 1958 — February 1967
	Sjoerd BOOMSTRA, Directeur Buitenlandse Betalingsverkeer, Ministerie van Financiën — The Hague	**January 1958 — September 1959 *September 1959 — September 1970
	Roger BOYER, Administrateur de la Banque Française du Commerce Extérieur, Membre du Conseil National du Crédit — Paris	**January 1958 — May 1968
	Frédéric BOYER de la GIRODAY, Director, Directorate-General for Economic and Financial Affairs, Commission of the European Communities — Brussels	**January 1970 — June 1973
	Sven BOYER-SØGAARD, Prokurist, Danmarks Nationalbank — Copenhagen	**February 1981 —
	Karl BREDAHL, Afdelingschef, finansministeriet — Copenhagen	*June 1977 —
	Ernst-Günther BRÖDER, Sprecher des Vorstands der Kreditanstalt für Wiederaufbau — Frankfurt	*September 1980 —
C	Michel CAMDESSUS, Directeur du Trésor, Ministère de l'Économie, des Finances et du Budget — Paris	**June 1971 — May 1982 *May 1982 —
	Alberto CAPANNA, Direttore Generale della Finsider — Rome	**January 1958 — May 1968
	Giorgio CAPPON, Direttore Generale, Banca per Finanziamenti a Medio e Lungo Termine S.p.A. — Interbanca — Milan	*February 1972 —
	Bernard CLAPPIER, Président du Crédit National — Paris	*January 1973 — July 1974
D	Leo DE BLOCK, Directeur-generaal, Ministerie van Economische Zaken — The Hague	*January 1958 — September 1959
	Daniel DEGUEN, Chef de Service, Direction du Trésor, Ministère de l'Économie et des Finances — Paris	*September 1967 — May 1971

D	Jacques de LAROSIÈRE de CHAMPFEU, Chef du Service des Affaires Internationales, Direction du Trésor, Ministère de l'Économie et des Finances — Paris	*June 1971 — November 1973
	André de LATTRE, Président du Crédit National — Paris	*May 1962 — June 1966 *July 1974 —August 1982
	Jean-Paul DELCOURT, Chef du Service du Financement, Commissariat Général du Plan — Paris	*January 1958 — October 1961
	Raymond DENUCÉ, Directeur Gérant honoraire du Crédit Communal de Belgique — Brussels	*January 1958 — June 1976
	Giuseppe DI NARDI, Presidente della S.p.A. Navalmeccanica — Rome	**January 1958 — May 1963 *May 1963 — May 1968
	Roberto DUCCI, Ambasciatore, Ministero degli Affari Esteri — Rome	*January 1958 — May 1968
	Walter DUDEK, Senator der Finanzen a. D. — Hamburg	**January 1958 — May 1968
	Antoine DUPONT-FAUVILLE, Directeur, Crédit National — Paris	**April 1971 — October 1972
	Louis DUQUESNE de la VINELLE, Director, Directorate-General for Economic and Financial Affairs, Commission of the European Economic Community — Brussels	**January 1958 — November 1960
E	Maurits ESSELENS, Directeur Général de la Trésorerie, Ministère des Finances — Brussels	**January 1974 — June 1976 *June 1976 — September 1976
	Pierre ESTÉVA, Directeur de Cabinet, Ministère du Développement Industriel et de la Recherche Scientifique — Paris	**May 1968 — April 1971
F	Fritz FECHNER, Ministerialdirektor, Bundesministerium der Finanzen — Bonn	*October 1961 — June 1966
	Christopher FOGARTY, Deputy Secretary (Overseas Finance A), H.M. Treasury — London	*January 1973 — January 1976
	René FRANCK, Commissaire au Gouvernement — Luxembourg	**January 1958 — November 1959
	Jacques FRIEDMANN, Chef du Service du Financement, Commissariat Général du Plan d'Équipement et de la Productivité — Paris	**March 1967 — June 1973
	Lionello FRONZONI, Ex-Direttore, Banca d'Italia — Rome	**May 1963 —
G	Paul GAUDY, Inspecteur Général, Ministère des Finances — Brussels	**September 1970 — December 1973
	Edward A. J. GEORGE, Assistant Director, Bank of England — London	**August 1977 — November 1980
	Salvatore GUIDOTTI, Presidente dell'Istituto Italiano per lo Studio della Congiuntura (ISCO) — Rome	*May 1968 —
	Pierre GUILL, Président-Directeur honoraire de la Caisse d'Épargne de l'État — Luxembourg	**November 1959 — January 1973 *January 1973 —
H	Jean-Yves HABERER, Directeur du Trésor, Ministère de l'Économie et des Finances — Paris	*November 1973 — April 1982
	David HANCOCK, Deputy Secretary (Overseas Finance), H.M. Treasury — London	*February 1980 — January 1982
	Wilhelm HANEMANN, Ministerialdirigent, Bundesministerium für Wirtschaft — Bonn	**January 1967 — June 1970
	Winfried HECK, Ministerialdirigent, Bundesministerium der Finanzen — Bonn	**March 1980 —
	Mary E. HEDLEY-MILLER, Under-Secretary, European Community Group, H.M. Treasury — London	**August 1977 —
	Erik HOFFMEYER, Formand for direktionen for Danmarks Nationalbank — Copenhagen	*January 1973 — June 1977
	Maurice HORGAN, Former Second Secretary, Department of Finance — Dublin	*November 1976 —

J	Norman JORDAN-MOSS, Deputy Secretary (Overseas Finance A), H.M. Treasury — London	*January 1976 — January 1980
	Philippe JURGENSEN, Chef du Service des Affaires Internationales, Direction du Trésor, Ministère de l'Économie, des Finances et du Budget — Paris	**November 1982 —
K	Alfred KUBEL, Ministerpräsident des Landes Niedersachsen — Hannover	**May 1968 — June 1973
L	René LARRE, Conseiller Financier près l'Ambassade de France aux États-Unis — Washington	*January 1958 — October 1961
	Robert LION, Directeur Général de la Caisse des Dépôts et Consignations — Paris	*August 1982 —
	J. Geoffrey LITTLER, Deputy Secretary (Overseas Finance), H.M. Treasury — London	**January 1973 — July 1977 *January 1982 — February 1983
	IJ. A. LOOIJEN, Directeur Buitenlandse Financiële Betrekkingen, Ministerie van Financiën — The Hague	*December 1970 — December 1976
	Pierre LUCION, Chef de cabinet, Commission of the European Economic Community — Brussels	*January 1958 — July 1958
M	P. C. MAAS, Ex-President-Directeur van de Nationale Investeringsbank N.V. — The Hague	**January 1977 — June 1982
	Herbert MARTINI, Mitglied des Vorstands der Kreditanstalt für Wiederaufbau — Frankfurt	*January 1958 — June 1973
	Pierre MATHIJSEN, Director General for Regional Policy, Commission of the European Communities — Brussels	**June 1977 —
	Jean-Pierre METTAS, Sous-Directeur, Direction du Trésor, Ministère de l'Économie et des Finances — Paris	**May 1968 — January 1971
	Ludovicus MEULEMANS, Inspecteur-generaal van de administratie der Thesaurie, Ministerie van Financiën — Brussels	*October 1976 —
	Gastone MICONI, Direttore Generale del Tesoro, Ministero del Tesoro — Rome	*October 1970 — October 1975
	Pierre MILLET, Director, Directorate-General for Internal Market, Commission of the European Economic Community — Brussels	**November 1960 — February 1962
	Horst MOLTRECHT, Ministerialdirektor i.e.R., Bundesministerium für wirtschaftliche Zusammenarbeit — Bonn	**August 1977 —
	Ugo MORABITO, Ministro Plenipotenziario, Ministero degli Affari Esteri — Rome	**May 1969 — June 1973
	Rudolf MORAWITZ, Ministerialdirigent, Bundesministerium für Wirtschaft — Bonn	**June 1973 — August 1977 *August 1977 —
	Ugo MOSCA, Director General for Economic and Financial Affairs, Commission of the European Communities — Brussels	*February 1967 — August 1979
	Sotiris MOUSOURIS, Vice-Governor, Hellenic Industrial Development Bank (ETBA) — Athens	*February 1982 — January 1983
	Anne E. MUELLER, Deputy Secretary, Department of Industry — London	*February 1978 —
	Alfred MÜLLER-ARMACK, Staatssekretär, Bundesministerium für Wirtschaft — Bonn	*January 1958 — August 1977
	Waldemar MÜLLER-ENDERS, Ministerialdirigent, Bundesministerium der Finanzen — Bonn	**June 1970 — March 1980 *March 1980 —
	Sean F. MURRAY, Assistant Secretary, Department of Finance — Dublin	*January 1973 — October 1976

N	John Edward NASH, Director, Directorate-General for Economic and Financial Affairs, Commission of the European Communities — Brussels	**June 1973 — December 1976
	David NENDICK, Assistant Chief Cashier, Bank of England — London	**January 1973 — July 1975
	Ludovico NUVOLONI, Direttore Generale del Tesoro, Ministero del Tesoro — Rome	*May 1968 — October 1970
P	Tommaso PADOA-SCHIOPPA, Director General for Economic and Financial Affairs, Commission of the European Communities - Brussels	*September 1979 — February 1983
	Mario PENNACHIO, Consulente della Banca d'Italia, Consigliere Finanziario dell'Ambasciata d'Italia presso la Confederazione Elvetica — Paris	**January 1958 — May 1963
	Maurice PÉROUSE, Directeur Général de la Caisse des Dépôts et Consignations — Paris	**January 1958 — October 1961 *October 1961 — July 1982
	Ian PLENDERLEITH, Head of Gilt-edged Division, Bank of England — London	**December 1980 —
	André POSTEL-VINAY, Directeur Général de la Caisse Centrale de Coopération Économique — Paris	**June 1966 — May 1968 *May 1968 — January 1973
	Alain PRATE, Director General for Internal Market, Commission of the European Economic Community — Brussels	**February 1962 — June 1966
	Raymond PROSSER, Deputy Secretary, Department of Industry — London	*January 1973 — January 1978
R	Hans RANNOW, Ministerialdirektor, Bundesministerium der Finanzen — Bonn	*June 1966 — September 1970
	Rupert RAW, Former Adviser to the Governor, Bank of England — London	*January 1973 — September 1981
	Jean RIPERT, Commissaire général adjoint du Plan d'Équipement et de la Productivité — Paris	**January 1963 — March 1967
	Yves ROLAND-BILLECART, Directeur Général de la Caisse Centrale de Coopération Économique — Paris	**January 1973 —
	Felice RUGGIERO, Direttore Generale del Tesoro, Ministero del Tesoro — Rome	*October 1977 — April 1982
	Massimo RUSSO, Director General for Economic and Financial Affairs, Commission of the European Communities — Brussels	*April 1983 —
S	Jean SALTES, Président Directeur Général du Crédit National — Paris	*February 1964 — May 1968
	Pasquale SARACENO, Direttore Centrale dell'Istituto per la Ricostruzione Industriale — Rome	*January 1958 — May 1963
	Jean R. SADRIN, Directeur des Finances Extérieures, Ministère des Finances et des Affaires Économiques — Paris	*October 1961 — May 1962
	Jean SAINT-GEOURS, Président du Crédit National — Paris	*September 1982 —
	Mario SARCINELLI, Direttore Generale del Tesoro, Ministero del Tesoro — Rome	*April 1982 —
	Pierre-Paul SCHWEITZER, Sous-Gouverneur de la Banque de France — Paris	*January 1958 — February 1964
	Stefano SIGLIENTI, Presidente dell'Istituto Mobiliare Italiano, Presidente dell'Associazione Bancaria Italiano — Rome	*January 1958 — April 1971
	Hans SKRIBANOWITZ, Director General, High Authority of the European Coal and Steel Community — Luxembourg	*January 1958 — November 1961

S	Ioannis SPENTZAS, Governor, National Mortgage Bank of Greece — Athens	*January 1981 — January 1982
	Savino SPINOSI, Direttore Generale, Ministero del Tesoro — Rome	**January 1973 —
T	Stavros THOMADAKIS, Special Adviser to the Minister for national Economy, Ministry of national Economy — Athens	*February 1983 —
	Girolamo TROTTA, Ambasciatore, Ministero degli Affari Esteri — Rome	**May 1968 — May 1969
U	James Brian UNWIN, Deputy Secretary (Overseas Finance), H.M. Treasury — London	*February 1983 —
V	Jan VANORMELINGEN, Adviseur bij de administratie der Thesaurie, Ministerie van Financiën — Brussels	**July 1982 —
	B. F. van ITTERSUM, Directeur Buitenlandse Financiële Betrekkingen, Ministerie van Financiën — The Hague	**September 1976 — December 1976 *January 1977 — June 1981
	Ferdinando VENTRIGLIA, Direttore Generale del Tesoro, Ministero del Tesoro — Rome	*October 1975 — September 1977
	Ernst vom HOFE, Ministerialdirigent, Bundesministerium für Wirtschaft — Bonn	**March 1958 — January 1967
	Joachim von SPINDLER, Ministerialdirektor, Bundesministerium der Finanzen — Bonn	*January 1958 — October 1961
	Otto Willem VOS, Directeur Financiëringen en Coördinatie Oorlogsschade, Ministerie van Financiën — The Hague	**September 1959 — September 1970 *September 1970 — December 1970
W	Hans-Herbert WEBER, Ministerialdirektor, Bundesministerium der Finanzen — Bonn	*September 1970 — December 1979
	Malcolm WILCOX, Director, Midland Bank p.l.c. — London	*September 1981 —

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Further information may be obtained from the

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