

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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EUROPEAN INVESTMENT BANK: MORE THAN \$1 BILLION IN COMMUNITY LOANS IN 1976

Financing operations by the European Investment Bank within the nine states of the European Community passed 1 billion units of account (on July 6, 1 u.a. = about \$1.14), more than \$1 billion, for the first time in 1976, according to the bank's annual report released last month.

The EIB, an independent public institution created by the Treaty of Rome to contribute to the balanced development of the Common Market, signed loans and guarantee contracts for a total of more than 1.27 billion units of account in 1976, compared with slightly more than 1 billion u.a. in 1975 and 996 million in 1974. New financing operations within the Community comprised 85.3 per cent of the year's business, or 1.086 billion u.a.. Ordinary operations outside the Community amounted to 142.4 million u.a., and special operations (loans on special conditions and contributions to risk capital from member states) comprised 44.9 million u.a..

INTRA-COMMUNITY : REGIONAL DEVELOPMENT

The bank's financing activity within the Community, mostly in support of regional development, showed an increase of 18.4 per cent over 1975 and contributed to a total investment of close to 7 billion u.a. Almost 80 per cent of this investment, or 820 million u.a., was for projects in Britain, Italy and Ireland, those countries in the Community that are currently faced with the most serious economic imbalances.

Of the regionally oriented projects, 42.3 per cent were in Italy, 35.2 per cent in Britain and 7 per cent in Ireland.

In Italy, these included three loans in Apulia for extension of telephone installations, improvement of port facilities and road and rail links within Manfredonia and Taranto, plus another three loans for industrial projects -- a petrochemicals complex at Manfredonia, a high-speed diesel engines plant at Fogaia and the expansion of a heavy sheet-grading and cutting works at Taranto. The total Mezzogiorno financing, including

63.7 million u.a. in Sicily, for 1976 amounted to 318 million u.a. In the Alto Metaponto region, the bank loaned 30.1 million u.a. for a 24,000-hectare irrigation scheme; in Calabria, 3.3 million u.a. was loaned to modernize an electrolytic zinc plant, and 15 million u.a. was loaned to a Campania operation that is to reduce pollution in the bay of Naples. Other financing included a global loan for 5.2 million u.a. for reconstruction of small and medium-scale industries in Friuli that had been destroyed by earthquakes in 1976. The total investments in Italy are expected to lead to the creation of some 3,500 jobs.

In Britain, where unemployment and inflation continue at a high rate, loans amounting to 288.8 million u.a. were granted for projects in regional development. Britain received a total of 417.6 million u.a. in EIB-financed activities, for the first time heading the list of the bank's borrowers.

These loans involved a gasline project in Scotland and the north of England, telecommunications in Scotland, expanding and modernizing British Steel Corporation installations at Consett and Workington, and the installation of new coking-coal handling, storage and blending facilities for the Port Talbot iron and steel complex in Wales. Using EIB funds, water supply systems were improved in Lancashire, in northwest England, and in Cornwall, in the southwest. A loan of 19.7 million u.a. was granted to the British Railways Board to construct prototype trains that are expected to allow speedier travel between London, northwest England and Scotland.

In Ireland, loans totaling 57.4 million u.a. went for an agricultural ammonia and urea plant near Cork, for nationwide telecommunications improvements and for peat bog exploitation to fire power stations, a plan that is to create more than 800 permanent jobs.

Among other Community nations, loans were granted for telecommunications improvements in west and central France, to finance small and medium-scale industrial ventures in Belgium and Denmark, for a power station in the Dutch province of Limburg, and to modernize steelworks in Germany's Saarland.

The 113 regional industrial investments that the bank helped to finance in 1976 have an estimated total cost of more than 1 billion u.a. and are expected to result in the direct creation of about 10,000 jobs and the safeguarding of a further 7,500 jobs.

In addition to loans of interest to a particular member state, the EIB also granted 19 loans and furnished three guarantees -- for a total of 438.6 million u.a., or 40.4 per cent of all its financing operations within the Community -- on projects of common interest to several member states.

The bulk of these operations were connected with projects aimed at improving the Community's energy supplies, mainly through the development of oil, gas and peat resources (63.8 million u.a.), transport of natural gas (128.9 million u.a.), working a uranium deposit and construction of a nuclear power station (together, 111.3 million u.a.), and a pumped storage power station (42 million u.a.). The EIB advanced 70.4 million u.a. for three projects to develop North Sea oilfields and 78.8 million u.a. for two projects to extend the North Sea gasline network.

In a sectoral breakdown of the bank's activities, 788.2 million u.a. was spent for infrastructure, of which 376.5 million u.a. was concerned with energy development, 200 million u.a. for telecommunications, 107.2 million u.a. for railways and shipping, and 104.4 million u.a. for water supply and irrigation. The bank thus continued an emphasis on energy projects that has been apparent since the 1973-74 oil crisis. Operations supporting industrial investments increased in 1976, to 297.8 million u.a., amounting to 27.4 per cent of all Community loans as compared to 15.1 per cent in 1975.

EXTRA-COMMUNITY : AID TO PORTUGAL, ENERGY PROJECTS

Financing operations outside the Community more than doubled in 1976. Loans amounting to 187.3 million u.a. were made available for developmental cooperation, compared with 89 million u.a. in 1975. This figure includes an almost-threefold increase from the bank's own resources, from 89.9 million u.a. in 1975 to 142.2 million u.a. in 1976. The special operations financed by member states resources or through the European Development Fund (EDF) remained at roughly the 1976 level -- 44.9 million u.a. as against 40.1 million u.a. in the previous year.

In extra-Community loans, 90 million u.a. in emergency aid was given to Portugal, with 55 million u.a. being earmarked for energy infrastructure and 35 million u.a. for industrial investments.

Loans to Greece -- 16 subloans for a total of 7.4 million u.a. in the foodstuff industry and for textiles, footwear and furniture factories -- were made under the final allocation of \$125 million provided under a financial protocol annexed to that nation's 1962 association agreement with the Community.

In Turkey, loans totaling 6 million u.a. -- for developing forestry resources in the Mediterranean area, constructing an industrial complex near Mersin and financing studies on capital investment projects in the public sector -- were made under a financial protocol that came into effect on January 1, 1973.

In loans to African, Caribbean and Pacific states under the Yaoundé and Lomé Conventions, and to the Overseas Countries and Territories, 91.3 million u.a. was allocated, primarily for industrial and energy investments.

These included: in Togo, 5.9 million u.a. for construction of a clinker plant; in New Caledonia, 5 million u.a. for expansion of nickel production capacity; in Senegal, 4.6 million u.a. for establishment of a 180-hectare irrigated zone for market gardening and construction of a cold store; in Ivory Coast, 1 million u.a. for extending the Korhogo water supply; in Gabon, 7 million u.a. for building the Owendo-Booue section of the Transgabon railway; in the Congo, 3.6 million u.a. for realigning a section of the Brazzaville-Pointe Noire railway; and in New Caledonia, 2.4 million u.a. for reconstruction of the Moindou-Bourail road link.

Others were: in Mauritius, 2 million u.a. for improvements to the Fort Victoria thermal power station; in Cameroon, 13.5 million u.a. for the construction of a dam and 144 MW hydroelectric power station; in Ghana, 10 million u.a. for a dam and 160 MW hydroelectric power station on the Volta river; in Kenya, 2 million u.a. for financing small and medium scale industry; in Upper Volta, 4.4 million u.a. for expanding the Banfora sugar complex; in Chad, a conditional loan of 7.5 million u.a. for constructing a sugar complex at Banda; in Cameroon, a 2.3 million u.a. conditional loan for construction of an oil mill at Dibombari; and three subordinated loans of 2 million u.a. each to the Ivory Coast, Ghana and Togo for part-financing of each country's shares in common economic investment in West Africa.

The bank's total resources at the end of 1976, comprising paid-up capital, statutory and other reserves and borrowings, amounted to nearly 5.6 billion u.a. compared with slightly more than 4.66 billion u.a. at the end of 1975. The bank raised 748.9 million u.a. on capital markets, including 489.3 million u.a. or two-thirds of the total in U.S. dollars, and a loan for 30 million on the Asian dollar market. Receipts on loans for 1976 rose by 94.2 million u.a., and interest and charges on borrowings rose by 74.2 million u.a. Expenses and administrative costs totaled 18.6 million u.a.

At December 31, 1976, the balance sheet total stood at more than 6.56 billion u.a. compared with nearly 5.47 billion u.a. the previous year, representing an increase of 20 per cent.

At a recent meeting of the bank's board of governors, the finance ministers of the nine Community states agreed to increase the bank's level of lending for 1978, paying particular attention to energy investment and continued regional development.

Copies of the EIB annual report for 1976 can be ordered from the European Community Information Service, 2100 M Street NW, Suite 707, Washington, D.C. 20037.
tel. (202)872-8350