

Information

European
Investment
Bank



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EIB financing in support of the development of Apulia

When the Member Countries began to build up a new Europe, they were conscious of the need to ensure the co-ordinated economic development of the Community and, in particular, to reduce disparities between the regions. The European Investment Bank, one of whose principal objectives is to assist regional development, was established to this end.

Yet, despite all that has been done, both at Community and national levels, many regions lag behind in their economic development and this has led the Community to create an additional source of finance, the European Regional Development Fund. In October 1975 the Commission of the European Communities agreed on the first grants from the Fund for projects in less favoured regions; the total amount, 160 m units of account (u.a.), representing just over half the sum available from the Fund for 1975.

During the first ten months of 1975 the European Investment Bank lent a total of 758 m u.a. for projects within the Community, of which 542 m u.a. was for investments in the less favoured regions, mostly in Italy and the United Kingdom. Because of the general economic recession firms were less ready to invest than in previous years, and in consequence the proportion of the Bank's lending that went to industry fell to around 14 %, compared with 29 % for the same period of 1974. On the other hand, the implementation of major public investment programmes in several Member Countries led to a temporary increase in the Bank's loans for investment in infrastructure.

Since its beginning, in 1958, the EIB's operations in favour of regional development have been tailored to the particular economic conditions and investment needs of the regions concerned. Apulia, one of the outlying regions of the Community, occupying the heel of Italy, suffers from all the problems of the Italian Mezzogiorno. Natural con-

ditions are far from ideal, but the soil is fairly fertile and wide plains in the north have been given over to cultivation of durum wheat and production of wine, olive oil and tobacco, which best suit the dry Mediterranean climate. The efforts to develop the region were directed first towards establishing the infrastructure needed to expand and diversify agricultural output and then to providing the region with an industrial base.

Infrastructural schemes carried out by the authorities have included major water supply and irrigation works and a large number of energy, road and telecommunications projects, which have between them very much improved Apulia's economic situation, particularly in certain areas such as Bari, Taranto and Brindisi where most of the region's new industries have taken root.

This development is particularly striking in the province of Taranto, thanks above all to the presence of the Italsider iron and steel complex, one of the largest in the world. While people are still on balance emigra-

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2 PLACE DE METZ - LUXEMBOURG

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ting from Apulia generally, the province of Taranto has in recent years come to attract a fair amount of immigration and to exert a considerable pull over a large area of the mainland Mezzogiorno. During the period 1963-1973, the local population increased by 13%, which was six times higher than the Mezzogiorno's growth rate and even twice as high as the national figure.

harbours and to promote new industrial activities and growth of existing concerns, not only in Bari and Taranto but also in Foggia, to the north, and Lecce in the south. The aim has been to spread industrial development more evenly in Apulia.

The EIB has played an important part in helping to finance such investments in Apulia as, indeed, it

in long-term loans. Under the global loan procedure, such intermediary financial institutions split up the total sum provided by the EIB to make a number of loans for smaller ventures, in agreement with the Bank in each instance.

Since 1958, those industrial projects which the Bank has helped to finance have directly created some 19000 jobs, of which over 750 have been in small and medium-sized ventures which received allocations from global loans. In addition, the jobs of several hundred more employees have been safeguarded.

Key facts about Apulia

	Apulia	Mezzogiorno	Italy	Community
Population (in millions) – 31.12.1974	3.7	19.5	55.6	256.4 (1)
Area (km ²)	19347	123045	301243	1528200
Density	192	158	185	168
Working population as % of total pop.	32.5	30.9	35.1	40.6 (1)
Average rate of unemployment (1974)	4.2	4.6	2.9	2.5
Employment by sector (1):				
Agriculture	28.5	29.3	15.2	9.2
Industry	33.2	32.1	44.3	43.2
Services	38.3	38.6 (2)	40.5	47.6
Gross domestic product per inhab. (1973) in u.a.:	1448 (3)	1525 (3)	2003	3257
in % compared to:				
national average	72	76	100	163
Community average	44	47	61	100

(1) 30 June 1973.

(2) Including 11 % in public authorities.

(3) Broad estimates derived from percentage differences in per capita income for Apulia, the Mezzogiorno and Italy applied to average Community per capita GDP.

The improved situation is also reflected in the province's GDP which in 1973 represented 105 % of the average for Italy, against 85 % two years earlier.

This success needs now to be reinforced by further large-scale infrastructural works to meet the region's immediate and long-term social and economic requirements.

It is essential also to increase the number of centres of industrial development, which is why the Italian authorities continue their investment programmes, which have now been running for some 20 years, to improve water supplies, roads and

has throughout the Mezzogiorno. Between 1958 and the end of October 1975 (1) the Bank had lent 381.5 m u. a. for projects in Apulia, which represents about 11 % of the total finance channelled by the EIB into regional development or conversion projects within the Community. Of this sum, 165.3 m u. a. went towards investments in infrastructure, while 216.2 m u. a. helped to finance some thirty industrial projects. In addition, seventeen small and medium-scale industrial ventures had received allocations from «global loans» granted by the Bank to IMI and ISVEIMER (2), two Italian finance institutions which specialise

WATER: THE No 1 PROBLEM

The development of Apulia means overcoming two major obstacles: drought and isolation. The EIB's loans of over 80 m u. a. for water supply and irrigation projects have helped to raise agricultural productivity and to encourage the establishment of new industrial activities.

The first of these is the Pertusillo aqueduct which carries the water of the River Agri from the Pertusillo dam in Basilicata to the far south of Apulia. This aqueduct is one of the key elements in the Cassa per il Mezzogiorno's «Special Project No 14», a major programme of works designed to exploit the water resources of Basilicata and Apulia to meet the long-term drinking water requirements and the needs of industry and agriculture in these two regions, where more than 4 million people live. The EIB first helped to finance the Pertusillo supply system in 1969 with a loan of 24 m u. a. and in October 1975 provided a second loan, for 31.5 m u. a., to extend the system.

Recently, the Bank made a loan of 30.3 m u. a. for another major scheme within the «Special Project No 14», which will draw water from the river Sinni in Basilicata to irri-

(1) See inset panel on page opposite for details of loans granted in October 1975

(2) IMI: Istituto Mobiliare Italiano
ISVEIMER: Istituto per lo Sviluppo Economico dell'Italia Meridionale

gate farmland in the Alto Metapontino, a vast plain stretching across the provinces of Matera (Basilicata) and Taranto (Apulia). The EIB had already provided finance for an irrigation project in the Metapontino coastal plain in 1965.

The Bank has also helped to establish other elements of the infrastructure which is a precondition for the development of industrial activity. For example, in 1964 it granted a loan of 15 m u. a. to ENEL (1) for the construction of a thermal power station in the province of Brindisi, which makes a major contribution to the supply of energy for the Mezzogiorno. The Bank provided finance for the motorway between Bari and Taranto which fosters a reciprocal strengthening of these two industrial centres and also forms part of the network of major road links designed to break down the physical isolation of the Southern regions. In addition, the Bank has made a significant contribution to expanding Apulia's telephone system. In 1970 and 1974 it granted two loans to SIP (2) totalling 37 m u. a. for projects designed to permit the connection of almost 160000 new subscribers.

100 m u. a. FOR THE TARANTO IRON AND STEEL COMPLEX

This strengthening of the infrastructure was essential to the success of the programme of industrialisation, to which the EIB has contributed more than in any other region in the Community.

The Bank has given substantial backing to the efforts made by the Italian authorities, whose importance was underlined in 1965 in a study by the Commission of the EEC on the need for a focal point for industrial development in Apulia.

Most of the projects financed by the EIB have been located in the Bari-Taranto-Brindisi triangle and its support for development of the iron and steel complex at Taranto has been particularly important. Four loans, totalling close to 100 m u. a., have been provided by the EIB for the development by Italsider which constitutes a fundamental part of the programme for the economic development of the Mezzogiorno and of the country as a whole. The com-

Recent loans by the EIB in Apulia

On 21 October 1975 the EIB lent a total of Lit 65000 m (82 m u. a.) in support of five projects in Apulia.

Two loans totalling Lit 49000 m helped to finance large-scale water supply projects forming part of «Special Project no 14», a high priority series of works designed to end the water shortage that has long handicapped the economic development of Apulia and Basilicata. The «Special Projects» constitute a programme of works of interregional and intersectoral importance which are currently the key operations of the public authorities in the Mezzogiorno.

A total of Lit 16000 m was provided for three projects in different industrial sectors, as follows:

- (I) Lit 12000 m for expanding the Montedison petrochemicals complex at Brindisi;
- (II) Lit 1800 m for restructuring and enlarging the Tubificio Dalmine Italsider steel tube works at Taranto;
- (III) Lit 2200 m for extending the Osram Sud fluorescent tube and vapour lamp factory at Bari.

These last three loans contributed to new fixed investments totalling Lit 50000 m which will in turn create 325 new jobs in the plants concerned.

plex, one of the first in Europe to be established by the sea, includes all the elements of an integrated production cycle. Its construction was started in the early 60's and initial plans were for crude steel production capacity of 2.7 m tonnes per annum, with facilities for production of the necessary pig iron input, as well as rolling mills for producing flats and a plant for welded tubes. A number of extensions were made to the complex in 1964, 1968 and 1970 to meet Italy's growing demand

for iron and steel products and production capacity this year was scheduled to reach 11 m tonnes per annum of crude steel, which would make the complex one of the most important in the world and the largest within the Community. The loans from the EIB helped to finance construction of the complex and subsequent extensions, including the installation of a continuous casting unit, a hot-rolling mill, a cold-rolling mill and welded tube works.

SUPPORT FOR INDUSTRIAL DIVERSIFICATION

The Taranto complex established by Italsider (a member of the Finsider group) has made a major contribution towards resolving the economic problems of the region, in particular by providing some 19000 jobs, 8000 of which have been in production units which the Bank has helped to finance. Furthermore, it has stimulated the establishment of other activities, either attracted to the neighbourhood of the complex, or making use of its output.

Thus the Bank has helped to finance the construction and development of another Finsider plant in Taranto which uses the flats turned out by the main complex to manufacture medium diameter welded tubes. In all, the Bank has lent about 6.6 m u. a. for this project.

(1) ENEL: Ente Nazionale per l'Energia Elettrica

(2) SIP: Società Italiana per l'Esercizio Telefonico

The EIB has provided finance for various investments in the Bari-Taranto industrial zone. FIAT has received two loans totalling 28 m u. a. The first was for a fork-lift truck factory and overhaul centre in Modugno, near Bari, which provided nearly 3500 jobs. The second loan was for a factory producing earth-moving equipment in Lecce, the least industrialised of Apulia's provinces, and here employment for 2300 people was created. Other mechanical engineering projects financed by the Bank include two factories in Bari, one producing gearboxes, the other compressors and pneumatic machinery. Three smaller ventures have benefitted from allocations from global loans.

The development of infrastructure and the increased industrial activity have together raised the demand for construction materials (the Pertusillo and Sinni water supply projects, in particular, called for a large quantity of piping.) The EIB has lent 19 m u. a. towards various projects in the construction materials sector, two of which were financed by allocations from global loans. The major projects financed were a cement works at Taranto, which uses slag from the Italsider blast furnaces, and factories in Taranto and Bari which manufacture pre-stressed concrete and asbestos-cement products.

The Bank has also contributed to the development of the chemical industry in Apulia. A loan of 25 m u. a. was granted for a major chemical plant built by Chimica Dauna at Manfredonia, on the coast near Foggia, for the production of caprolactam, a basic material used in the manufacture of polyamide fibres. It forms part of an integrated programme for developing the chemical and textile industries in the Mezzogiorno. The raw materials are available locally, either as natural resources (e.g. the natural gas from Candela) or from the output of other Southern factories, particularly toluene. The caprolactam output (80000 t.p.a.) is in turn supplied to firms in the Mezzogiorno. Again in Manfredonia, the EIB has helped to finance a factory producing an animal feed additive, while at Brindisi a loan of 15.1 m u. a. was granted to Montedison to add to its complex there a new plant producing primary materials used in the manufacture of rigid polyurethanes.

Side-by-side with these operations, the EIB has provided loans to several medium-sized firms in other

sectors, helping to lay the foundations of a diversified industrial network within the region. It has part-financed construction by Osram Sud of a factory to produce fluorescent tubes and vapour lamps, and has assisted firms in the electrical engineering, textiles, glass and ceramics sectors. Finally, with the new irrigation systems making a large impact on agriculture in the region,

the food industry has come to Apulia and the Bank has financed about a dozen projects including an oil-works, a brewery at Taranto and a canning factory at Bari. Further north, in Foggia, the main area in Italy for the cultivation of durum wheat, the EIB has made a loan to extend and modernise a pasta factory and another to construct a semolina factory.

UNIT OF ACCOUNT AND EQUIVALENTS IN NATIONAL CURRENCIES

As explained in the last issue of the Information Bulletin (no 2), the European unit of account used by the European Investment Bank is equal to the sum of the following amounts of Member States' currencies:

DM	: 0.828	Bfrs	: 3.66
£	: 0.0885	Lfrs	: 0.14
Ffrs	: 1.15	Dkr	: 0.217
Lit	: 109.-	£lr	: 0.00759
Fl	: 0.286		

Its value is fixed daily by the Commission of the European Communities on the basis of market rates, but to avoid making too frequent adjustments the EIB adopts for each quarter one set of rates (see below) which are used in preparing its financial statements and operational statistics.

	rates at 31 Dec. 1974 applied for 1st quarter 75	rates at 31 March 1975 applied for 2nd quarter 75	rates at 30 June 1975 applied for 3rd quarter 75	rates at 30 Sept. 1975 applied for 4th quarter 75
1 unit of account =				
DM	3.01774	3.04474	3.02333	3.07061
£	0.534530	0.538633	0.583942	0.564620
Ffrs	5.57964	5.48706	5.18942	5.24197
Lit	815.517	821.313	809.278	793.118
Fl	3.13445	3.11230	3.13108	3.15973
Bfrs	45.4137	45.0405	45.2730	46.1746
Lfrs	45.4137	45.0405	45.2730	46.1746
Dkr	7.06637	7.09212	7.03769	7.17554
£lr	0.534530	0.538633	0.584093	0.564482

The EIB's operations in Greece

After a seven-year «freeze», during which political events brought to a standstill financial aid from the Community, the EIB recommenced this summer its loan operations in Greece. Last month the Bank's Board of Directors held its first meeting in Athens, where the largest loan yet provided by the EIB in Greece – \$30 million for an irrigation scheme in the Serres plain, Eastern Macedonia – was signed with the Minister of Co-ordination (Economic Planning), Mr. Panayotis Papaligouras.

This meeting, aside from a certain symbolic significance after the long interruption, provided a welcome practical opportunity to restrengthen links with the Greek Government, industry and banking system and to visit various earlier projects financed by the Bank.

All the EIB's operations in Greece have been and are at present still conducted within the framework of the Financial Protocol annexed to the Association Agreement signed between Greece and the Community, which came into effect in 1962.

This agreement, in recognising the desire of Greece eventually to become a full member of the EEC, pledged the Community by various courses of action to aid the country to build up its economy to a level more approaching that of the EEC as a whole. The Financial Protocol provided for the Bank to grant loans up to a maximum of \$125 million for projects helping to meet this objective, i.e. the development of essential infrastructure, such as new roads and power supplies, and the expansion of agriculture and industry.

Over half the sum specified in the Protocol (\$69.2 million) was granted for a range of projects between 1963 and 1967, but at this point the coup d'état led to its suspension.

New loans only became possible again towards the end of 1974 when the EIB's Board of Governors authorised the Bank to resume lending operations in Greece, following the Council of Ministers' decision to reactivate the Association Agreement. It was in June this year that financing restarted with a \$10 million «global loan» to the National

Investment Bank for Industrial Development (NIBID), to be on-lent, with the EIB's approval in each case, to help small and medium-scale ventures, and with a loan of \$1.85 million to the Hellenic Industrial Development Bank (ETBA) to contribute to its own financing of a new aluminium rolling mill not far from Athens.

The \$30 million granted for the Serres scheme last month, together with a \$1.4 million loan for construction of a textile mill, provided at the same time, bring the total of EIB loans granted in Greece so far to \$112 million.

An important aspect of the lending to date is that the six EEC founder Member Countries, which signed the Protocol, have granted 3 % interest rebates on loans which total \$83.3 million. A provision of the Financial Protocol makes possible this special help for certain types of infrastructure projects, such as in the transport, energy and agricultural sectors. As a result, the net interest rate paid on a number of loans has been very low, as little as 2⁷/₈ % on some of the earlier ones, when the EIB's ordinary lending rate was 5⁷/₈ %. Since then, interest rates have risen worldwide. At the present time the rate applied by the Bank on ordinary loans from its own resources stands at 9¹/₂ %, but with the rebate it was possible to provide the \$30 million Serres loan

at an effective net interest rate of 6¹/₂ %. Furthermore, under the present Financial Protocol, these same six Member Countries guarantee all the EIB's loans in Greece.

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More than half the finance so far provided by the EIB in Greece (\$60 million) has been used to help fund large-scale irrigation works to increase agricultural production, the keystone of the national economy, accounting for 38 % of employment (compared to about 10 % in the Community) and some 40 % of the country's exports, if processed agricultural products are also included.

Considerable potential for increasing production, and also for diversification into different and more profitable crops, exists through wider use of irrigation.

Between 1965 and 1967 the EIB provided \$30 million for irrigation projects covering almost 100 000 hectares in the Salonika, Karditsa and Pinios plains, but there is now under way an accelerated public investment programme, costing about \$1.100 million, which aims at increasing by about one third the country's irrigated areas, from 830 000 hectares in 1974 to 1 100 000 in 1980.

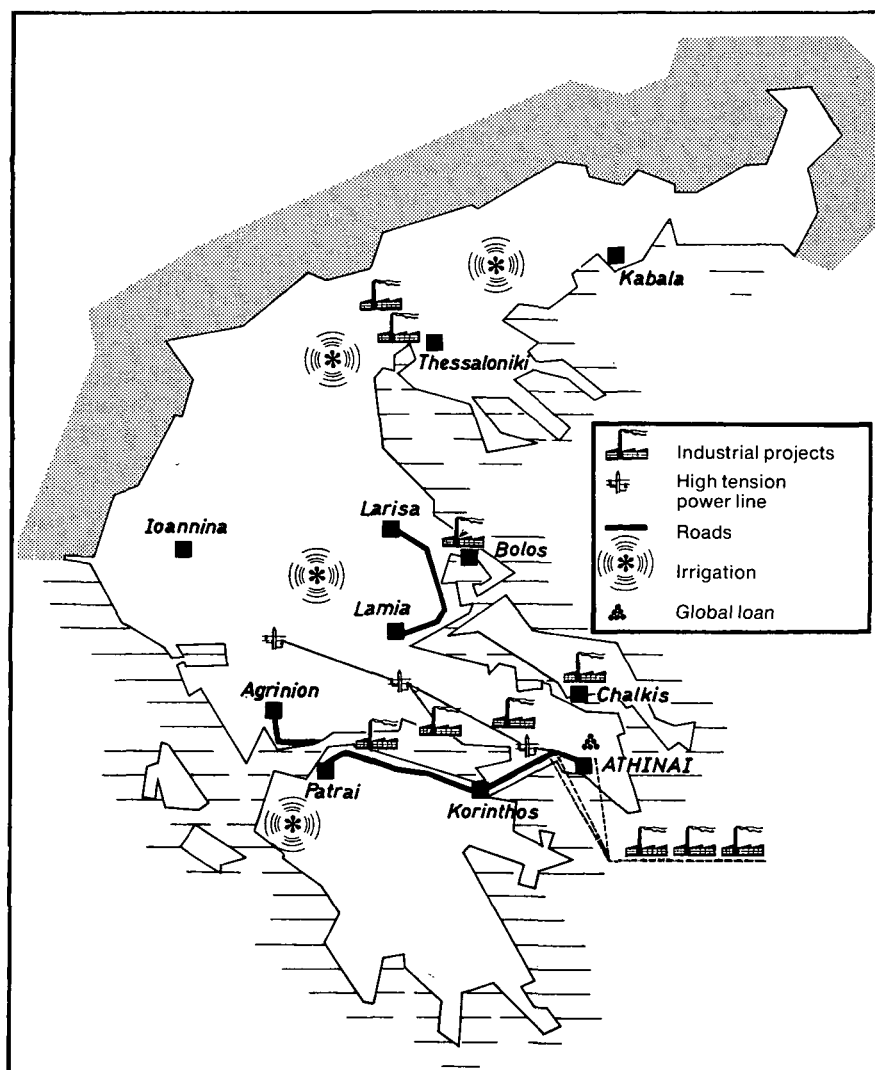
The \$30 million loan granted last month goes towards important constituents of this programme: the rehabilitation and expansion of an old flood regulation system on the River Strymon (largely silted up since its construction in 1928-38) to protect the Serres plain, and the extension of an existing irrigation system by 20 000 hectares. When completed, in 1978, these works should result in a large increase in production of cotton, milk, meat, and certain vegetables.

All the irrigation projects which the EIB has helped to finance aid the Greek balance of payments, either by allowing the cultivation of different crops to replace imports or in making possible greater agricultural production for export. The various projects mean larger incomes and a better livelihood for 130 000 people in the farming communities involved, which in turn help to stem the drift of population away from the land.

Other infrastructure projects have accounted for loans totalling \$23 million, granted in 1963 and 1964, of which \$6 million was provided towards the cost of overhead power lines to bring electricity supplies to the Athens region from a hydroelectric power station on the Acheoos river, and the remaining \$17 million to help finance the following important road schemes:

- the 69-km toll road between Athens and Corinth, which came into service in 1965 and now carries the heaviest volume of traffic of any route in the Greek national road system;
- a 135-km extension of this toll road from Corinth to Patras, serving the principal tourist region and acting as a major east-west communication;
- modernisation of a 72-km stretch of the Antirrhion-Ioannina highway (between Antirrhion and Agrinion), providing more rapid access to Igoumenitsa and the sea link with Brindisi in Italy;
- construction of a 146-km toll road between Lamia and Larissa (part of the Athens-Salonika route), opened to traffic in 1967, and which passes close to the port of Volos and its important industrial zone.

In the industrial field, the \$29 million provided by the EIB has been directed mainly towards investments in certain basic industries – alumi-



nium, cement and fertiliser production – and, via the global loan, towards providing finance for small and medium-sized ventures, the latter still making up the majority of Greek industrial activity.

The largest single project was the construction of the Aluminium of Greece production complex on the north bank of the Corinthian gulf, for which the EIB granted a loan of \$10 million in 1966. The 860 jobs provided by the plant in 1967, when it first came into operation, have since been increased to 1 500 and the production capacity has more than doubled to almost 500 000 tons of alumina and 146 000 tons of aluminium per year, with further expansion foreseen. Greece has large bauxite reserves of its own, and the project is therefore a classic example of exploiting natural resources and then adding to their value «on site». As previously mentioned, in June this year the Bank again helped development of this industry by providing \$1.85 million for an

aluminium rolling mill at Oenophyta, 50 km north of Athens, which is being built by ELVAL – Hellenic Aluminium Industry SA, part of the VIOHALCO group. This new plant will produce some 22 000 tons of sheet and strip aluminium per year – much of it for export – with capacity for further expansion in the future. It will employ about 485 people.

Two loans totalling \$3 million were provided in 1965 and 1966 for cement production: a new 370 000 tons p.a. kiln at the Titan Cement Company works in Eleusis and a new plant at Drepanon, near Patras, now belonging to the same concern. These projects have between them created 160 new jobs and helped to safeguard 800 more.

In 1965 a \$2 million loan was granted to Chemical Industries of Northern Greece SA for construction of a compound fertiliser plant near Salonika. The 170 jobs originally provided have, with continued expansion, since grown to 450, and

the present production capacity of the plant is in the region of 500 000 tons per year of compound and nitrogenous fertilisers.

Apart from the \$10 million «global loan» to NIBID – which is going primarily towards smaller scale ventures which promise to create extra employment opportunities – the EIB has also provided, through the intermediary of ETBA, \$1.6 million for two textile mills, one near Athens, the other near Salonika, and \$600 000 for a wood processing

factory on the island of Euboia. Between them these projects have created 350 new jobs.

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Deducting all the loans to date leaves a remainder of \$13 million still to be allocated under the Financial Protocol, which it is envisaged will be used to help finance other

Greek industrial projects in the near future.

Looking beyond this, further provision for EIB financing operations would seem the likely outcome of the present discussion between the Greek Government and the Community over the question of a new Financial Protocol, this in turn to be seen in the perspective of Greece's request, presented to the Community in June this year, to join the EEC as a full member with the minimum reasonable delay.

TWO NEW MEMBERS OF THE BOARD OF DIRECTORS

The Board of Governors of the EIB has appointed two new members to the Board of Directors.

On the nomination of the Italian Republic, Prof. Ferdinando Ventriglia, Director-General of the Treasury, Ministry of the Treasury, has been appointed a director and, on the nomination of the United Kingdom, Mr. Roger A. Barnes, Assistant Chief Cashier, Bank of England, has been appointed an alternate director.

They replace Prof. Gastone Miconi and Mr. David Nendick respectively, to whose positions at the Ministry of the Treasury and the Bank of England they have succeeded.

PERSONALIA

Mr. Romeo dalla Chiesa has been appointed Manager of the Department for Operations in the Community, filling the vacancy created by the death, in April this year, of Mr. Arnel Bellec.

Mr. dalla Chiesa, aged 51, took a Doctorate in Law at the University of Rome, and pursued his studies at the School of Business Administration in the American University of Washington D.C. His career in international banking has been a distinguished one, beginning in 1943 at the Banca d'Italia. In 1949 he moved to the World Bank for which he subsequently served on Permanent Missions in Latin America and the Far East as an adviser on national economic planning. He joined the EIB at the time of its foundation, in 1958, and was appointed Deputy Manager in 1963 and then Associate Manager in 1972. Since 1968 he has directed the EIB's operations in Italy from the Bank's Rome Office.

He assumed his new responsibilities as the head of the Department for Operations in the Community on 1 July, 1975.

Publications

Published

Activities of the European Investment Bank in Turkey

Covering the period 1965-1974, this report traces Turkey's economic and social development and examines different aspects of the EIB's activities in this country, in particular the framework within which its lending operations are carried out, the conditions of its loans and the procedure for selecting and appraising projects. The report gives a breakdown, by sectors of activity, of the infrastructural and industrial projects which the Bank has helped to finance.

To be published

Investment in the Community in 1974 and its financing

Annual study

European Investment Bank operations under the Lomé Convention

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INTEREST RATE: 9 1/2 %

At its meeting on 29 July 1975 the Board of Directors of the European Investment Bank decided to fix the rate of interest on the EIB's ordinary loans at 9 1/2 % per annum, irrespective of the term of the loans. The highest rate applied by the Bank in 1975 was 10 1/2 %, at the beginning of the year, and the lowest was 9 1/4 %, in June.

EIB – Portugal contacts now established

First contacts have already been established between the European Investment Bank and the Portuguese authorities over how to use the credits of up to 150 million units of account (\$173 million) which the Council of the European Communities, after discussions with the EIB, decided on October 7 to offer as «exceptional emergency aid» for the Portuguese economy, pending consideration of a long-term and more comprehensive aid programme.

Formal agreement to these lending operations was given by the EIB's Board of Governors on November 15.

The initial contacts were made on October 20-21 at a meeting in Lisbon between a joint Commission/EIB team and a co-ordinating committee representing the various ministries within the Portuguese government. This was followed on November 13-14 by a return visit to the Bank's headquarters in Luxembourg by members of the co-ordinating committee.

Both occasions have presented the Portuguese authorities with the opportunity to indicate their views on investment priorities and for the Bank to underline the criteria which will govern its operations in Portugal. If progress continues, identification of the first projects to be

financed by the Bank could take place in December.

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The provision of these loan facilities is a practical measure to help re-establish in Portugal a climate favourable to both public and private investment.

The funds will come from the EIB's own resources (i.e. from the sums raised by the Bank on the capital markets in the normal course of its operations) but the loans granted will benefit from a 3 % interest rebate. This will be paid directly from the Community budget, which is quite exceptional, but it avoids the necessity for the sums to be entered separately into the national budgets of the nine Member Countries and should therefore help to make loans available to Portugal more rapidly than would otherwise have been possible. At present the interest rate applied on ordinary loans from the EIB is 9½ % which, as long as it is not modified, would be reduced to an effective net rate of 6½ % in the case of a loan in Portugal.

The cost to the Community of these interest rebates could reach about 30 million u.a. If this is taken into account, the aid «package» offered

to Portugal can be seen as totalling up to a maximum of 180 million u.a. (\$208 million).

Again as an exceptional procedure, and for the same reasons of expediency as mentioned before, the Community is itself to guarantee all loans granted by the EIB in Portugal.

Projects presented to the Bank will be assessed under the normal criteria applied to the Bank's ordinary operations (i.e. loans from its own resources) which, among other requirements, demand that a project must assist general economic development, that any project in the productive sector must offer prospects of a reasonable return and that it must have a financially sound basis.

As is its normal practice, the EIB will only finance a proportion of the cost of any given project, supplementing either the borrower's own funds and/or credit from other sources. The loans will be long term, the exact duration necessarily depending very much on the type of project concerned and the resources which are available to the Bank.

It is envisaged that loans will be granted during 1976 and 1977, during which period a standard financial protocol between the EEC and Portugal may be drawn up to replace the emergency arrangements.

EIB loan in New York

On 6 November 1975 the European Investment Bank made its first bond issue to be placed wholly on the United States domestic market. The loan, amounting to \$75 million, was underwritten by a syndicate of investment banks headed by Kuhn, Loeb & Co., The First Boston Corporation, Lazard Frères & Co and Merrill Lynch, Pierce, Fenner & Smith, Inc.

The coupon rate was 9%, payable half-yearly, and the bonds were issued at par. The issue was registered with the Securities and Ex-

change Commission and will be listed on the New York Stock Exchange.

The European Investment Bank had not previously launched an issue on the United States domestic market mainly because of the existence, between 1963 and 1974, of the interest equalization tax. This initial issue was favourably received, because of the standing of the EIB and the security attaching to its operations, which reflected in the triple A rating, accorded only to first-class borrowers.

The Bank will use the proceeds of this issue in its ordinary lending operations in the same way as the other funds which it raises by public or private loans on financial markets inside and outside the Community. In addition to private loans in 1975, the Bank floated public issues in Germany, the Netherlands, Belgium, Luxembourg, Switzerland and on the international market (a \$100 million bond issue in September 1975 was the largest ever carried out on this market in one tranche).