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Statement of the President of the EIB to the Governors

EIB activity will continue to forge ahead in 1979

The Board of Governors of the European Investment Bank, composed of one Minister (usualy the Finance Minister) from each Member State, held its Annual Meeting in Luxembourg on 18 June 1979 under the chairmanship of Mr René Monory, Governor for France, standing in for Mr Hans Matthöfer, Governor for Germany.
On behalf of the Board of Directors, Mr Yves Le Portz, the Bank's President, presented the Governors with the EIB's Annual Report and balance sheet for the year 1978. The Persident stated that 1978 had seen an appreciable upturn in Bank activity, with lending inside the Community amounting to 40% more than in 1977 and 80% more than in 1976. He announced that there would be a further upswing in Bank activity in 1979.
The President also looked to Europe's economic problems in coming years and said that these would call for added financial support from the Community for capital investment projects, particularly with the backing of loan funds deployed by the Bank.
The salient parts of his statement are given below:

«In spring 1977 the European Council invited the European Investment Bank and the Commission of the European Communities to step up their activity, in furtherance of a Community-wide master plan, towards stimulating investment, generating job opportunities and promoting convergence of the Nine's economic performance.

The Bank embarked upon pursuit of these objectives in the second half of that year, but it was in 1978 that the full impact of its action really came home.

I am able to report that 1978 saw new Bank lending within Member Countries totalling a shade under 2 000 million units of account (1 966.5 million u.a., to be exact), in contrast to just over 1 000 million u.a. (1 086 million u.a.) in 1976 and 1 401.3 million u.a. in 1977, a jump of 81% at current prices and of 62% in real terms in the space of two years.

Total capital investment financed by the EIB in 1978 within the Community should have a considerable effect on employment in the immediate future. Putting through the projects concerned will entail 620 000 or so man-years, that is to say the equivalent of around 150 000 jobs during the first two years, but progressively fewer over the ensuing four to six years. The other side of the coin is the fairly limited impact on permanent job creation — estimates point to 11 000 new jobs with 10 000 more safeguarded, an indication of the low level of investment in industry.

The Bank has nonetheless managed to channel loans to a larger number of small, labour-intensive business; 155 smaller ventures attracted credit allocations from global loans, as opposed to 86 in 1976 and 133 in 1977.

Something like 75% of Bank lending was brought to bear on the Community's handicapped regions with finance totalling 1 457.6 million u.a. as against 820 million in 1976 and 964.4 million in 1977. These regions were mainly in Italy, the United Kingdom and Ireland where the numbers of jobless and underemployed present particularly serious problems.

Compared with 1976, the volume of Bank funds advanced for energy sector projects went up by more than 100% in 1978 to 721.3 million u.a. Taken as a whole, capital investment schemes backed by the EIB on the energy front in the two years 1977 and 1978 should serve to cut the Community's dependence on oil imports by 34 million tonnes (or 7%) per annum, barring unforeseen circumstances.

Looking to activity outside the Nine, the Bank continued to fulfil its commitments in the African, Caribbean and Pacific States under the Lomé Convention. Furthermore, it granted the first batch of loans in Greece and Portugal as soon as the new Financial Protocols concluded with these countries came into effect. It also continued to provide funds in Turkey and Yugoslavia and granted a first loan in Lebanon as part of the emergency aid put into effect by the EIB to help to rehabilitate this country's economy.

The Bank approached the capital markets for 1 949.7 million u.a. last year, raising over 250% more than in 1976 and 68% more than in 1977. Borrowings were contracted as to 46% (861.8 million u.a.) in US dollars, 22% (416.8 million u.a.) in Deutsche Mark, 9% in Guilders and 15% in other Community currencies. At the same time, the EIB tapped the markets for 109.6 million u.a. in Swiss francs and the equivalent of 21.7 million u.a. in Austrian schillings.

Activity in 1979

If the challenge was taken up in 1977 and 1978, it should be followed through even more positively in 1979 and facilitated by

(a) the 100% increase in the EIB's capital approved by the Governors on 19 June 1978 which should allow us to think in terms of doubling total loans and guarantees outstanding between now and 1982; (b) the creation on 9 October 1978 of a New Community Instrument for borrowing and lending (1) and the

(1) The Commission has been empowered to borrow funds on behalf of the European Economic Community up to an amount of one thousand million u.a. The proceeds of Commission borrowings will be made over to the EIB for granting as loans in favour of projects conforming to the Community's priority objectives in the energy, industrial and infrastructure sectors. The projects selected must be deemed eligible by the Commission and must conform to the Bank's statutory lending criteria. (See EIB Information No 17, June 1979, for further particulars.)

Loans within the Community, 1 January - 15 July 1979

	million u.a.
Belgium	
Self-adhesives factory at Turnhout, Province of Antwerp	2.5
Denmark	
Extension of a factory producing agricultural sprays, Falster Island	1.9
Global loan for small and medium-scale ventures	3.5
Germany	
Gasline from Czech-Austrian frontier to France	43.9
France	
Safety installations at Chooz nuclear power station in the Ardennes	4.0
Oil tanker ballast water cleansing plant at Brest, Brittany	5.0
Fast breeder reactor nuclear power station at Creys-Malville, Rhône-Alpes	47.7
Ireland	
Global loan for small and medium-scale ventures	7.6
Thermal power station at Aghada, Co. Cork	15.2
Improvements to telecommunications	27.4
Reafforestation, forest roads and felling equipment	22.9
Water supply, sewerage and sewage disposal facilities in the West	7.6
Italy	
Electricity production and transmission monitoring system	43.9
Algeria-Italy gasline: Sicily-Calabria section	35.2
Restructuring and modernisation of a tyre factory at Tivoli, Province of Rome	7.0
Two global loans for small and medium-scale ventures (Centre and North)	22.0
Development of a natural gas field in the Adriatic	5.8
Modernisation and enlargement of a frozen foods factory at Cisterna di Latina, Latium	3.8
Reorganisation of a petrochemical complex at Rosignano, Tuscany	8.8
Water supplies in Avellino and Benevento Provinces	19.4
Irrigation systems in the Province of Taranto	70.5
Global loan for small and medium-scale ventures in Sicily	8.8
Electrical equipment factory at Dalmine, Lombardy	7.0
Extension of telecommunications satellite earth station in Fucino, Abruzzi	7.5
Fréjus alpine tunnel link between France and Italy	6.7
Extension of precision engineering plant at Bari, Apulia, producing components for the motor industry	5.3
Extension of a gearbox plant at Termoli, Molise	3.5
Restructuring and modernisation of a tyre factory at Villafranca, Sicily	3.5
Development of an oilfield near Vasto, Molise	2.6
United Kingdom	
Pumped storage power scheme at Dinorwic, Wales	103.6
Modernisation and extension of regional electricity grids in Wales	45.9
Furniture factory at Runcorn, Merseyside	8.9
Sewerage and sewage disposal facilities in the Tyneside Region	29.6
Kilroot thermal power station in Northern Ireland	49.3
Improvements to the road system in Northern Ireland	22.2
Water supplies in Yorkshire	11.4
Card processing plant at Wrexham, Wales	3.9
Plastics factory at Blaenau Ffestiniog in North Wales	1.0
Roads, water supplies and sewage treatment facilities at Livingston, the Lothians, Scotland	8.7
Mineral wool factory at Bridgend, Wales	3.7
Construction of a motorway (Glasgow) and improvement of water supplies and sewage disposal facilities in Glasgow and the Strathclyde Region	18.4
Modernisation of a print works in Glasgow	4.1
Hartlepool nuclear power station, Cleveland	76.6
Heysham nuclear power station, Lancashire	76.6
Road, water supply and other infrastructural improvements in central Scotland	7.3
Water supplies in the Plymouth area, Devonshire	5.2
Harbour works, water supplies and sewerage facilities in the Orkneys, Scotland	2.2
Telecommunications cables factory at Skelmersdale, Lancashire	2.4
Centrifugal pumps and pumping equipment factory in Leeds, Yorkshire	11.0
Factory to produce turbochargers for internal combustion engins at Skelmersdale, Lancashire	2.4
Water supply and sewage treatment facilities in North-West England	25.4
Loans in a non-member country offering benefits to the Community	
Hydroelectric scheme in the Austrian Tyrol contributing to the Community's energy supplies	39.4

Council of the European Communities' recent decision to authorise an initial borrowing tranche of 500 million u.a., under which the EIB is responsible for handling a substantial amount of additional resources; (c) the provision of subsidised loans approved in conjunction with the European Monetary System. The EIB will be in charge of mobilising these in support of the less prosperous Member Countries during the initial stage of the EMS ([2]).

On the basis of those finance contracts already signed during the first five months of 1979 and those likely to be signed before the year is out, it can be estimated that 1979 will probably see total Bank lending from own resources within the Nine running to something like 20% to 30% more than in 1978, provided that the requisite funds are forthcoming on the capital markets in the right currencies. Activation of New Instrument loans in the second half of the year could boost lending by a further 250 million to 300 million u.a.

As for the likely breakdown of financing in terms of project location, Italy, the United Kingdom and Ireland should continue to attract the bulk of EIB funds.

A large proportion of the increase in Bank lending should go to the energy sector. Demand for finance for communications projects and water schemes is set to remain fairly high.

A question mark continues to hang over the awaited upturn in lending to industry. Much is being done to step up the flow of global loan allocations to labour-intensive, smaller ventures in a wide range of sectors and at least this should make an added contribution to creating new and stable jobs. The situation is already such that as many global loan allocations have been drawn down in the first five months of this year as were taken up during the whole of last year.

Turning to financing operations outside the Community, the scenario here would seem to point to total lending of 550 million u.a. from the Bank's own resources and 120 million to 150 million u.a. in loans on special conditions and risk capital assistance drawn from Community budgetary funds.

Financing under the Lomé Convention is continuing at a steady rate; in the Mediterranean region, efforts to make good some of the ground lost because of belated entry into effect of agreements should increase the volume of finance provided.

The future

We must now look further ahead to the prospects for Bank activity in the early 1980s. Some important trends and their repercussions on Bank operations already stand out quite clearly.

Economic activity and employment within the Nine is still insufficient; all the more reason to forge ahead with stimulating investment and job creation in production sectors, in line with the decisions taken in 1977, particularly in favour of the less prosperous countries and backward regions.

There is not going to be any let-up as regards problems on the energy front; national programmes may have to be modified and Community bodies may be invited to lend support to these programmes.

Greece is to become a member of the Community as from 1 January 1981. The problems of a population of 9 million, with per capita income similar to that of Ireland and the Italian Mezzogiorno, must be met by a particular effort on the part of the Community institutions.

A favourable response has been given to Portugal and Spain's applications for membership, implying even greater problems from the point of view of demands on Community finances.

In the early 1980s there will also be other agreements to be implemented following on from the Lomé Convention. Here again the Bank will play its part in providing loans from its own resources, mobilising a greater volume of funds than those provided for under the present Convention. The EIB is also to be given the task of managing a far greater amount of risk capital finance than before.

To complete the picture, I should like to point out that most of the financial protocols concluded with different countries in the Mediterranean region will be expiring in 1981 and will no doubt be renewed.

However we finally come to read the situation, there can be no disputing the fact that Europe's economic problems, together with the other factors I have mentioned, will call for added financial support from the Community in coming years for capital investment projects, particularly with the backing of loan funds deployed by the European Investment Bank.

You understand that the Bank will not be able to set to the task in hand unless it continues to enjoy the standing accorded it on today's capital markets.

The Bank's approach has always been a scrupulous one that has warranted your trust in us. Indeed, the EIB has never incurred a loss in the twenty years of its activity. The Management Committee and the Board of Directors are determined to maintain this record of scrupulousness in analysing projects put forward for financing, assessing their impact on economic development and employment and examining the management behind the projects. It is the firm belief of the Management Committee and the Directors that this scrupulousness not only sets the tone of the Bank's standing on the capital markets, but constitutes the most effective contribution that the EIB can make to economic and social progress within the Community and to the development of those countries receiving EIB financial aid.»

* * *

The office of Chairman of the Bank's Board of Governors is held by each Member of the Board in rotation according to the alphabetical order of the names of the Member States. Mr René Monory, the Governor for France, is Chairman until the Bank's next Annual Meeting.

The Governors renewed the appointment, for the years 1979, 1980 and 1981, of Mr Jørgen Bredsdorff, Rigsrevisor, Rigsrevisionen (Denmark), as a member of the Bank's Audit Committee which he had chaired the previous year. A rota system also operates for chairmanship of the Audit Committee, which has now been passed on for the new financial year to Mr Corneille Brück, Directeur de l'Inspection Générale des Finances (Luxembourg). The third member of the Audit Committee is Mr Patrick L. McDonnell, Secretary and Director of Audit, Office of the Comptroller and Auditor General (Ireland).

([2]) As part of a package of measures to bolster the economies of the less prosperous participant Member Countries a 3% interest subsidy financed from the Community budget will be provided on certain loans granted by the EIB, from its own and New Community Instrument resources, and totalling up to one thousand million u.a. per annum over a period of 5 years.

Lending moving ahead under financial cooperation arrangements between the Community and 14 countries

EIB operations in the Mediterranean region

The EIB's lending operations are now moving ahead swiftly in the 14 countries of the Mediterranean region which have financial co-operation arrangements with the Community (¹), helping to make good initial delays in bringing some of the agreements into force.
Over a relatively short period (3 to 5 years, depending on the country) the EIB is scheduled to lend up to 983 million u.a. from its own resources, mostly with 2 or 3-point interest subsidies paid by the Community — by 15 July loans worth 306.7 million u.a. had been granted. In addition 58.8 million u.a. had been provided in loans on special conditions (out of a total of 382 million u.a.), financed from budgetary funds made available by the Community and managed by the EIB on its behalf. Operations to date concern 10 countries.

Most of the existing agreements came into effect late last year although signed well before. Lengthy ratification procedures including all the countries concerned and certain problems concerning the legal framework for lending operations — both beyond the Bank's responsibility — caused the delays.
So as not to lose time while these were being settled, the Bank carried on its work on identifying investment priorities together with the national authorities concerned and in co-operation with the Commission and the Member Countries; many project appraisals were finished or well-advanced by the time the

Table 1: Current Community development finance agreements in the Mediterranean region

million u.a.

Countries	Entry into force	Expiry date	Loans from EIB's own resources (*)	Finance from budgetary resources: Loans on special conditions (**)	Finance from budgetary resources: Grant aid	Total
Greece	1. 8.1978	31.10.1981	225	10	45	280
Portugal	1.11.1978	31.10.1983	200	—	30	230
Turkey	1. 5.1979	31.10.1981	90	220	—	310
Yugoslavia	22.12.1976	—	50	—	—	50
	5-year financial protocol now under discussion					
Algeria	1.11.1978	31.10.1981	70	19	25	114
Morocco	1.11.1978	31.10.1981	56	58	16	130
Tunisia	1.11.1978	31.10.1981	41	39	15	95
Egypt	1.11.1978	31.10.1981	93	14	63	170
Jordan	1.11.1978	31.10.1981	18	4	18	40
Lebanon	1.11.1978	31.10.1981	20	2	8	30
— exceptional aid	21.11.1977	—	20	—	—	20
Syria	1.11.1978	31.10.1981	34	7	19	60
Malta	1.11.1978	1.11.1983	16	5	5	26
Cyprus	1. 1.1979	31.12.1983	20	4	6	30
Israel	1.11.1978	31.10.1981	30	—	—	30
			983	382	250	1 615

(*) In Algeria, Morocco, Tunisia, Egypt, Jordan, Lebanon (apart from exceptional aid), Syria, Malta and Cyprus, loans from EIB own resources generally attract a 2% interest subsidy financed from grant aid. In Portugal and Greece, the total amount earmarked includes 150 million u.a. carrying a 3% interest subsidy financed from grant aid; subsidised loans go primarily to economic infrastructure and agricultural development projects and to financing small and medium-scale industrial ventures through development banks.

(**) In Algeria, Morocco, Tunisia, Egypt, Jordan, Lebanon, Syria, Malta and Cyprus, loans on special conditions are granted for a term of 40 years, including a 10-year grace period, with interest payable at 1% per annum. Part of the aid provided in the form of loans on special conditions may be used as contributions towards the formation of risk capital, the conditions being determined on a case-by-case basis.
In Algeria, Morocco, Tunisia, Egypt, Jordan, Lebanon and Syria, the Commission of the European Communities directly administers grant aid earmarked for technical cooperation and loans on special conditions for rural development and social infrastructure. The EIB grants loans from its own resources and, acting under mandate from the Community, administers interest subsidies, special loans and risk capital in the industrial, energy, mining, tourism and economic infrastructure sectors.
In Malta and Cyprus, the Commission of the European Communities directly administers grant aid earmarked for technical cooperation. The EIB grants loans from its own resources and, acting under mandate from the Community, administers interest subsidies, special loans and risk capital.

In Greece, such loans are granted for a term of 30 years, including an 8-year grace period, with interest payable at 2.5% per annum, and are intended for financing projects concerned with agricultural modernisation.
The Commission of the European Communities directly administers grant aid earmarked for technical cooperation. The EIB grants loans from its own resources and, acting under mandate from the Community, administers interest subsidies and special loans.

In Turkey, such loans are granted for a term of 40 years, including a 10-year grace period, with interest payable at 2.5% per annum.
The EIB administers these loans, acting under mandate from the Community.

agreements came into force, enabling a rapid start to lending operations.

The list of projects financed so far shows that the Bank has already supported a wide variety of activities.

Industrial development has accounted for 124.3 million u.a., over two-thirds (83.3 million) in the form of global loans [2] to development banks in Greece, Portugal, Turkey, Tunisia and Jordan, which will use the proceeds to finance small and medium-scale industrial and tourism ventures.

A total of 102 million has gone to energy projects (including two major hydroelectric schemes in Greece and Turkey which it was estimated at the beginning of this year would save each country 30 million u.a. per annum in energy imports). Transport improvements of various kinds accounted for 92.2 million u.a., while the remaining 47 million went to agricultural improvement/irrigation and forestry development.

Three countries with which the Community has had financial cooperation for some time — Greece, due to join the Community as full member in 1981; Portugal, presently negotiating membership, and Turkey, linked by an association agreement dating back to 1963 — accounted between them for 215 million of the total (Greece 89 million, Portugal 70 million, Turkey 56 million). The fact that the Bank had already worked in these countries for a number of years obviously helped to spur these new operations.

The breakdown of the remainder is as follows: Yugoslavia 50 million u.a., Morocco 40 million u.a., Tunisia 24 million u.a., Syria 19.2 million u.a., Malta 8 million u.a., Jordan 6.3 million u.a., the Lebanon 3 million u.a.

Vast zone of cooperation

A background to the Community's financial co-operation in the Mediterranean region was given in EIB-In-

[1] Agreements involving financial co-operation exist with Algeria, Cyprus, Egypt, Greece, Israel, Jordan, Lebanon, Morocco, Malta, Portugal, Syria, Tunisia and Turkey; the EIB also provided finance in Yugoslavia in pursuance of the Declaration of Belgrade in December 1976.

[2] See EIB-Information No. 17, published in June 1979, for an article explaining how the EIB finances small and medium-sized ventures both within and outside the Community via global loans.

EIB financing in the Mediterranean region under current financial protocols and agreements [1]

as at 15 July 1979

GREECE

Irrigation of 7 500 hectares in Western Crete to raise agricultural production, improve conditions for employment and increase incomes for the farming community; loan of 25 million u.a. to the State.

Global loan of 20 million u.a. to the National Investment Bank for Industrial Development, for financing small and medium-size industrial and tourism ventures.

Hydroelectric installations on the Aliakmon river, southern Macedonia, which should save the country at least 30 million u.a. per year in energy imports; loan of 18 million u.a. to the Greek Public Power Corporation.

Forestry development in eastern Macedonia and Thrace, raising timber yield by 230 000 m^3 per year and creating an estimated 1 000 - 1 300 seasonal jobs; 10 million u.a. loan to the State.

Global loan of 10 million u.a. to the Hellenic Industrial Development Bank towards financing small and medium-sized ventures.

Industrial zone development in Salonika and Heraklion; 6 million u.a. loan to the Hellenic Industrial Development Bank.

PORTUGAL

Transmission lines and sub-stations to link to the national grid new generating units being installed at Setubal power station, S.E. of Lisbon; 20 million u.a. loan to Electricidade de Portugal.

Fertilizer plant modernisation at Barreiro and Alverca, helping to improve agricultural production; 17 million u.a. loan to QUIMIGAL - Quimica de Portugal E.P.

Global loan of 15 million u.a. to Banco de Fomento Nacional to help finance small and medium-scale industrial and tourism ventures.

Cement works expansion at Souselas (near Coimbra) to help forestall risk of shortfall in national production; 10 million u.a. loan to Cimentos de Portugal E.P.

Plastics and glass fibre production equipment at Barreiro — important in terms of widening the technology base of Portuguese industry: 8 million u.a. loan to QUIMIGAL.

TURKEY

Hydroelectric plant at Keban on the Euphrates — addition of four generating sets, which should save Turkey at least 30 million u.a. per year on its energy import bill; 36 million u.a. loan on special conditions to the State.

Global loan of 15 million u.a. to the Industrial Development Bank of Turkey (TSKB) to finance small and medium-scale industrial and tourism ventures.

Global loan of 5 million u.a. to the Industrial Investment and Credit Bank (SYKB) to help finance small and medium-scale ventures in the private sector;

YUGOSLAVIA

High voltage grid extensions and interconnections with the Greek and Italian networks and, via the latter, with other European countries; 25 million u.a. loan to the six Yugoslav electricity authorities.

Trans-Yugoslavian Highway — construction of five stretches, including the Belgrade throughway, connection with the Greek frontier and the link with the Ljubljana-Trieste motorway; 25 million u.a. loan to authorities responsible for road construction.

MOROCCO

Harbour construction at Jorf Lasfar to handle part of the country's fast growing exports of phosphate rock; 40 million u.a. (of which 14 million u.a. as a loan on special conditions) to the State.

TUNISIA

Water resources development in the north of the country, including irrigation and rehabilitation of 17 000 hectares of land, the increase in agricultural production expected to create 5 700 jobs; loan of 12 million u.a. to the State.

Global loan of 12 million u.a. to the Economic Development Bank of Tunisia to help finance small and medium-scale industrial and tourism ventures.

SYRIA

Highway construction — stretches of a 530 km road linking Aleppo in the west of the country with Tall Kojak on the Iraqi-Syrian border; the road will help to develop agriculture by bringing farming regions into closer contact with the main population centres in the west; 19.2 million u.a. (of which 3.5 million u.a. as a loan on special conditions) to the State.

THE LEBANON

Power station expansion at Jieh, near Beirut, a key project in the Lebanese Government's efforts to spur on the country's economic recovery. Loan of 3 million u.a. to the Lebanese Council for Development and Reconstruction, the first tranche of a total 25 million u.a. which the EIB has scheduled for financing this project.

JORDAN

Global loans to Industrial Development Bank of Jordan (IDB) — 6 million u.a. for financing small and medium-scale industrial and tourism ventures in the private sector; 0.3 million u.a. (loan on special conditions) to support the IDB's financial and technical assistance to entrepreneurs of very small-scale industrial and handicraft concerns.

MALTA

Port expansion at Valletta — new quays and range of equipment to cope with steady increase in goods traffic passing through the port; 8 million u.a. (of which 5 million u.a. as a loan on special conditions) to the State.

[1] This list does not include finance provided under the first financial protocol with Greece, the first and second financial protocols with Turkey or under the exceptional emergency aid offered to Portugal in 1975.

formation No. 9, published in May 1977, but it is worth recalling here some of the main points that are common to the different arrangements.

Firstly, financial cooperation is one facet of a much more comprehensive package also involving the expansion of trade and industrial and technical cooperation, which aims at establishing stronger relationships between the Community and its neighbours to the South.

Two countries bordering the Mediterranean, France and Italy, are members of the Community; with the expected enlargement to include Greece and eventually Portugal and Spain, the Community's Mediterranean «presence» will be considerably stronger, with 5 out of 12 Member Countries — with half the Community's population — at the approaches of or bordering the Mediterranean.

In 1978 more than 15% of the Nine's visible exports went to the 14 Mediterranean countries covered by agreements plus Spain; this represents for the present Community a market roughly equivalent in importance to those of the USA and Japan combined (total exports to the Mediterranean region in 1978 were about 27 000 million u.a.)

In turn, better access for their products to the close and relatively rich Community market is crucial to the continuing development of the Mediterranean countries. Many supply the Community with part of its raw materials and energy requirements while technical and other cooperation with Community firms helps them to develop their own economies.

Given this interdependence, there is a mutual and vital interest in seeing stable, balanced economic progress in the whole region.

The Community had very early links with Greece and Turkey (association agreements signed in 1961 and 1963 respectively). A greater commitment was taken up in 1972 when the European Council (Community Heads of State or Government) decided that there should be a comprehensive programme of cooperation in the Mediterranean region — this has become known as the Community's «Mediterranean Policy». Negotiations on cooperation agreements began with some of the countries in 1973.

The responsibility for financial cooperation under the various agreements falls mainly to the EIB. The present «package» envisages up to

— 983 million u.a. in ordinary loans from the Bank's own resources (about two-thirds with interest subsidies)

— 382 *million u.a. in special loans* on very soft conditions, with management of these funds divided between the EIB and the Commission on a country and sectoral basis (see footnotes Table 1)

— 250 million u.a. in Community grant aid, mainly managed by the Commission, but part of which (about-two-fifths) is used for paying the interest subsidies on EIB loans.

In most cases the amount and forms of finance to be made available are specified in financial protocols to the cooperation agreements (association agreements in the case of Greece, Turkey and Malta). Exceptions are:

— Yugoslavia: the Bank has lent 50 million u.a. for projects of common interest to this country and the Community, in pursuance of the joint Community-Yugoslavia Declaration of Belgrade in December 1976, setting out a framework for greater cooperation — the Community is presently negotiating the terms of a new agreement with Yugoslavia involving EIB lending;

— the Lebanon: in addition to sums foreseen under the financial protocol between this country and the Community, 20 million u.a. is being lent as «emergency aid» to help the country's economic recovery from the disturbances.

The «mix» of finance

The 14 countries covered by the Mediterranean agreements are at different stages in their economic development.

Their per capita Gross Domestic Product averages one-fifth that of the Community but there are considerable differences: Egypt's per capita GDP equals about 1/20th the Community level while in Greece it reaches roughly the same as that of Ireland and some of the less-developed regions of the Italian Mezzogiorno. Consequently, the «mix» of different forms of the finance provided varies from country to country.

The broad approach is that the EIB's loans, subsidised or not, shall go to productive investments, main*ly in industry and agriculture, and to* infrastructure projects directly linked to productive sectors — e.g. electricity generation and transmission, roads and ports — where the economic benefits are likely to show through within an appropriate time-span.

Special loans on budgetary resources, partly managed by the EIB on the Community's behalf, are essentially for infrastructure projects of a longer-term nature, although a combination of ordinary loans and

Table 2: Earlier EIB financing in Greece, Portugal and Turkey

million u.a.

		Loans from EIB own resources	Loans on special conditions	Grant aid (subsidies)	Total
Greece	First Protocol (1962-75)	116.4 (1)	—	—	116.4
Portugal	Exceptional emergency aid (1976-77)	150.0 (2)	—	30.0	180.0
Turkey	First Protocol (1964-69)	—	175.0 (3)	—	175.0
	Second Protocol (1973-76)	25.0	195.0 (3)	—	220.0

(1) A three-point interest subsidy was paid by the six Founder States of the Community on loans for land improvement, road and energy projects, which came to two-thirds of the total.

(2) Granted by the Bank at the request of the European Community for various industrial and infrastructural investments to help the Portuguese economy at a time of particular difficulties and pending negotiation of the subsequent Financial Protocol. Loans were provided with a three-point subsidy from the Community budget.

(3) From resources provided by the Community Member States and managed by the EIB on their behalf

Term: 1st Protocol — 30 years, including a 7-year grace period
2nd Protocol — 30 years, including an 8-year grace period

Rate of interest:

1st Protocol — 3% for projects offering an indirect or long-term return; 4.5% for projects offering a normal return

2nd Protocol — 2.5% for projects offering an indirect or long-term return; 4.5% for projects offering a normal return special loans can be made for the same project when appropriate. In certain cases special loans can also be used to finance risk capital operations — see footnotes Table 1. Grant aid, minus the amounts foreseen to pay interest subsidies, is for use by the Commission in financing pre-investment studies, technical cooperation and training.

*
* *

The EIB's work in the Mediterranean region is sure to expand. When Greece joins the Community it will have access to the EIB's lending in the same way as any of the present Nine; a particular effort will be asked of the Bank and of other Community sources of finance to help redress some of the country's development problems. The same will apply, in due course, to Portugal and Spain.

A strengthening of cooperation between the Community and Turkey is recognised as a priority aim on both sides and should lead to an enlarged role for the EIB.

As mentioned above a new five-year agreement with Yugoslavia is under negotiation. Most of the financial protocols between the Community and other Mediterranean countries will come up for renewal in 1981.

Controlling oil pollution at sea

Sea transport of crude oil, Europe's principal energy source, has led to a certain degree of pollution. We must not only think of the tanker shipwrecks that occurred in recent years. There is the pollution caused by tankers that used to wash out their tanks into the sea thus discharging the sediments which had accumulated: oily sludge consisting of sand and rust, wax and asphalt. Similarly, contaminated ballast water — very few ships had separate ballast tanks and even now oil tanks are used for ballast quite widely — was discharged once the distance between ship and shore made it unlikely that the resultant oil slick would be washed onto a beach.

As long as oil movements across the seas were of limited size, this practice seemed to do no serious harm. But it turned into a real danger with the tankers becoming more and more numerous and bigger. Much has been done in the meantime to control oil pollution at sea. International agreements have been negotiated and responsible shipowners no longer permit discharge of sludge or residual oil at sea. Ballast water is generally discharged at the crude loading terminal and passed through oil separators before it is released. Similarly, the oil from tank washings is separated and concentrated in one of the ship's tanks and mixed with fresh crude oil.

Nevertheless, a certain amount of sludge, usually of the order of 0.5% of the cargo, accumulates on the interior walls, especially the bottoms of the reservoirs, and if a ship undergoes any form of repair this has first to be removed. Major centres of tanker overhaul and repair must, therefore, be equipped with facilities for tank cleaning and appropriate processing facilities for the sludge removed.

In addition, recovery of the oil content of the sludge is desirable as an energy-saving measure.

Tank cleaning and oil separation have thus become part and parcel of any modern ship repair yard and particularly inshore ports such as those in the Mediterranean or in the English Channel could not offer ship repair facilities without an adjoining oil/water separation and water purification plant.

Such facilities consist of a primary separator, generally two or more cylindrical tanks in which heavily contaminated water is stored for a period and allowed to separate into a top layer consisting of oil and a lower layer mainly made up of water; solid contaminants tend to settle out and are collected along the periphery of the slightly conical bottom. Oil and watery layers are drawn off separately, the oil to be processed on the spot or consigned to a nearby refinery, the water to undergo further purification in a secondary separator.

The latter generally takes the form of a large pond where oily water from the primary separator and other lightly contaminated liquids — for instance ballast water — enter at the centre. A weir at the extreme end of the pond separates the oil-rich upper layer, which is returned to the primary separator, from the oil-free water which is drawn off from the bottom.

However, in order to ensure an absolutely clean effluent, the water, before it is released, must undergo a final separation; by passing it over a hydrophobic/oleophilic resin, residual oil coagulates and is removed, releasing an effluent containing less than five parts per million of hydrocarbons. The resin packing is periodically back-washed by a stream of clean water which is recycled into the secondary separator.

The EIB has so far helped to finance two such oil separation plants, both in France. One is located at the new petroleum port of Fos-sur-Mer near the mouth of the Rhône river and forms part of the facilities provided by the Autonomous Port of Marseilles for the discharge of crude tankers supplying refineries situated in this area. The other is under construction at Brest in Brittany.

The latter differs from the scheme described here in two respects:

1. Since there is no nearby refinery where the separated oil can be processed, the purification plant itself contains a simple distillation plant for the production of bunker fuel and naphtha.

2. In the light of the recent oil tanker shipwreck and major contamination with oil of the Brittany beaches, the plant also has facilities for the cleaning of contaminated sand and gravel stripped off the beaches and brought by lorry to the cleaning plant. Extracted oil from the gravel is processed together with tanker sludge; cleaned sand and gravel can be used for road construction.

The Fos water purification plant on the other hand has no facilities for sand and gravel purification and does not process oil separated from tanker sludge. The oil product is instead injected into the discharging lines for crude oil tankers, which pass the purification plant en route towards the oil refineries.

Both plants are economically viable, mainly due to the high price of the recovered oil. However, their contribution to the maintenance of a cleaner environment, cleaner beaches and cleaner waters undoubtedly outweighs their economic significance.

The extremely low level of contamination in the effluent from these plants — it is no higher than the oil content of refinery cooling water which, however, flows continuously whereas the water purification plant only discharges sporadically — makes an important contribution to the improvement of beaches in England and France and especially to the cleaning up of the Mediterranean. The latter is based on conventions recently signed by most of the coastal States and should result in a substantial improvement of water quality, fishery yields and tourism.

Unit of Account

Below are the values in national currencies of the Unit of Account used by the Bank, as at 29 June 1979; these rates are applied the present quarter in preparing financial statements and operational statistics of the Bank:

DM	2.52222	Bfrs	40.4155
£	0.629803	Lfrs	40.4155
Ffrs	5.84606	Dkr	7.24533
Lit	1 136.26	£ Ir	0.668529
Fl	2.77055	US $	1.36447

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

The composition and hence value of the unit of account now used by the EIB is the same as that of the European Unit of Account.

Lending rates

The EIB operates on a non-profit-making basis. Its interest rates follow closely movements on the capital markets, where it raises the bulk of its funds. The rate charged on each loan is that in force on the date when the contract is concluded, or, in certain cases, on the date of disbursement and it is not subject to revision; loans are paid out at par, such that the borrower receives the entire nominal amount.

The Bank offers borrowers the following loan formats:

a) loans disbursed in several currencies, consisting of standard mixes, with make-up, term and interest rate all fixed in advance;

b) loans disbursed in several currencies, but in varying mixes tailored to the borrower's preferences and depending on the different currencies available to the Bank;

c) loans disbursed in a single non-Community currency, mainly the US dollar, Swiss franc and yen, or, for major financing operations, back-to-back arrangements in Community or other currencies.

The rate of interest applying to loans disbursed in several currencies is equal to the average of the rates fixed by the Board of Directors of the Bank for each of the currencies of disbursement, weighted to take account of the proportion of each payment made in each currency and also, where appropriate, of maturities.

Current examples for loans disbursed in standard mixes with interest rates as at 10 July 1979 are as follows:

Term	8 years	10 years	12 years	15 years	20 years
Composition	50% US $	40% US $	40% US $	50% US $	60% US $
	30% DM	30% DM	30% DM	25% DM	25% DM
	20% Sch	20% Fl	20% Bfrs	15% Fl	15% Fl
	—	10% Yen	10% Yen	10% Yen	—
Interest rate	9.20%	9.35%	9.50%	9.65%	9.85%

Repayment of principal can be deferred to start from the time when the project reaches completion and comes on stream, normally a period of between 2 and 4 years.

Loan repayments, generally in equal six-monthly instalments, covering both principal and interest, are made in the currency or currencies originally received.

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