

# European Investment Bank

## Information

### BEI | EIB



Den europæiske Investeringsbank  
Europäische Investitionsbank  
Ευρωπαϊκή Τράπεζα Έπενδύσεων  
Banque Européenne d'Investissement  
Banca Europea per gli Investimenti  
Europese Investeringsbank

No. 27 · November 1981

ISSN 0250-3891

1 billion ECUs in the Community

## EIB finance for agriculture and agro-industry

Taking into account loans granted in the first six months of this year, the total amount of finance provided by the European Investment Bank for agricultural and agro-industrial development in the Member Countries of the European Community has reached roughly 1 billion ECUs.

If projects financed in Greece prior to the country's membership of the EEC on 1 January 1981 are included <sup>(1)</sup>, then the figure rises to around 1.2 billion ECUs.

Since the EIB was created in 1958, with its main role to help regional development, the Bank has given steady support for investment in these fields ranging from some of the largest irrigation schemes carried out in Europe to small-scale on-farm investment and

family-owned ventures involved in food processing. Last year alone the EIB's lending for these activities totalled more than 270 million ECUs.

The irrigation and drainage projects which the Bank has helped to finance cover, or will cover when completed, some 700 000 hectares (1.75 million acres) and should raise incomes and improve living standards of about 140 000 farming families. The investment in agro-industry supported by the EIB should involve the direct creation or safeguarding of close to 20 000 permanent jobs. The various projects in both agriculture and agro-industry represent in total new fixed investment estimated at some 3 billion ECUs (at prices when the loan appraisals were carried out).

### In this issue

#### EIB finance for agriculture and agro-industry

Structural changes and effects on regional development	p. 2
General approach to EIB financing	p. 3
Irrigation/drainage	p. 4
Forestry development	p. 8
On-farm investment	p. 9
Agro - industry	p. 9
Infrastructure support for agricultural development	p. 5
Financing outside the Community	p. 11
ECU conversion rates	p. 2

Of course, the finance which the European Investment Bank can provide is modest in relation to total investment needs, although its impact is enhanced by being concentrated on those regions where the problems are greatest.

It also represents only one slant of Community action in favour of agricultural and agro-industrial development. Many of the investment schemes supported by the EIB have also been assisted with finance from the Guidance Section of the European Agricultural Guidance and Guarantee Fund and from the European Regional Development Fund (both handled by the Commission of the European Communities).

This issue of EIB-Information traces the EIB's work in these fields and gives some examples of projects financed so far. In addition, there is a brief, separate review of the Bank's role in helping agricultural and agro-industrial development in the Mediterranean countries which have signed cooperation agreements with the Community, and in the African,

Caribbean and Pacific (ACP) countries which have signed the Lomé Conventions.

### Background

First, a definition: as far as the EIB's operations are concerned **agricultural development** means in practice mainly irrigation and land drainage schemes, but also forestry projects and small-scale on-farm investment including stockbreeding; **agro-industry** includes not only first-stage processing directly related to agricultural products — e.g. packaging operations, slaughterhouses and dairies — but also the transformation and marketing of these products as foods and drinks, usually called the "foodstuffs industry", and the marketing of agricultural products.

(1) Operations carried out under the financial protocols to the EEC — Greece Association Agreement (1962-1980); in this article figures given for lending in the Community include operations in Greece before EEC membership.

Second, it is necessary to point out that the EIB has no specific sectoral responsibility for European agriculture. It has helped to finance agricultural and agro-industrial projects as part of a general approach to regional development and alongside lending for investment in other sectors of the economy serving this aim. Consequently, its activities in favour of agriculture and agro-industry are heavily concentrated in the least prosperous areas of the Community, areas where traditionally dependence upon farming has equated with underemployment and low income levels, i.e. essentially in the Italian Mezzogiorno, Greece, Ireland and, to a lesser extent, the southern and western parts of France.

This said, there is an interface between the Bank's work in support of regional development and certain aspects of the EEC's agricultural policy.

Clearly, no satisfactory approach to regional development in the Community is possible without promoting a stable, prosperous agricultural sector, and no attempt to structure Community agriculture more efficiently and productively can succeed if isolated from an overall concern for balanced regional development.

Some areas point to a degree of success in combining the two objectives. There are parts of Southern Italy, for example, where 20 years ago the population was totally dependent upon backward farming which offered little more than subsistence. Today, with investment in irrigation and improved methods, farming incomes have risen appreciably and this has taken place alongside a certain amount of industrialisation, of which agro-industry has been a constituent. There is greater agricultural prosperity within a recognisably more balanced regional development.

The need to continue progress along these lines was underscored by enlargement of the Community, in particular by the accession of Ireland and Greece. It becomes even more important with the perspective of enlargement to the South to include Portugal and Spain.

\*  
\* \*

It should be mentioned here that although regional development is the EIB's principal reason for financing agricultural and agro-industrial investment in the Community, other motives are possible. Apart from assisting regional development, the Bank's roles under the Treaty of

Rome are to finance investment which helps to ease or overcome structural problems in the economy and/or serves a "common interest" of several countries or the Community as a whole.

Loans might be made for agricultural sector investment, as well as for improved transformation or marketing facilities, or agro-industrial ventures, even situated outside development areas, if they are clearly seen as economically viable projects contributing to modernisation and conversion of agriculture consistent with Community agricultural policy.

This means loans could be considered in exceptional cases for investments in agriculture and agro-industry in the context of "Common Measures" as decided by the Council of Ministers, aimed at supporting specific structural adjustments in the framework of Community objectives.

Energy-saving is a growing field for EIB operations — "common interest" in promoting Community policy to reduce dependence upon oil imports — which can embrace investment in agriculture and agro-industry: the Bank has already lent for installations at a molasses-to-alcohol distillery in Italy which will burn residual process sludge and save 7 500 tonnes of oil per year.

## ECU

In May 1981, the EIB's Board of Governors decided that, with effect retroactively from 1 January 1981, the Bank was to use the ECU as its unit of account. The composition of the ECU is identical to that of the unit used previously.

The values in national currencies of the ECU at 30 September 1981 are given below; the Bank is applying these rates during the last quarter of 1981 in drawing up its financing and borrowing statistics:

DM	2.48117	Lfrs	40.6184
£	0.589653	Dkr	7.80098
Ffrs	5.94741	Dr	61.2184
Lit	1 256.16	IR£	0.681140
Fl	2.76195	US\$	1.06680
Bfrs	40.6184		

Statistics summarising Bank activity are based on different conversion rates for the unit of account and, subsequently, the ECU applied since 1958. This, coupled with the effect of price trends, suggests caution in interpreting figures which relate to operations extending over many years.

## Profound changes

European agriculture has been subject to, and is still undergoing, profound economic and social changes, with complex effects on regional development.

When the EEC was created an average of over 1 in 5 of the total number employed in the then six Member Countries (Belgium, Germany, France, Italy, Luxembourg and the Netherlands) was engaged in agriculture; today this figure is about 1 in 11, a fall of more than 50%. In the enlarged Community of Ten (including Ireland and Greece with their heavy dependence upon farming) about 8% of the working population is engaged in agriculture <sup>(1)</sup>.

The phenomenon of a shrinking agricultural workforce predates the Community, but was given added impetus as the EEC provided the framework for higher industrial and services growth.

This was foreseen and generally accepted as beneficial (a) in reducing underemployment in backward agriculture by the transfer of labour into more productive and better-paid industrial jobs and (b) forcing the pace for modernisation of agriculture towards higher productivity (a better man/land ratio), with hence more rewarding work and higher earnings for those remaining on the farms.

But a move of such proportions — 11 million farmers and agricultural workers left the land in the period 1958-1980<sup>(2)</sup> — cannot take place without numerous disruptive effects.

<sup>(1)</sup> Behind this average figure lie substantial differences between countries i.e. in the United Kingdom, where the industrial revolution began the move from land to city some 200 years ago, only 3% of working age population is employed in agriculture, compared with 30% in Greece.

<sup>(2)</sup> Figure does not include Greece.

National measures and Community action (including much EIB lending) have been aimed over the years at trying to match the change by bringing industry and services to agricultural areas, usually necessitating huge investment in infrastructure — transport, electricity and gas supplies etc.

However, at the same time, the move from the land also worked in the opposite way by speeding up the development of the already more prosperous and dynamic regions: witness the emigration from the South of Italy to the industrial cities in the North and to Germany and other EEC countries. The move from the land has also frequently added to urban unemployment and congestion (e.g. Naples, Rome, more recently Dublin).

Other consequences of emigration: the ageing structure of the agricultural workforce as the young have gone and the older remain, and the abandoning of land in some areas (notably difficult inland terrain in the Mezzogiorno).

It is difficult to forecast future trends. Recently, with industry in recession and high unemployment, many former agricultural workers who left for the factories are now returning to their villages. In some areas this balances and even reverses the population flow. Whether it is a temporary factor is not clear, 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, are likely to convince a fair proportion of those who come back to stay on the land; at the same time, the incentive for new emigration is greatly reduced.

Turning from employment to incomes, it can be seen that agricultural incomes have risen generally but not always at the same speed as in other sectors of the economy. There exist large variations not only between farmworkers and others (e.g. the average income of persons employed in agriculture in the Italian Mezzogiorno = approx 40% of the national average income per employed person) but also between agricultural regions themselves (in France average farm income varies between regions by a factor of 6).

Regional problems and their links with the Community's agricultural sector are also changing, in extent if not in character, through the enlargement of the EEC.

Booklets which set out the criteria for EIB financing, and the terms and conditions of its loans, are available free upon request to any of the addresses mentioned on the back page.

There are three versions

- Loans and guarantees in the Member Countries of the European Community
- Financing outside the Community: Mediterranean countries
- Financing under the Second Lomé Convention

For those more particularly interested in the ACP countries, a review of the EIB's operations under the first Lomé Convention was published in issue No 25 of EIB-Information; copies are still available.

EIB publications are printed in all the official languages of the European Community (Danish, Dutch, English, French, German, Greek and Italian).

Compared with the North, the Mediterranean regions have a less favourable resource base resulting in a markedly lower labour productivity (though here again there are regional differences, between hilly and mountainous areas and rich, fertile plains suitable for irrigation schemes); the enlargement of the Community to include Greece, and the prospective enlargement to bring in Portugal and Spain, focuses attention even more sharply on these imbalances.

In its report "General considerations on the problems of enlargement" 20.4.1978, the Commission estimated that the three countries would add 55% to the number of people working in agriculture in the Community, 49% to the area under agriculture, 57% to the number of farms but only 24% to the total of agricultural production.

These are some of the key points which form the background to agricultural development in the Community and which are taken into account when the Bank appraises projects proposed for financing.

For **agro-industrial** activities a different picture, but also one of change, emerges. Improved living standards and different social conditions have brought about a shift in Europe's eating habits with more and more *pre-packed and pre-prepared foods*. Few agricultural products pass directly from the farmer to the consumer. Agro-industry is not an adjunct to agriculture but an integral and fundamental part of the farm-to-table circuit; indeed more and more farmers negotiate long-term contracts with food processors, so gaining a stability in their income.

Spurred on by the Community opening frontiers to trade, offering a large market to sell existing products or launch new ones, European agro-industry underwent steady growth. The expanded "home" market also gave a solid base for development of exports.

Agro-industry has helped regional development by often providing alternative sources of employment in areas where the drift away from the land has been felt the strongest and by introducing activities which inject into the local economy substantial added value.

---

### EIB financing — general approach

---

As stated earlier, the EIB is not concerned with financing agricultural development across the board but only with supporting those investments which — after independent appraisals by the Bank's own economic, technical and financial staff — promise to make a significant impact on economic development, in particular in the less favoured regions.

Factors assessed include the market possibilities and how the project will integrate into the general Communi-

ty pattern of agricultural trade (i.e. to avoid encouraging activities which lead or add to surplus production capacity), the increase in land productivity, the extent to which the project will cut underemployment and, if possible, provide extra jobs, the rise in value added, how the project helps to raise incomes.

At the same time, the Bank's comprehensive approach in financing investment in all sectors of the economy allows it in some cases to back up agricultural development by

financing the necessary infrastructure support e.g. transport and distribution facilities, electricity and water supply, telecommunications improvements in rural areas, agricultural training centres — see page 5.

Another general point: the size of investments.

Only about 1 in 5 farms in the EEC cover more than 20 hectares<sup>(1)</sup>. Farming is largely — and in many areas almost exclusively — family-dimensioned. Modern methods and mechanisation are generally geared to family farms which can achieve a productivity per hectare often higher than in big units run largely with hired labour. Hence the effort to preserve or strengthen agriculture's contribution to regional development must centre on investment structured to achieve results at the family farm level.

The irrigation projects which the Bank has helped to finance reflect this concern. Although they consti-

tute major public works of regional or multi-regional importance, the principal aim has been to push the family farm into more productive and prosperous activity.

There is another way the Bank has tried to help smaller-scale farm investment: through the "global loan" mechanism. Global loans are basically lines of credit which the EIB opens to financial institutions to assist investments of a modest size which it would not be a practical, economic proposition for the Bank to deal with directly. The scheme was first devised to help small and medium-scale industrial ventures in development areas but in recent years has been extended in Greece, Southern Italy and Ireland to include various on-farm investments.

In agro-industry, most of the investments assisted by the EIB — again through the global loan mechanism — consist of small or medium-scale ventures.

(e.g. joint packaging and transport facilities, water cooperatives) in the interests of raising productivity.

Another factor: if irrigation schemes are tied in with land consolidation (i.e. a revision of farm boundaries, so as to arrive at the most rational layout) this makes for maximum productivity, low investment and production costs.

In the Italian *Mezzogiorno* the EIB has lent for irrigation schemes (usually associated with drainage works) covering over 300 000 hectares, mainly in Apulia, Sardinia, Basilicata and Sicily but also in Molise, the Abruzzi, Campania and Latium.

The loans totalled 539.5 million ECUs at end-June this year. This figure refers only to irrigation schemes as such and does not include substantial sums lent by the EIB for major water supply works (e.g. the 225-km Pertusillo aqueduct carrying water from Basilicata to the far south of Apulia).

For all these irrigation projects, the works were entrusted to the Cassa per il Mezzogiorno, the Italian Government agency for special aid in Southern Italy, including Sicily and Sardinia; the Cassa implements the works through the local "Consorti" (landowners development associations).

It is possible here to detail only a few of the projects. A recent scheme concerns irrigation of 3 800 holdings in the Oristano plain in Sardinia. The project consisted of (a) replacing with sprinkler irrigation an obsolete system (based on irrigation by infiltration) introduced before the last war and (b) extending irrigation to a wider area.

Land consolidation measures had already been adopted for the old scheme and were introduced into the extension area, giving a regular, geometric plot pattern which enables the installation on every single farm of fixed sprinkler installations. This is more efficient and cheaper, globally, than if the farmers had retained irregular and fragmented plots which would have led to a less extensive irrigation system but with the need to purchase a considerable amount of mobile irrigation equipment. Apart from raising agricultural incomes, the project should also provide 300 full time extra jobs on the land. Main crops planned are

---

## Irrigation and drainage

---

Given the weight of regional development problems in the Mediterranean areas and their linkage with agriculture, it is not surprising that the majority of EIB financing for agricultural development has gone towards irrigation schemes in the South of Italy, Greece and in Southern France. Equally important, the Bank has lent for substantial land-drainage works in Ireland. In total these operations amounted to 764.1 million ECUs at end-June 1981.

Irrigation improves the land's productivity; it widens the choice of crops, often enabling several to be harvested in one year and making more intensive use of manpower, and assists farmers to better structure their production to market needs.

For the layman, the impact of well-planned land improvement (irrigation and drainage) can be surprising, increasing agricultural incomes by a factor of sometimes three or four, depending upon soil, climate and the nature of production.

The proviso to this is that the schemes be not only well conceived and well built. They must also be correctly managed afterwards and backed up by promotional, advisory and technical services and agricultural credit facilities to make sure that the possibilities offered by irrigation — which mean a radical change

from dry-farming methods — are fully exploited. The tariffs for using irrigation facilities must be fixed at a level sufficient to guarantee income for proper management and maintenance and to discourage waste.

The form and efficiency of this kind of back-up support are matters for decision by the national and regional authorities which, over the years, have shown increasing awareness of the problems involved.

As far as the EIB is concerned, it has never considered that its role is limited to financing the installations; during appraisals of irrigation projects it discusses with the authorities the operational support necessary and assurances to this effect influence the Bank's decision on whether to grant a loan or not. Unfortunately implementation on the site is sometimes too slow and not thorough enough. One particularly pressing problem lies in improving the marketing circuits; in some regions these have not kept pace in organisational efficiency with the changes which have taken place on the farms and stifle the potential benefits of agricultural modernisation.

Of interest also is how the scheme might provide the framework for closer cooperation between farmers

---

<sup>(1)</sup> This average figure hides considerable differences from country to country (in the United Kingdom some 55% of farms cover over 20 hectares; in Greece 95% of farms cover less than 10 hectares).

**Infrastructure support** for rural development — water and electricity supplies, telecommunications, road links — presents its own special problems.

Where there is a low population density, the high costs in relation to the number of people served can be an obstacle to development. For example, in a recent rural telecommunications project examined by the EIB it was estimated that the long telephone lines needed to link up individual farms would cost 10 times the average installation.

Such high per capita costs for new infrastructure mean that works have often tended to get low priority and been postponed over the years, adding to the difficulties of rural life; to a certain extent it is a vicious circle because a low standard of infrastructure provision is one of the factors leading to depopulation, which pushes the per capita cost of improvements yet higher.

In such cases an assessment narrowly limited to financial return is of little purpose. Improvements may well be possible only with Government or regional grants or subsidies; the real importance lies with the economic viability, i.e. with the effects that such works can have on stimulating agriculture and/or other activities.

The possibility for the EIB to help with such investments was expressly foreseen in the Bank's Statute. This makes a net distinction between lending for projects in the production sectors — where interest and amortisation of loans must be covered out of the gross trading surplus — and lending for other projects, where repayments can be covered by a commitment from the State or other appropriate means.

Over the years, the EIB has consistently ensured that part of its lending for infrastructure development in the regions has been of direct benefit to rural areas. Frequently EIB loans have formed a tandem of Community action with grant aid provided from the European Agricultural Guidance and Guarantee Fund and the European Regional Development Fund.

As an example of EIB lending aimed at helping local farmers, the Bank granted loans to the four Brittany Departments of Finistère, Morbihan, Ille et Vilaine et Côtes du Nord for rural water supply works. Brittany has an abundant rainfall but because of geological factors (shallow subsoil above watertight rock) groundwater is limited and reserves are quickly exhausted when a dry spell occurs. Result: farmers were often obliged to bring water in from far afield in tankers, with an obvious impact on their operating costs, and the lack of water was one of the factors contributing to relatively low milk yields. The growth of local agro-industry was also curbed. The works carried out by the four Departments benefited about 12 500 users, mainly farmers.

Many of the water supply schemes, and associated works on sewerage infrastructure, which the Irish local authorities have carried out in recent years to serve industrial and agricultural needs have been financed partially with EIB loans.

By way of contrast — i.e. looking at the sheer scale of investment involved — the Bank has helped to finance some of the largest water supply schemes in Southern Italy, partially to back up industrial develop-

ment and meet household needs but also to help eliminate the water shortage which has traditionally handicapped agriculture in large areas of the Mezzogiorno.

The largest of such schemes was construction of the 225 km Pertusillo aqueduct which carries water from the Pertusillo dam on the River Agri in Basilicata to the far south of Apulia and for a network of pipelines, total length 650 km, to supply numerous towns and villages. This aqueduct was the backbone of a programme of works entrusted to the Cassa per il Mezzogiorno and designed to improve water supplies for more than 4 million people in Apulia and Basilicata.

Rural life makes its own demands upon telecommunications. In sparsely populated areas it can be argued that a telephone is perhaps more of a necessity than anywhere else. And in any case, modern agriculture needs the telephone as a working tool no less than industry.

Here again, as with electricity supplies, the EIB has financed both development schemes limited to specific rural areas and also large-scale works which include improvements for rural areas as part of an overall investment, sometimes of multi-regional importance, serving industry as well as agriculture.

Transport and distribution is another field in which the EIB has given support: examples—improvements to the Tyrrhenian railway line largely to give agriculture in the deep South of Italy better access to markets in the North and in other Community countries; construction of the Rungis (Paris) market complex both to improve the flow of agricultural produce from the regions to the capital and to act as a hub for a large volume of international trade.

A recent and particularly useful development for financing infrastructure works takes the form of global loans. In other words, the same technique which the Bank employs for financing small-scale investments in the productive and service sectors can also be used for small-scale rural electrification and water supply schemes, road improvements etc. So far this variant of the global loan system has been used with notable success in France where the Caisse d'Aide à l'Équipement des Collectivités Locales — CAECL has used global loans to help finance a series of works carried out by Departments, Chambers of Commerce and groups of communes.

Infrastructure of a different kind, but in the long-term perhaps just as important in its effects on agricultural development, is the provision of adequate training facilities for farmers and farmworkers.

A recent EIB loan is helping Ireland's Council for Development in Agriculture to construct more than 20 new local training centres, extend or modify existing centres, and modernise "model farms" run at three agricultural colleges. Surveys show that despite the importance of agriculture to the economy, less than a quarter of the country's farmers have received a formal training. Raising the level of personal skills to match the evolution in farming methods and management techniques has a direct role in increasing agricultural productivity. These training centres are run with substantial contributions from the European Agricultural Guidance and Guarantee Fund.

fodder, fruit and vegetables and industrial crops.

An example of how irrigation helps farmers restructure production, aiming at more profitable markets, is afforded by a scheme in Sicily (Gela plain, Caltanissetta province) which will cover about 1 200 hectares (the first stage of works which should eventually extend to some 8 000 hectares). The plan is to turn over 60% of the land to market-gardening and glass-house crops (chiefly artichokes, early and late vegetables and winter vegetable crops, which command good prices) against the present 8%, while the amount of land presently used for growing cereals (lower revenue crops) or left fallow, will drop in inverse proportion. The more intensive cultivation will demand an increase in manpower, with a more even seasonal distribution.

A different approach was taken in an inland region of Sardinia, the Agro di Chilivani area. The climate can be rigorous and severe frosts exclude many of the Mediterranean crops which are grown in coastal areas. Livestock farming is one of the few activities possible; traditionally over half the land has been left as meadow for cattle and sheep but with a low yield. An irrigation scheme aims at increasing production of forage crops so as to permit up to four times more animals, with the considerable difference in incomes that this implies for the 2 300 people who live on the 380 farms involved. The project is being backed up by the regional authorities with the construction of a slaughterhouse.

The largest scheme — or more accurately, series of works — which the EIB has supported concerns the Metaponto/Stornara coastal plain in the instep of Italy's "foot", where Apulia, Basilicata and Calabria meet.

Here, with loans granted from 1966 through to 1980, the EIB has helped to finance irrigation which, when completed, should serve 12 500 farms covering some 75 000 hectares.

In ancient times this was a highly fertile, prosperous agricultural area but the continuous erosion of the soil, coupled with the stagnation of water impounded by coastal dunes, turned much of the area into a malarial swamp, which the farming population had gradually to abandon. The land was left mainly in the hands of a few large estate holders who could not or did not exploit the potential.

Rehabilitation began before the war, though the scale of the undertaking became extensive only in the 50s after agrarian reforms and drainage works. With irrigation, the area under cultivation can be much larger and the cropping pattern and farming techniques altered radically. In the areas already irrigated, horticulture, citrus and other fruit farming and beet cultivation has substituted traditional grain cultivation; the average per hectare value of production has increased threefold, even fourfold, against an increase in the number of man-days work per hectare of the same order. The new job opportunities plus improving wages and living conditions have helped to stem the flight from the land. Indeed new villages have been established. There is every reason to suppose that as years go by the Metaponto/Stornara plain could become the prosperous, highly productive farmland that it was once before.

In **Greece** — EEC Member Country since 1 January this year, but before that associated with the Community since 1962 — the EIB lent 128.8 million ECUs for irrigation projects up to end-June this year. These schemes cover some 150 000 hectares of land in mainland Greece (Thrace, Eastern Macedonia, the Peloponnese, Thessaly) and Crete.

Over a third of all the Bank's financing in Greece during the Association period went towards irrigation works. The reasons for the high priority which the Greek authorities gave to this, are clear:

— agriculture employs 30% of the national working population and around 50% outside the Athens-Piraeus industrial conurbations; it is, therefore, by far the dominant regional activity and any improvement in regional development depends as much upon making agriculture more viable, with higher incomes, as introducing new industrial and other activities;

— traditionally divided into small holdings, and often facing difficult soil conditions, the agricultural sector produces only about 40% output per worker of the average in the other nine countries of the Community.

The drive to increase productivity has also had to take into account the need to structure agriculture so as to achieve a better complementarity of production between Greece and the other Community countries, in particular Italy and France. It is along these lines, for example, that

cotton-growing has been encouraged in some of the areas brought under irrigation, providing a good export crop without any competition from other Community countries. In other areas, forage crops have been intensified so as to raise productivity in stockfarming, Greece being structurally deficient in animal production. Greece's climate also gives farmers good possibilities to produce early and late fruit and vegetables which most EEC countries have to import, largely from outside the Community.

Each of the schemes which the EIB has financed has been accompanied by land consolidation reforms. Previously farm holdings in these areas were typically fragmented into small, unconnected plots, making it difficult, if not impossible, to employ modern equipment and farming methods.

Two examples are the extension of irrigation in the Serres plain, Eastern Macedonia (loans granted in 1975, project largely finished and due to be fully operational in 1982) and irrigation on the plains along the Ardas and Evros rivers in Thrace (loans granted in 1979 and 1980, project still being carried out).

Soils in the Serres plain have a high productivity potential but the annual rainfall is unevenly distributed and the area has been characterised by low crop yields, further complicated by flooding from the Strymon river. The project which the EIB helped to finance extends irrigation to some 20 000 hectares and includes flood regulation.

The works benefit about 13 000 families employed in farming and cattle breeding (average holding size less than four hectares). Prior to the scheme underemployment was such that work on the farms was sufficient for roughly a third of the available manpower and the local population dropped by 20% in 10 years; with irrigation, the amount of work required should more than double and labour productivity is expected to rise about 2.5 times.

The Evros scheme will cover some 37 000 hectares in areas near the Turkish and Bulgarian borders which are occupied by almost 7 500 small farmers.

Thanks to irrigation there should be a much higher production of fruit and vegetables (mainly melons and potatoes for sale in the growing city markets of Athens and Thessaloniki) and livestock, substituting for imports.

It is estimated that up to 5 000 extra jobs could be created for farm labour and the average farmer income could double or even triple, depending on the area and the activity concerned.

One further point could be mentioned here, although it is of general application: concern for the environment.

As part of its standard project appraisal procedure the EIB always gives full weight to environmental considerations (possible erosion, the run-off of residues from fertilisers and pesticides, salinization etc). In the Evros project, the Greek Government, assisted by the World Wildlife Fund, has established a nature reserve downstream in the Evros delta. A research station studies the effects of flow control on the Evros river and how to avoid the dangers which concentrations of chemicals could present for the delta's flora and fauna.

In **France**, the EIB has provided a total of 72.7 million ECUs for irrigation and land improvements.

The vast majority of this — 57.5 million ECUs — was made available in three loans, the most recent in 1977, for works forming part of a water resources development programme in Provence based on the River Verdon.

The scheme involved a network of canals and distribution pipelines totalling some 3 000 km in length, of which 210 km are major canals (more than half in the form of tunnels pierced through mountains).

EIB funds went towards irrigation works covering some 33 500 hectares in the Bouches-du-Rhône and Var, benefiting some 3 000 farmers.

Non-irrigated agriculture in Provence (mainly cereals, wine and some vegetables) yields relatively low incomes. However, the good climate and fertile soil in the areas, together with modern irrigation, provide ideal conditions for the production of a wide range of products for which Provence is renowned (e.g. early vegetables, melons, garlic and onions) and growers have greater flexibility to follow market demands.

In the Sixties the Bank also helped to finance other schemes in the Midi.

**Ireland** is the country with the highest rainfall and the most abundant water resources of all the EEC Members. Under these conditions inade-

quate drainage is a serious obstacle to raising agricultural productivity.

The Irish authorities are currently engaged in large-scale drainage programmes. The EIB has helped to finance works covering close to 60 000 hectares (150 000 acres) in Counties Mayo (West of Ireland), Limerick (South West) and Meath (East), all areas where farming is the

main activity and where incomes are low.

The drainage works are long term — 10 or 12 years will be needed to provide all land with on-farm drainage — but will make a progressively stronger impact on the local farming population (numbering about 6 000 families). The transformation of marginal or unused land into good gra-

Take a difficult-to-dispose-of effluent (lactoserum) from 20 dairies, which was beginning to cause environmental problems, and then use it to make valuable food additives and products for the chemical industry, sold on markets as far afield as Japan and the USA: this, in a nutshell, is what happens in two ventures which the EIB has helped to finance in Denmark. They provide an interesting example of the benefits which can stem from the application of technology in agro-industry.

The factories in question are situated on the same site at North Vium in Ringkøbing County, West Jutland, and their operations are closely integrated.

One company — Danmark Protein A/S (50%-owned by Danish agricultural organisations including the country's largest dairy cooperative, 50% by Kali-Chemie AG, the German chemicals company which forms part of the Belgium-based Solvay group) — processes lactoserum to make protein concentrates in powder form.

The proteins are separated from the liquid by means of special porous membranes and the final product is one of exceptional purity making it particularly suitable for use in baby foods and dietary products.

The second company — Biogena A/S, wholly owned by Kali-Chemie AG — treats the residue (liquid permeat) passed on from Danmark Protein. The main operation at this secondary stage is evaporation and spraydrying to obtain a product (permeat powder), consisting largely of lactose and proteins not recuperated in the first operation. This is sold for use in the food industry (bakeries, frozen foodstuffs, dietary products), as an additive in animal feeds and for use by the chemical industry (production of enzymes, the media for antibiotic cultures).

There are other possible commercial applications: permeat can be used for making polyols, one of the two main constituents used in producing polyurethane foam (the market depends upon the price of oil, the alternative feedstock); permeat could also be used for the production of industrial alcohols.

The EIB lent 3.1 million ECUs for construction of these two factories (roughly 30% of the total fixed investment cost). So far they have provided over 50 jobs, making a useful contribution to development in an area where, apart from agriculture, the other main activity is the problem-faced textiles industry.

An important consideration in financing these projects was their effect in helping to safeguard the environment.

As cheese production has grown, so has the problem of what to do with the lactoserum. Discharging it as effluent means a threat to streams and rivers, but treatment to neutralise the liquid would be expensive, with the cost having its impact on competitiveness. The possibility of providing lactoserum to pig-farmers for use as feedstuff has been restricted by the rising costs of transporting bulk liquid.

Now, not only do the dairy cooperatives in the area have an outlet for this problem by-product, but the "waste" itself is transformed into foodstuffs and primary materials for other production processes.

## Recent Loans

Between 30 June — beyond which no data are given in the article — and 20 November 1981 (date of going to press), the EIB continued to provide support for agricultural schemes (45.3 million ECUs) and agro-industrial investment (9.3 million ECUs). These amounts should be supplemented by a further 9.4 million ECUs advanced in the form of global loans for financing smaller scale agricultural and agro-industrial ventures.

The total of 64 million ECUs will help to implement the capital investment projects listed below, some of which have already attracted EIB finance.

	<i>million ECUs</i>	
<b>Irrigation — drainage</b>	<b>45.3</b>	
<b>Italy</b>	<i>Billion Lit</i>	
Irrigation of 23 600 ha using water from the Ofanto river plus drainage works in Foggia province (Apulia)	15.0	11.9
Irrigation of 12 500 ha in the Agro Pontino area in Latina province (Latium)	12.0	9.5
Development of Campidano plain at Cagliari (Sardinia) involving irrigation of 12 000 ha and drainage of 18 000 ha	11.1	8.8
<b>Greece</b>	<i>Million Dr</i>	
Irrigation of 12 000 ha in the Drama plain (Macedonia) using water from the Kylos river and springs in the plain	460.0	7.5
Irrigation of 2 600 ha in the Boida-Mavri plain using water from a natural lake and local springs plus equipment for maintaining drainage facilities in the Arta plain (Epirus)	190.0	3.1
Irrigation of 1 500 ha in the Nestos plain using water from the Nestos river plus equipment for maintaining drainage facilities at Kavala (Macedonia)	130.0	2.1
Modernisation and extension of an irrigation network in the Konitsa plain (Epirus) using water from the Aaos river	150.0	2.4
<b>Food processing</b>	<b>9.3</b>	
<b>Italy</b>	<i>Billion Lit</i>	
Modernisation and extension of a frozen foods factory at Cisterna di Latina (Latium)	7.0	5.6
Modernisation and extension of a factory producing mineral water and other non-alcoholic beverages at Riardo (Campania)	4.7	3.7
<b>Global loans</b>	<b>9.4</b>	
<b>Ireland</b>	<i>Million IR£</i>	
Global loan to Agricultural Credit Corporation Ltd (ACC) for financing small and medium-scale ventures concerned with intensive farming and the foodstuffs industry	4.0	5.7
Global loan to ACC for financing small and medium-scale investment in agricultural buildings and equipment, etc. forming part of a medium-term agricultural development plan	2.5	3.7

Furthermore IR£ 20 million (28.9 million ECUs) have been advanced for constructing and extending industrial and agricultural training centres; the project concerns 30 agricultural centres and 3 model farms.

zing fields should lead to an appreciable improvement in standards of living.

*In the United Kingdom EIB funds have helped to finance drainage and flood prevention works covering some 9 000 hectares (22 500 acres)*

*of low-lying arable land in North Lincolnshire (this is not included in the total of lending for irrigation/drainage because the works were a relatively minor part of a project concerned principally with water supplies and sewerage for industry).*

## Forestry development

In regions where economic conditions are appropriate, forestry projects can make a useful contribution to development, providing jobs not only in the planting and logging operations, but also in stimulating activity in woodworking enterprises and the paper pulp industry "downstream".

They are also of more general interest in that the EEC imports at present about two-thirds of its timber, half of its paper pulp and a fourth of its paper and board. Moreover, the available supplies on world markets are under increasing pressure.

Within the Community, the EIB has helped to finance forestry development in **Ireland** and **Greece** with loans worth 43.3 million ECUs; it could be that further loans will go to this activity, subject to the presentation of viable schemes (e.g. there has been much discussion in Italy on reforestation of parts of the Apennines; in Roman times they were heavily wooded areas but, with overfelling and insufficient or no replanting, lapsed through the centuries into barren or scarcely productive grazing areas). *See page 11 for details of financing forestry development in Portugal and Turkey.*

Ireland's moist soil conditions and mild climate give it particular advantages for forestry development with high growth rates permitting early and frequent thinnings.

The project which the EIB helped to finance provides for afforestation of about 45 000 hectares (110 000 acres) of land which is marginal to other agricultural production, located in different parts of the country. Although wood production is the main aim, the authorities are tailoring the individual plantings so as to improve the environment and provide recreational facilities and to control land erosion. The funds also went towards construction and maintenance of some 750 km (470 miles) of access roads and purchase of logging equipment for harvesting in forests planted in the 50s and 60s.

Taken together, the works should provide at least 1 200 permanent jobs, mainly for unskilled labour in small, often distant rural areas where alternative employment is hard to find.

The forestry development supported by the EIB in Greece is located in Thrace and Eastern Macedonia. It covers some 90 000 hectares in re-

mote, mountainous areas near the Bulgarian border.

The project consists of construction and maintenance of forestry roads (close to 650 km), surfacing of existing roads (a further 650 km) and the construction of housing facilities for seasonal workers in six districts (the nearest town to any of the forests lies at 60 km distance). These measures will make for a substantial increase in logging potential.

The State forestry management plan, under which these works fall, also provides for afforestation where land is available, improving degraded forests by thinning, seeding

and planting, fire prevention measures and training programmes for forestry workers centred on special camps.

The intensification of felling operations should lead to engaging an additional 1 000-1 300 seasonal workers; incomes of all forestry workers in the area should rise as a result of higher productivity made possible by the denser road networks.

Moreover, this project — in one of the least developed regions in Greece — should help to revitalise wood processing industries which were operating at only part of their capacity.

---

### Smaller-scale on-farm and other agricultural investment

---

All the projects mentioned so far — irrigation, drainage, forestry development — are large-scale schemes involving the allocation of resources on a substantial scale and forming part of State agricultural development programmes.

However, the effort to improve agricultural productivity and give the sector a healthy, viable role in regional development, also depends on making credit available for small-scale on-farm and other investments where local initiative is the key factor.

To do this the EIB makes "global loans" (basically lines of credit) to banks or other credit organisations which have a close knowledge of the sector and use the funds to finance a series of investments chosen from a range of activities agreed with the EIB.

The intermediary institution is the contractual borrower from the Bank and is responsible for the detailed investment appraisals but the EIB must give its agreement to each sub-loan, which can be made either for an improvement at an individual farm or granted to a cooperative for a range of small works carried out by members.

In this way, the EIB's access to the world's capital markets can be harnessed to the operational resources (in terms of village or district offices, direct day-to-day contacts) of the institutions with which it works.

The global loan approach to financing small-scale agricultural development has been used in **Greece, Ireland and Italy** where, by end-June this year, credits worth 21.0 million ECUs had been drawn down.

In Greece, the EIB has worked with the State-owned Agricultural Bank

of Greece which has branches and agencies in every district. Besides offering credit facilities, it plays a central role in agriculture by trading in agricultural supplies, providing technical and commercial advice to farmers and handling Government subsidies of different kinds.

This knowledge of activities at village level meant that a 2.5 million ECU line of credit opened by the EIB in December 1979 was used to help investments undertaken by 950 smallholders in different areas: all the sub-loans went towards development of cattle breeding (*NB these funds formed part of a 15 million ECU global loan of which 12.5 million was set aside for agro-industrial ventures, detailed later*).

A 10 million ECU global loan, provided in December 1979 to the same bank, is currently being used to finance local irrigation schemes serving small groups of holdings; as at 30 June this year funds had been drawn down for irrigation schemes covering 3 600 hectares.

In Ireland, it is the Agricultural Credit Corporation (ACC) which has contracted global loans from the EIB. This is again a State-owned body with representation throughout the country and close day-to-day contacts with the farming community.

The global loans to AAC (11.1 million ECUs between 1978 and end-June this year) were aimed mainly at financing agro-industrial ventures (see details later) but a proportion of the funds has gone to investment in intensive crop and stock farming and construction or expansion of grain silos. As at end-June a total of 4.7 million ECUs had been drawn down for 20 agricultural investments.

In Italy, the Cassa per il Mezzogiorno used a global loan to provide 11.3 million ECUs for investment in stock farming throughout the South. The funds went to over 70 schemes for raising productivity mainly in cattle and sheep breeding and fattening.

---

### Finance for agro-industry

---

For every five people working on the land in the EEC, there is a further job in agro-industry.

The close links with primary agriculture mean that much of the industry is located in or close to the growing areas, hence its importance in widening the dimensions of economic activity in less-developed rural regions.

It is basically for this last reason that the EIB has given steady support for agro-industry development. Up until end-June this year finance totalled 331.7 million ECUs. The funds went towards the setting up or expansion of 379 ventures engaged in the broadest range of production. They involve new fixed investment worth about 870 million ECUs (prices calculated at the time of loan appraisals) and the direct creation or safeguarding of close to 20 000 jobs.

Small and medium-scale ventures, assisted via global loans, accounted for over 40% of the funds (137.7 million ECUs) but over 90% of the number of financing operations and close to 60% of the employment creation/stabilisation.

Geographically the operations are the most concentrated in Italy, Ireland and the United Kingdom but substantial funds have also been provided in France, Greece and Denmark, and for some investments in Belgium and Germany.

In **Italy** lending totalled 131.7 million ECUs (including 116 credits for small and medium-scale ventures drawn from global loans granted to IMI — Istituto Mobiliare Italiano, ISVEIMER — Istituto per lo Sviluppo Economico dell'Italia Meridionale, IRFIS — Istituto Regionale per il Finanziamento alle Industrie in Sicilia, CIS — Credito Industriale Sardo, ICIPU — Istituto di Credito per le Imprese di Pubblica Utilità, Banca Nazionale del Lavoro and Mediocredito Centrale).

These investments, large and small, are virtually all located in the South and have made a useful contribution to the development of some regions.

Campania, for example, is a region still heavily dependent upon agriculture, with some of its other traditional activities (textiles, steel in the Naples area . . .) in difficulties; the EIB has helped to finance some fairly large-scale projects — an ice cream factory and mineral water bottling plant — plus around 20 smaller ventures, between them involving some 2 000 jobs. In Apulia, loans went to construction then extension of a brewery, two pasta factories, a canning plant and oil mill, while credits from global loans helped to finance 23 small and medium-scale ventures (total jobs involved: over 2 000). Amongst other regions: Latium nine direct loans plus 14 credits for small/medium-scale ventures; Sicily, three direct loans, 18 credits for small/medium-scale ventures . . .

In **Ireland**, agro-industry holds a particularly important position in the national economy. It provides direct employment for about 7% of the working population and accounts for a quarter of all industrial jobs (calculations at end-1979). Most activity is in the hands of small or medium-sized concerns and hence EIB financing has been largely directed towards them: almost 100 small and medium-scale ventures have benefited from credits drawn down from global loans made to ICC — Industrial Credit Company Ltd. and ACC — Agricultural Credit Corporation Ltd. Between them they involve the creation or safeguarding of some 2 150 jobs. The Bank has also made direct loans for a few larger-scale projects (e.g. dairy modernisation). Total EIB financing in the sector was worth 44.8 million ECUs at end-June.

A similar picture in **Greece**: efforts to improve agricultural productivity are closely linked to developing a stronger, more competitive agro-industrial sector, particularly because this now enjoys wider prospects within the EEC market. Smaller concerns again represent most activity: credits worth 21.4 million ECUs from global loans to the Agricultural Bank of Greece helped to finance 26 ventures.

In the **United Kingdom** 81.8 million ECUs went to agro-industrial investment (including 19 credits for small and medium-scale ventures from global loans granted to ICFC—Industrial and Commercial Finance Corporation Ltd. and from a similar credit operation run by Government administration — Department of Industry in England, Scottish Econo-

mic Planning Department, Welsh Office Industry Department, Northern Ireland Department of Commerce).

There is a heavy concentration in Scotland as four large loans (total 53.9 million ECUs) went towards investment in the country's famous, traditional industry — whisky production. Funds were lent for new bottling and blending plants in Glasgow, Dumbarton and Kilmalid involving the creation or safeguarding of over 600 jobs.

In recent years there has been an increasing need to step up productivity in the whisky industry not only because of the general pressure on sales in the recession but also because of a structural change in business: some major export markets appear to have reached saturation while there is also increasing competition from other spirits, including "whiskies" from new producer countries, e.g. Japan.

A project of interest to many Scottish farmers is the construction of a slaughterhouse and meat processing complex near Edinburgh to serve the agricultural community in the whole of the area surrounding the city in the Lothian, Fife and Border regions. The complex replaces obsolete buildings, dating back to before the 1st World War, no longer adequate in view of the more stringent hygiene and environmental protection norms adopted by the Community. About 300 jobs are being safeguarded in an area of high unemployment.

The small and medium-scale ventures assisted via global loans are located throughout UK assisted areas and range from meat products and wholesale butchers to producers of food colourings and part-fried chipped potatoes. In relation to the size of the investments the effect on employment is appreciable: over 1 200 jobs created or safeguarded.

In **France** a total of 38.2 million ECUs went to agro-industrial development (including 30 credits for small and medium-scale ventures drawn from global loans to Crédit National, Caisse Centrale de Crédit Hôtelier, Commercial et Industriel and SADE—Société Alsacienne de Développement et d'Expansion).

Over half the funds — two loans worth 22.2 million ECUs — went to the dairy industry in Western France. The loans were made to an organisation comprising 14 cooperatives (40 000 milk producers) and employing some 6 500 people, hence of real importance for the region's economy.

The accent was put on rationalising and modernising the collection of milk in Lower Normandy, Brittany and the Pays de la Loire and on re-equipping a number of dairies and farms with a view to stepping up competitiveness, researching into new products and adapting output to changing market trends (in particular widening the range of cheeses and other products for export to distant countries, at the expense of traditional dairy products which are in surplus within the Community).

Dairy modernisation accounts for a number of the global loan credits, which also went to concerns involved in production of animal feeds and protein concentrates, fruit juices and frozen foods, bakeries and slaughterhouses.

In **Denmark** 18.2 million ECUs went to agro-industry (including 25 credits for small and medium-scale ventures drawn from global loans to the Danish State — Regional Development Board — and to Finansieringsinstituttet for Industri og Handvaerk).

By far the majority of the funds went to investment in Jutland, Denmark's main agricultural region. In particular, EIB loans went to two cooperatives, one representing 4 000 farmers in South Jutland which needed a loan for construction of a new pig slaughterhouse, the other a dairy cooperative with 1 500 members in South-West Jutland which wanted to restructure production, moving away from traditional products in plentiful supply or surplus towards more elaborate foods (fruited products, mainly) with better market prospects.

*See page 7 for details of how EIB funds are helping to establish new industrial activities using waste by-products from Danish dairies.*

Other operations in the agro-industrial sector: 5.5 million ECUs in **Belgium** (seven small and medium-scale ventures: credits drawn from global loans to SNCI—Société Nationale de Crédit à l'Industrie/NMKN — Nationale Maatschappij voor Krediet aan de Nijverheid); 4.8 million ECUs in **Germany** (eight small and medium-scale ventures were assisted with credits drawn from global loans to IKB—Industriekreditbank and Landesbank und Girozentrale Schleswig Holstein; a loan was granted directly by the EIB for a meat processing factory in Saarbrücken, offering alternative jobs in an area where the coal and steel industries have slimmed labour forces).

## Lending outside the Community

The main purpose of this issue of EIB-Information is to describe EIB operations in relation to agricultural development and agro-industry within the European Community.

But over the years the EIB has also lent substantial sums for similar investment in other countries under the terms of agreements which provide for various forms of development assistance from the Community. These operations (including credits from global loans to national development banks) totalled 287.5 million ECUs at end-June 1981 (*N.B. figure excludes EIB lending in Greece before the country's accession to the EEC on 1 January 1981, dealt with in the main article*).

Almost 40% of this financing concerns Portugal, currently negotiating EEC Membership, and Turkey, linked to the Community through an association agreement which dates back to 1964. In these two countries EIB loans have gone mainly to large-scale irrigation schemes and forestry development but also to agro-industrial ventures.

The remainder is accounted for by lending essentially for agro-industry in African, Caribbean and Pacific (ACP) countries which have signed the Lomé Conventions and in certain countries in the southern and eastern parts of the Mediterranean region which have signed cooperation agreements with the EEC.

In most of these countries agriculture and associated activities hold a position in the economy — whether measured by size of dependent population, share of GDP or of exports — which is much more important than in the Community. In Turkey, for example, agricultural products represent more than 50% in value of the country's total exports and farming is the livelihood for about 60% of the working population; for the ACP as a whole agriculture accounts for 30% of GDP.

The problems found in backward agriculture in some Community regions — underemployment, low productivity and incomes — loom yet larger, while rural exodus in many a developing country leads no further than to concentrated urban poverty and social unrest.

European Community assistance for agricultural and agro-industrial development takes several approaches: technical and industrial cooperation, for example, and preferential trading arrangements. In the Lomé Convention countries, the EEC provides financial aid for export promotion and makes stabilisation payments to help countries dependent upon exports of a few crops or commodities ride out the ups and downs of market prices.

The Community also provides investment finance, for which there is a division of responsibilities between the European Investment Bank and the Commission of the Euro-

pean Communities. The Bank concentrates on reimbursable aid, while the Commission's primary concern is grant aid; there is, however, a limited crossover in certain fields.

The EIB has lent primarily from its own resources (i.e. essentially the funds which it raises on capital markets) but its normal interest rates, calculated on a non-profit-making basis, are in most cases reduced by interest subsidies paid from Community grant aid. The Bank also carries out financing operations on specially soft conditions, i.e. extra long-term loans with extended grace periods and nominal interest rates, plus various kinds of risk capital contributions; these operations, which the Bank manages under mandate, are funded from Community or Member Countries' budgets.

The "mix" of investment finance depends upon a number of factors: the terms of the Convention or agreement under which the lending takes place, the nature of the investments financed, the general economic situation of the countries concerned.

---

### Mediterranean countries

---

In Turkey the EIB lent 56.2 million ECUs up to end-June 1981 for agricultural and agro-industrial investment.

The major share — 36 million ECUs — went to large-scale agricultural

development schemes in the Izmir and Mersin regions. These involved equipping more than 120 000 hectares of land with irrigation facilities, land levelling and consolidation, works to combat erosion, flood protection installations. Better scope for cultivation in both regions is leading to a major increase in agricultural productivity and farm incomes as well as improving working conditions for the 20 000 people in the irrigated areas.

13.4 million ECUs was lent for forestry development in Southern Turkey — in the Antalya, Mersin, Adana and Kahramanmaraş conservancies — which should eventually give rise to some 5 000 jobs. *The project is closely linked to industrial investment aimed at increasing production of sawn timber, pulp and paper — also part-financed by the EIB (37.6 million ECUs) — which should provide 2 700 jobs.*

Finally, 6.8 million ECUs went to 10 small and medium-scale agro-industrial ventures; the funds were provided in credits from global loans to the Industrial Development Bank of Turkey and the Industrial Investment and Credit Bank.

Almost the same amount has been lent in Portugal with a total of 51.4 million ECUs. The most recent loans — worth 18 million ECUs — helped to finance the planting of 17 000 hectares of eucalyptus trees on marginal agricultural land which has been abandoned and in areas of worn-out degraded forest. The trees will be used for paper pulp, an important export for Portugal which counts on forest products for over 12% of its total exports.

Earlier loans, for 27 million ECUs, went towards irrigation schemes in the Trás-os-Montes province (N.E. Portugal) and Alentejo (Southern Portugal); increased and diversified production should help to raise incomes and living standards of farming populations in areas with little alternative employment to offer and at the same time support Government policy of trying to limit the foreign currency drain on food imports.

Thirteen small and medium-scale agro-industrial ventures were assisted with credits worth in total 6.4 million ECUs drawn from global loans made to Banco de Fomento Nacional.

In the majority of the other Mediterranean countries, it is the Commission of the European Communities which in practice handles most financing for agricultural development, whereas the EIB concentrates more on industry, energy, mining, tourism and economic infrastructure (mainly transport). Much of the Bank's lending to industry has been in the form of global loans to national development banks; by end-June 1981 credits worth 9 million ECUs had been disbursed to help finance 15 agro-industrial ventures in **Egypt, Jordan, Tunisia, Morocco and Israel.**

*Some of the infrastructure schemes which the EIB has helped to finance in the Mediterranean countries have been of direct benefit to agriculture. For example, a loan was made for relocation of part of the Tunis-Algiers railway line in Northern Tunisia so as to enable a water resources scheme to go ahead (the line ran through an area which will be flooded to form a reservoir for irrigation). In Syria a loan went towards construction of about 150 km of road, part of a key link between the country's farming regions in the East and the main population centres and markets in the West.*

Under the earlier Yaoundé Conventions (1964-1975), which covered a smaller group of African countries, the EIB carried out lending operations for agro-industry and several agricultural development projects worth in total 62 million ECUs; these were partly in the form of loans from the Bank's own resources, partly in finance on special conditions provided by the Bank acting under Community mandate.

*Apart from agro-industrial projects, the EIB has provided funds for some infrastructure necessary for agricultural development — e.g. modernisation of the Trans-Cameroon railway, which carries virtually all of the country's wood, cocoa, coffee and sugar production to the main towns and ports. It has also helped to finance an industrial project of regional importance for cattle farmers in Southern Africa; this is construction of a factory in Botswana which will produce vaccine to protect cattle against foot-and-mouth disease both in Botswana and in neighbouring countries.*

### Lomé Convention countries

The Lomé Conventions provide the framework for substantial assistance in the signatory countries (now more than 60) in Africa, the Caribbean and the Pacific.

There is again, as far as agriculture is concerned, a division of responsibilities between the Commission and the EIB. Broadly speaking the Commission — using grant aid and special loans — handles financing for basic agricultural development (irrigation, land drainage, the laying out of plantations etc) while the EIB (with subsidised loans and risk capital operations) concentrates on agro-industry.

The Bank's lending for agro-industry under the Lomé Conventions totalled 108.9 million ECUs at end-June 1981, including 12.9 million ECUs in credits for small and medium-scale ventures drawn from global loans to national development banks.

These funds went to investment in 19 countries: **Cameroon, Chad, Gambia, Ivory Coast, Kenya, Liberia, Malawi, Mali, Mauritius, Nigeria, Papua New Guinea, Senegal, Swaziland, Tanzania, Togo, Trinidad & Tobago, Upper Volta, Zaire and Zambia.**

Approximately half went to export-oriented activities (e.g. tea, groundnut processing) with, in some cases, a substantial foreign currency earning potential; the other half went to businesses which are aimed primarily at meeting domestic consumption (e.g. rice, palm oil), thus reducing food deficits which weigh on the balance of payments.

The following are a few, brief examples of projects assisted by the EIB:

**Gambia** — modernisation of groundnut processing facilities (groundnut farming brings in more than 90% of the country's export earnings)

**Ivory Coast** — a dessicated coconut factory, a palm and coconut oil mill and expansion of latex processing capacities, all three projects geared to exporting

**Kenya** — 10 new factories to process tea grown by 10 000 smallholders (tea is the country's second most important export)

**Liberia** — construction of two small palm oil mills to supply local markets

**Mali** — construction of a rice mill; lack of processing facilities meant that unmilled rice was being exported, and milled rice imported, at a substantial cost to the balance of payments

**Papua New-Guinea** — construction of a palm oil mill plus storage and loading installations, all production for export; this is linked to a plantation providing 1 000 jobs plus 1 400 family-run smallholdings

**Senegal** — modernisation of groundnut and cottonseed oil mill, largely to increase exports

**Togo** — construction of palm oil mill and storage installations mainly for exports to neighbouring countries

**Upper Volta** — extensions to a sugar complex to meet local needs

**EIB-INFORMATION** is published periodically by the European Investment Bank in seven different languages (Danish, Dutch, English, French, German, Greek and Italian).

Material which appears in EIB-INFORMATION may be freely reproduced; an acknowledgement would be appreciated and also a clipping of any article published.

100, bd Konrad Adenauer  
L-2950 Luxembourg  
tel. 4379-1 — telex 3530 bnkeu lu  
telecopier 43 77 04

Department for Italy:  
Via Sardegna, 38 — I-00187 Rome  
tel. 48 36 51 — telex 611130 bankeu i  
telecopier 474 58 77

Representative Office in Brussels:  
Rue de la Loi 227  
B-1040 Brussels  
tel. 735 21 38 — telex 21721 bankeu b  
telecopier: 230 58 27

Liaison Office  
for the United Kingdom:  
23, Queen Anne's Gate, Westminster  
London SW1H 9BU  
tel. 222 2933  
telex 919159 bankeu g  
Telecopier 222 2936

Printed in Luxembourg by éditpress luxembourg s.à r.l., 44, rue du Canal, Esch-sur-Alzette