

European Investment Bank



20 years
1958–1978

Text finalised 31 March 1978.

This publication is also available in Danish, Dutch, French, German and Italian.

Contents

Preface	5
Introduction: Twenty years on . . .	7
The Bank's action within the Community	13
Regional development	
Projects of common interest	
Modernisation and conversion of undertakings	
Financing outside the Community	45
Lending for projects in Africa, the Caribbean and the Pacific	
Financing operations in the Mediterranean region	
Protocols in the course of ratification	
Resources	63
Outlook	70
The people, the structure	72

As current Chairman of the Board of Governors of the European Investment Bank it is my privilege to preface this publication commemorating the 20th anniversary of the Bank's creation as part of the European Economic Community.

Twenty years are, in the history of states and peoples, a very short period, less than the span of even one generation.

Yet during that time, for all the problems which now face the Community, and they are many and some of them serious, the dimension and nature of the Europe in which we live has changed undeniably for the better.

On a continent which for so long was distinguished by its divisions and differences, our countries are now committed irrevocably to a process of drawing together in solidarity.

In a world prone to turbulent movements, the Community has grown to be a force for economic and social progress and political stability not only amongst its Member States, but also as an encouragement for other countries determined to adhere to democratic principles and seeking support. It has been and is a prime mover in building new and more equitable patterns of relationships between the developing world and the industrial countries.

The European Investment Bank, in the particular tasks which have been entrusted to it, both within and outside the Community, works to support these objectives.

The following pages examine its operations since 1958, but it is not only by looking backwards that this anniversary should be marked.

I would prefer to say that these are not the *past* 20 years of the EIB so much as the *first* 20 years, the foundations on which it will build further.

The challenges to be faced in the future, in an economic climate in many ways harsher and less favourable to Europe than before, are more important than the achievements of earlier years.

The best way we can pay tribute to those who 20 years ago founded the Community is to emulate their courage and foresight and to carry on building, with new vigour.

This is the EIB's approach. With its experience and resources it has the capacity for a substantial increase in its activities. Some of the difficulties we are now faced with, unemployment being the most evident, render its work more important than ever.



Knud Heinesen

Unit of account

The unit of account of the European Investment Bank and the method for converting it into national currencies are defined in its Statute.

The Statute originally defined the Bank's unit of account in terms of gold (0.88867088 grammes of fine gold, equal in value to the gold content of the pre-Smithsonian US \$); it provided that the conversion rates between this unit and national currencies should be calculated by reference to the gold parities communicated to the International Monetary Fund.

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

Therefore, on 10 July 1975, the Member States signed a Treaty amending the Statute in order to enable the Board of Governors, acting unanimously on a proposal from the Board of Directors, to introduce a new definition of the unit of account and to modify the system for converting sums expressed in units of account into national currencies and vice versa.

As an interim measure, the Board of Governors decided on 18 March 1975 that, as from 31 December 1974 and pending the introduction of a new definition of the Bank's unit of account and a new method for conversion of this unit, the EIB would adopt as rates for converting Member States' currencies into the Bank's unit of account and vice versa, the rates used for converting these currencies into the European Unit of Account, the value of which is equal to the sum of the following amounts of Member States' currencies:

DM	0.828	Bfrs	3.66
£	0.0885	Lfrs	0.14
Ffrs	1.15	Dkr	0.217
Lit	109	£Ir	0.00759
Fl	0.286		

After the above Treaty amending the Statute came into effect on 1 October 1977, the Board of Governors decided on 30 December 1977 to wind up the interim measure and to introduce the definition of the composite unit of account adopted during the transitional period as the new statutory definition of the unit of account, i.e. that of the European Unit of Account.

At 31 December 1977, one unit of account was equal to:

DM	2.58058	Fl	2.78938
Ffrs	5.76124	Dkr	7.07974
£	0.641652	£Ir	0.641652
Lit	1 067.50	Lfrs	40.3535
Bfrs	40.3535	US \$	1.22506

It should be remembered that the statistical tables summarising the Bank's lending and borrowing activities since 1958 are based on a number of different conversion rates: official parities between 1958 and 1971; central rates in 1972; effective conversion rates adapted for statistical purposes in 1973, and the conversion rates defined above from 1974. This fact, coupled with the effects of price trends over a period of 20 years, reduces the significance of these tables which should be interpreted with circumspection.

Differences in the statistics between the totals shown and the sum of individual amounts are due to rounding.

The European Investment Bank 20 years on

In the 20 years since the European Economic Community came into being, the European Investment Bank, created under the Treaty of Rome and motivated by the same ideals of drawing together the States and peoples of Europe in economic and social progress, has pursued a steady development of its activities.

In the last five years alone its financing operations have exceeded 5 500 million units of account; geographically its activities have spread from the original six Member Countries to the nine and also further afield under the terms of different association or cooperation agreements, involving development finance, which the Community has signed with nearly 70 other countries, the majority of them in the so-called Third World.

This 20th anniversary booklet reviews the reasons for the Bank's existence, what it tries to do, how it does it and where it fits into the Community picture.

* * *

A few hundred yards from the site where the European Investment Bank is building a new headquarters in Luxembourg, there stands a monument to Robert Schuman, the French Foreign Minister who on 9 May 1950 proposed to a divided and ravaged Europe that the key basic industries of coal and steel should be pooled and placed under common guidance.

Two years later was born the European Coal and Steel Community with Belgium, Germany, France, Italy, Luxembourg and the Netherlands as its members . . . the first step towards European unity, leading on to the Treaty of Rome, the creation of the European Economic Community on 1 January 1958 and with it the European Investment Bank.

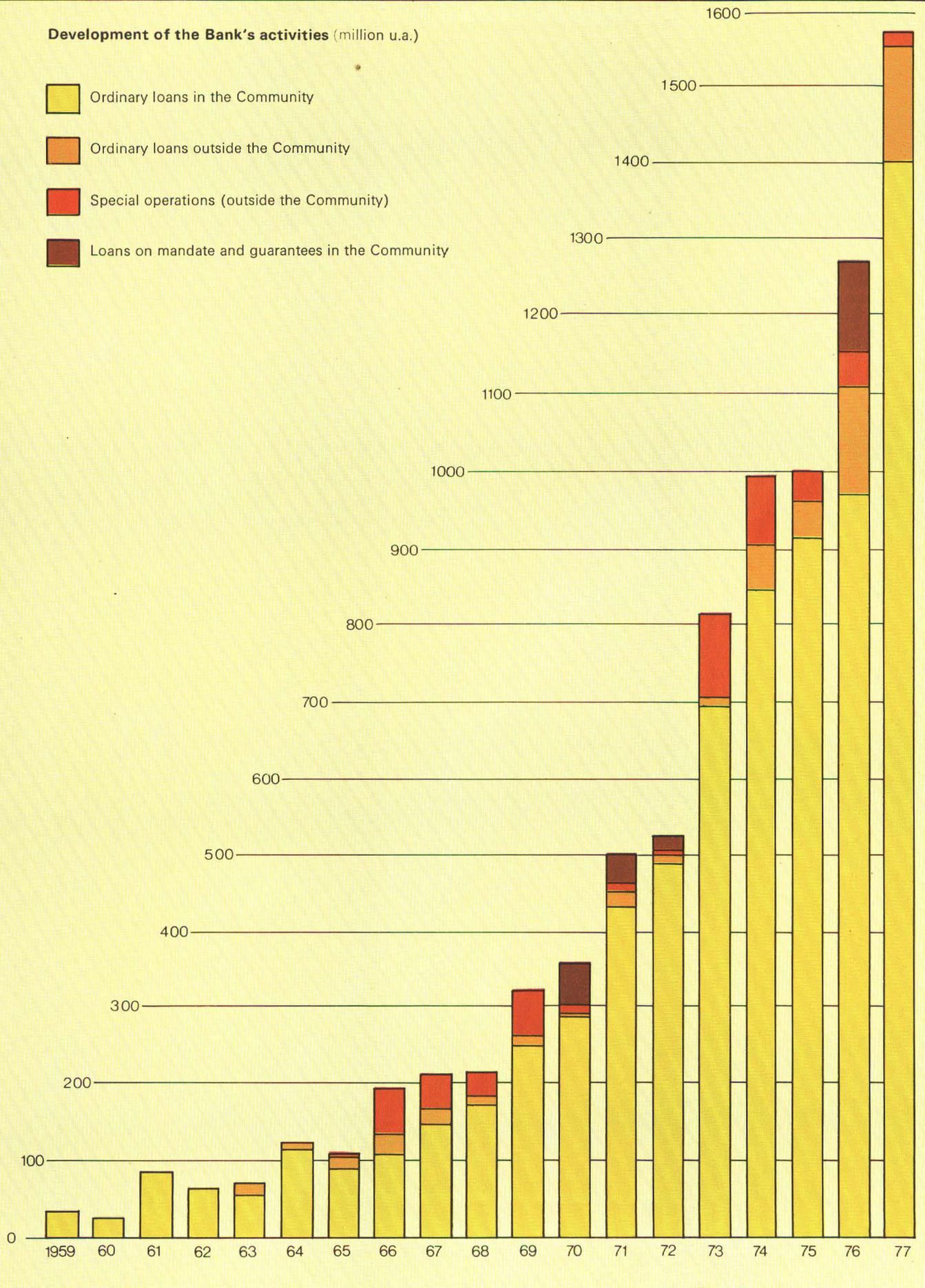
Schuman was under no illusions about the speed of integration or the difficulties to be met with. Inscribed on the monument is part of his declaration:

'Europe will not be built in a day, nor to an overall design; it will be built through practical achievements that first establish a sense of common purpose.'



Development of the Bank's activities (million u.a.)

- Ordinary loans in the Community
- Ordinary loans outside the Community
- Special operations (outside the Community)
- Loans on mandate and guarantees in the Community



The statement is one which the European Investment Bank could well adopt as its own as it reflects very closely the spirit in which it operates.

The EIB has no direct political function, nor does it issue directives or rulings. It is a practical and operational body whose work is principally concerned with some of the realities of welding together different economies and with promoting a smooth and balanced development of the Community.

Some of the problems which this poses were clearly foreseen during the negotiations leading to the Treaty of Rome.

One of the major concerns was to reduce the wide gulfs between the more industrialised and prosperous regions of Europe and those areas which had lagged behind in their economic development.

In each of the original 'Six', disparities in regional development existed to a greater or lesser extent. But if a Common Market were to be established, encouraging growth, would this growth in itself be unbalanced? Would investment be drawn to the already successful, dynamic regions leaving those which had not so far industrialised to slip yet further behind?

It was also foreseen that while the creation of a huge home market for European industry would open up new opportunities which could not exist on a national scale, the dismantling of tariff walls and institution of free competition could exacerbate the problems of certain areas of old, outworn industry and increase the pressure to modernise or convert.

These were points of fundamental importance: any idea of a Europe left to fragment into rich and poor, advanced and underdeveloped or declining zones runs counter to the very concept of integration.

Another concern was that the welding together of a Community would in itself call for certain investments of common interest to several Member States, if not the entire Community ... smooth cross-frontier communications, for example.

To tackle these problems called for substantial additional investment and made it essential to have some mechanism to facilitate the mobilisation and transfer of capital from the richer to the poorer regions within the Community and to bring capital into the Community from outside.

It was a fundamental part of the idea that capital should be raised in the markets, not come from budgets, and should, moreover, be on-lent according to sound economic, financial and technical criteria.

The decision therefore was taken to create a project-financing body, a bank endowed with a capital base subscribed by the Member States, capable of financing the bulk of its loans out of the proceeds of borrowings. It was to work on a non-profit-making basis and to cooperate closely with the banking system, since its function would be to provide complementary financing and not to displace existing sources of capital.

The creation of the European Investment Bank was thus part of the decision to establish the European Economic

Community itself; the Bank's Statute is legally a protocol annexed to, and forming an integral part of, the Treaty of Rome.

The Treaty, in Article 129, establishes the Bank with a legal personality distinct from that of the Community and lays down the composition of its membership (the EEC Member States); Article 130 defines the fields for the Bank's action — regional development, the modernisation and conversion of industry and facilities of common interest; a point of significance is that the investment priorities were not limited in terms of individual sectors, as had been those of the Coal and Steel Community, but were geared to the contribution that each project would make to meeting the above objectives, so leaving the way open for the Bank to support a very wide variety of industrial and infrastructural development.

Thus the EIB is part of the Community, committed to pursuing Community objectives in the public interest, yet it is also a Bank which is financially and administratively autonomous in order that it can exercise independent banking judgement in the selection of the investment projects to be assisted and in the determination of the conditions of its finance.

This distinct position of the EIB within the Community framework has proved both realistic and efficient in practice.

After the first years of building the necessary foundations, and establishing a firm position on the capital markets, the EIB has grown rapidly. Its annual financing operations have almost doubled since 1973 — the year Denmark, Ireland and the United Kingdom acceded to the Community — and more than quadrupled since 1970 to reach 1 571.5 million u.a. in 1977. Inflation has played a part in this, but even in terms of real purchasing power the Bank's operations have grown by some 12 % per year since 1970.

The total of all loans and guarantees since 1958 within the Community stood, at end 1977, at 7 406.8 million u.a. and if achievements are sought in looking back over the past 20 years the main one must be that three quarters of this sum has been channelled to investments in disadvantaged areas, helping to raise or safeguard the living standards of their populations.

It can be estimated that close to a quarter of a million jobs have been directly created or safeguarded by the investments which the Bank has helped to finance. This figure does not include employment furnished indirectly by the provision of supplies or services. Nor does it take into account the long-term impact of infrastructure schemes (road and rail links, telecommunications, energy and water supplies; etc.) which in themselves may create relatively little permanent employment but which lay down the base for economic growth. Against a background of high unemployment, a valuable consideration is that the carrying out of these infrastructure projects gives rise to a very substantial amount of work of a temporary nature, although often for lengthy periods.

While this shows that the EIB, with the right structure and appropriate resources, can pursue its mission with vigour, it also demonstrates rather soberingly the extent and

persistence of some of the economic problems which are still at the heart of the Community.

Certainly Europe today enjoys a level of prosperity far different from that of 1958, and radically so from conditions at the time of the Schuman declaration. Even the least developed regions have made strides forward, but severe disparities remain and indeed the recession of the last few years has underlined the fragility (unemployment being only one indicator) of some of the gains which have been made.

The Community has weathered the worst of the recession intact, but bruised; the present difficulties affect not only the weaker regions, but also certain areas hitherto considered more prosperous; clearly heavy investment will be needed to cut unemployment and to restructure certain industries.

Equally crucial is the need to reduce Europe's costly and precarious dependence upon energy imports. Since the oil price increases and embargo of 1973-74, the EIB has provided considerable sums for development of energy resources within Europe, such as oil and gas fields in the North Sea and Mediterranean and hydroelectric schemes, and for construction of nuclear power stations — all on the grounds of clear common interest — but progress is slow; at present the Community depends upon oil imports for over 50 % of its energy supplies.

The heads of the EEC Governments, meeting as the European Council in Rome in March last year — on the 20th anniversary of the signature of the Treaty of Rome — called on the EIB to expand its operations even further in response to the Community's present economic problems. They received a swift and positive reply and in fact the Bank's lending within the Community in 1977 totalled 1 401.3 million u.a., a growth of 29 % (22 % in real purchasing power) compared to the previous year.

The EIB has also been called upon to widen its operations — particularly in the last few years — to include many countries outside the EEC.

In assuming these functions, which were not amongst those prescribed in the Treaty of Rome, it has made an important contribution to what may be considered one of the major successes of the Community since its inception, the formation of a wide-ranging and liberal development aid policy; the Community and its Member States are the world's biggest source of official aid to the less developed countries.

This extension of the EIB's activities has been undertaken within the framework of cooperation and association agreements which provide for the Bank to lend up to specified amounts from its own resources and also, as agent of the Community or the Member States, to handle certain budgetary funds. Current agreements are concluded by the EEC with more than 50 African, Caribbean, Pacific and Indian Ocean Countries (the Lomé Convention) and 14 countries in the Mediterranean region.

The solidarity with the Lomé Countries is obviously partly shaped by the deep historical ties which certain members of the Community formed during the colonial past. The firm belief that the developing countries must be helped to advance, that their economies should strengthen and their peoples prosper has been reinforced by the events of recent years which have shown clearly how interdependent are their fortunes and those of industrial nations.

Smooth and stable progress of the Mediterranean region, Europe's meeting point with two other continents, is of clear significance. Two EEC Members, France and Italy, are themselves Mediterranean countries but the Community as a whole places a natural importance on relations with its

Financing provided from 1958 to 1972 and from 1973 to 1977

Broad breakdown by type of operation and location of project

	1958-1972			1973-1977			1958-1977		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Ordinary operations									
within the Community	310	2 455.5	86.4	341	4 951.3	87.4	651	7 406.8	87.1
outside the Community	41	155.7	5.5	47	415.3	7.4	88	571.0	6.7
Total	351	2 611.2	91.9	388	5 366.6	94.8	739	7 977.8	93.8
Special operations ⁽¹⁾									
outside the Community	57	230.8	8.1	56	297.0	5.2	113	527.8	6.2
Grand Total	408	2 842.0	100.0	444	5 663.6	100.0	852	8 505.6	100.0

(1) Loans on special conditions and contributions to risk capital financed from budgetary resources for the account of, and under mandate from, the Member States or the European Economic Community. These operations are accounted for in the EIB's Special Section.

southern neighbours, certain of which have asked formally for admission as members of the Community.

However, in authorising the Bank to accept this broadening of its horizons, the Governors of the EIB have made it clear that growth in lending outside the Community must be conditional upon continued development of the Bank's work within Member Countries.

To direct an increasingly important flow of funds into priority investments within the EEC and in countries which are linked to it has demanded that the EIB be acknowledged as an impeccable borrower. This it is: universally recognised credit rating agencies award the Bank the highest classification, "AAA".

The reasons are clear. Not only are the "shareholders" of the EIB the nine Member States of the Community but also the Bank's portfolio of financing covers wealth-creating, sound investments in all sectors of the economy, backed in every case by solid security. In line with the growth in activities, the Member States have several times increased the strength of the Bank's capital base.

Today the EIB is one of the best known and most respected names in the world's financial markets. In only the last five years it has raised more than 4 100 million u.a. mostly through public and private bond issues on the international markets and national markets of certain countries outside the Community and a deliberate effort has been made to broaden the geographical spread of its borrowing operations.

* * *

Those who have been associated with the EIB's work — some for 20 years — have a degree of pride in its achievements but they are also conscious that the Bank has made and can only make a contribution to finding the huge resources needed in those spheres in which it operates.

Of course the EIB should not be seen in isolation; there are other Community sources of finance pursuing perhaps different but complementary goals. On the one hand there are the agricultural, social and regional funds and, for development aid to third countries, the European Development Fund, which distribute grant aid from budgetary resources; on the other there are sources of loan finance, the European Coal and Steel Community and the European Atomic Energy Community, to which will be added, on a trial basis, the New Community Borrowing and Lending Instrument, which seek their resources by borrowing on the capital markets. Another point of importance is that the EIB's evolution has also been influenced greatly by the active cooperation which it has received from public financing institutions, commercial banking circles and international and national development agencies.

The next 20 years? The challenges are likely to be greater than in the past, but it is often argued that progress comes in confronting problems; the EIB will try to meet them with conviction and determination.

The inscription on the Schuman monument is as true today as ever. The construction of a unified Europe is a hard and patient labour which demands much practical everyday work, such as that of the European Investment Bank, to promote the far-sighted ideals which are embodied in the European Community.

Financing provided within the Community from 1958 to 1972 and from 1973 to 1977

Breakdown by economic policy objective

	(million u.a.)			
	1958-1972		1973-1977	
	Amount	%	Amount	%
Regional development	2 102.5	100.0	3 420.4	100.0
Belgium	57.2	2.7	17.9	0.5
Denmark	—	—	55.5	1.6
Germany	252.7	12.0	113.7	3.3
France	505.8	24.1	417.0	12.2
Ireland	—	—	243.8	7.1
Italy	1 242.7	59.1	1 336.3	39.1
Luxembourg	4.0	0.2	—	—
Netherlands	40.1	1.9	30.4	0.9
United Kingdom	—	—	1 205.8	35.3
Industry	959.5	45.6	1 404.5	41.1
of which: global loans	90.1	4.3	405.2	11.8
Energy, communications and other infra-structure	1 143.0	54.4	2 015.9	58.9
Energy	333.0	15.9	504.3	14.7
Communications	688.1	32.7	1 003.1	29.3
Water schemes (incl. agricultural development)	121.9	5.8	508.5	14.9
Common interest to several Member Countries	843.7	100.0	2 120.3	100.0
Energy	211.5	25.1	1 653.3	77.9
Thermal power stations	—	—	43.3	2.0
Hydroelectric and pumped storage power stations	4.0	0.5	137.3	6.5
Nuclear	102.9	12.2	769.3	36.3
Development of oil and natural gas deposits	—	—	342.0	16.1
Solid fuel extraction	—	—	27.8	1.3
Gaslines and oil pipelines	104.6	12.4	333.6	15.7
Communications	387.7	46.0	319.1	15.1
Transport	387.7	46.0	228.9	10.9
Railways	76.9	9.1	27.0	1.3
Roads, bridges and tunnels	281.9	33.4	169.0	8.0
Shipping	24.0	2.9	16.4	0.8
Airlines	—	—	16.5	0.8
Other	4.9	0.6	—	—
Telecommunications	—	—	90.2	4.2
Other infrastructure	16.3	1.9	—	—
Protection of the environment	—	—	20.7	1.0
Industrial cooperation	168.1	19.9	75.5	3.6
Research	2.7	0.3	—	—
New technology	—	—	19.7	0.9
Modernisation and conversion of undertakings	57.4	6.8	32.0	1.5
<i>DEDUCT to allow for duplication in the case of financing justified on the basis of both objectives</i>	<i>— 490.7</i>	<i>—</i>	<i>— 589.4</i>	<i>—</i>
Grand Total	2 455.5	—	4 951.3	—

The Bank's action within the Community

When establishing the European Investment Bank and drafting Article 130 of the Treaty of Rome which sets out, in very general terms, the Bank's function within the Community, Member States sought to resolve three basic problems by helping to channel finance into projects:

- (a) in development or conversion areas;
- (b) for modernising or converting undertakings or creating new activities;
- (c) of common interest to several Member States (1).

Regional development

The presence of less developed regions and zones of backward industries, the persistence of areas of high underemployment, low incomes and inadequate provision of infrastructure, have been major problems for the Community since its very beginning and indeed they remain so today.

Lowering tariff walls and creating a more broad-based economic grouping are two ways of encouraging increased competition, technological progress, economies of scale and faster economic growth; however, these are benefits which, if no corrective action is taken, tend to concentrate development — attracting the bulk of know-how and capital waiting to be deployed — in only the best equipped and most prosperous zones.

Remedies are needed to counter this and to help the peripheral regions far from the main industrial growth centres, regions based on farming, those with industries which have fallen behind on a technical front or failed to weather upheavals in their markets, regions held back by rigid social structures, by inadequate infrastructure, their terrain, situation or climate.

Inflows of capital are needed to narrow the gulf separating them from the more favoured regions. Ratios of one to five or one to six are sometimes quoted to illustrate regional disparities in income within the Community; although these figures are questionable, the differences are nevertheless clearly substantial.

Uneven development is a problem for the Community as a whole, but also, quite obviously, at the level of individual Member Countries; each has its own regional development policy aimed at providing infrastructure for accelerating economic development and offering a wide range of investment and other incentives, especially for industry, in the areas felt to be in need of such support.

The financial burden of these policies is naturally heaviest in those countries with the worst regional problems; precisely to offset this, it is necessary to mobilise and transfer funds from the wealthier to the poorer regions of

the Community and, to the same end, to bring in fresh capital resources from outside the Community. This was one of the key factors which prompted the authors of the Treaty of Rome to establish the European Investment Bank. Until the creation of the European Regional Development Fund in 1975, the Bank constituted the sole Community source of funds for general financing of regional development projects.

In December 1958, the EIB's Board of Governors issued a Directive that the Bank 'devote a substantial portion of its resources to the financing of projects likely to contribute to the development of less developed regions which is already one of the major objectives of the European Economic Community'. Since then, projects of this kind have accounted for about 75 % of the Bank's financing operations within the Community and 2 455 million u.a. over the past three years alone.

This support for regional development follows certain principles:

(i) the Bank respects the regional development priorities laid down by the appropriate national authorities, which are being coordinated at Community level;

(ii) it strives to focus its lending on those regions with the gravest problems: since 1973 more than 75 % of regional development financing has been channelled to projects in Italy, the United Kingdom and Ireland;

(iii) in selecting projects, it attaches utmost importance to their contribution to the economic development of the regions concerned and their place in regional development programmes, where such exist;

(iv) it finances both essential infrastructural works offering an indirect or long-term return, but which lay down the base for economic growth and permit industrial development, and productive enterprise itself;

(v) in industry, it supports not only major undertakings likely to form the backbone of development centres, but also seeks to help a variety of labour-intensive smaller businesses which assure the growth of a broader economic structure: since 1969, the EIB has aided smaller businesses via a facility known as global loans, whereby a loan is made to an intermediary financing institution which, in agreement with the EIB and subject to the Bank's normal intervention criteria, selects projects from amongst its own clients and parcels out the funds accordingly.

(1) Certain projects cannot be classified properly in terms of just one economic policy objective: projects of common interest to several Member Countries, for example, may also help to promote regional development and vice versa. Hence the same project may be mentioned in more than one of the following sections.

The development of Apulia

Apulia is one of the regions of the Community in which, over the past twenty years, the Bank has managed both to concentrate operations and to support a wide spectrum of investment projects in infrastructure and productive sectors. The complementary nature of many of these projects has made their impact all the greater.

Because of its remoteness — Apulia lies 1 000 km from Milan and twice that distance from Cologne — the region has been deprived of the multiplier effects that proximity to the great centres of production and consumption in Northern Italy and the rest of the Community affords. By the same token, it has to contend with higher transport costs, both for bringing in supplies and to reach the main markets. The development of Apulia has thus hinged upon the improvement of its road and rail links, in particular the construction of the Adriatic motorway connecting Bari and Brindisi with Bologna and the improvement of the eastern coastal railway.

At the same time, investment has been channelled into improving infrastructure for industry. Port facilities at Manfredonia and Taranto have been reinforced and the industrial zones of these cities, Bari, Brindisi and Foggia, fully equipped and tied in with transport systems. Throughout the region, the telephone system has been extended and converted to automatic switching. Energy supplies have been improved, with the construction of power stations and the laying of gaslines, partly to distribute local natural gas.

Major works have been undertaken in the Apennines to tap local water resources to supply the region, which from this point of view has been placed at a disadvantage by its climate and by the low, irregular flow rate of its watercourses. Supplies had nevertheless to be found, if industry was to develop, the needs of the population to be met and improved productivity in agriculture to be achieved.

In the early 1960s, it was a matter of policy that the industrialisation of the Mezzogiorno should involve the creation of vigorous centres of activity, capable of self-sustaining growth. Thus it was decided that an iron and steel complex should be built at Taranto, and petrochemicals complexes at Manfredonia and Foggia. These major undertakings have given impulsion to the establishment of manufacturing industry both by

companies based in the north of the country and by small and medium-scale local ventures.

The Bank has given substantial backing to such schemes, advancing funds on more than 90 occasions for a total of 620 million u.a. These include 13 loans totalling some 220 million u.a. in support of infrastructure, in particular for water supply schemes (86 m u.a.), telephones (65 m u.a.), motorways (39 m u.a.) and port infrastructure (50 m u.a.). Total lending of 350 million u.a. for industrial ventures has helped to finance fixed investment totalling 1 600 million u.a., expected to generate directly about 22 000 permanent jobs.

Since 1961 the Bank has on a number of occasions advanced funds, now totalling 105 million u.a., to finance expansion of the Italsider plant at Taranto. This is the Community's largest iron and steel facility, fitted with plant embracing the latest technology giving it an annual capacity of 11 million tonnes of sheet and plate. This makes it the largest industrial undertaking in Apulia, providing employment for over 25 000 people and exerting a critical influence on the development of the province.

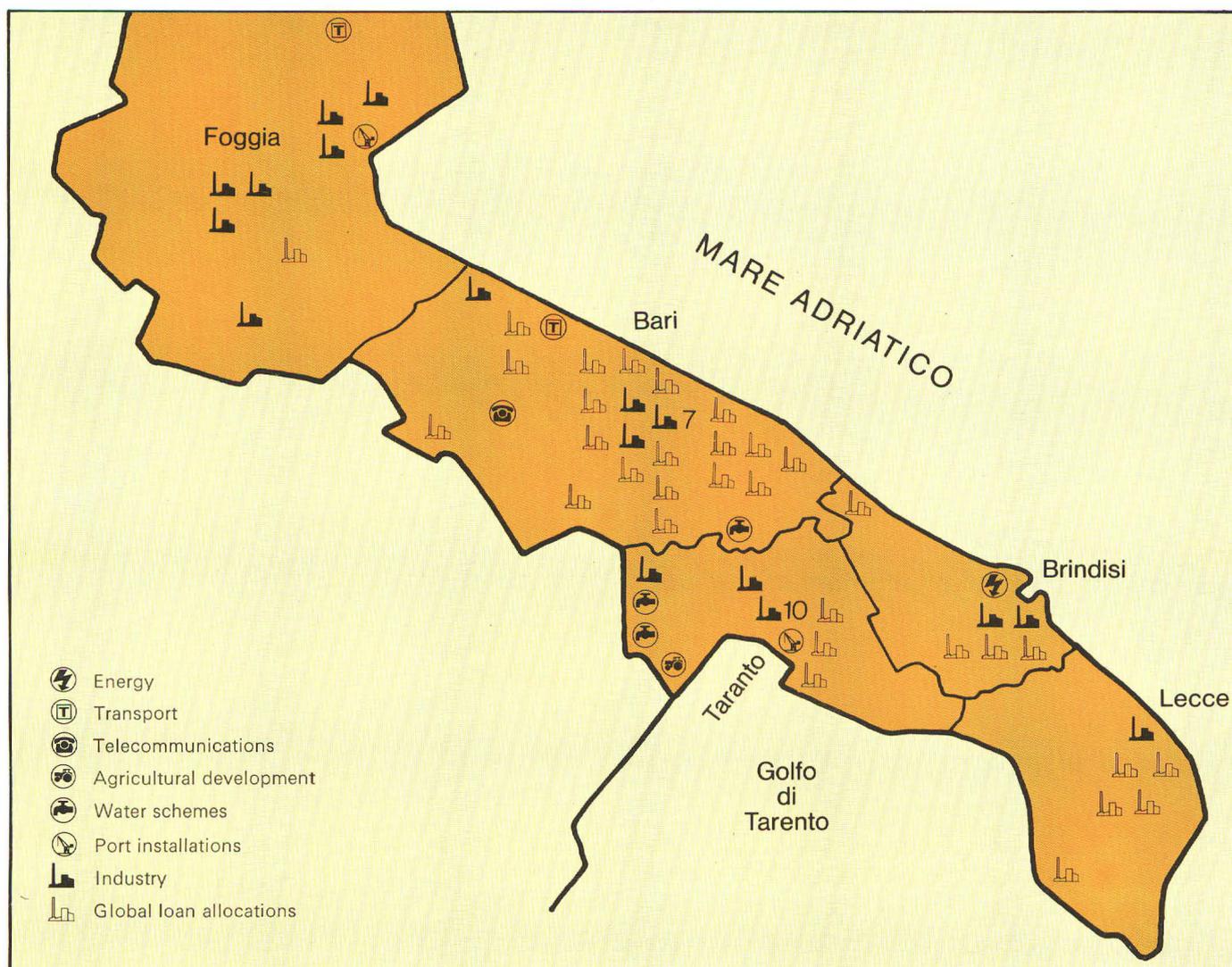
The Bank has also advanced 60 million u.a. towards petrochemicals complexes at Manfredonia and Brindisi, producing base materials for the textiles, polyurethane and fertiliser industries.

In addition, the Bank has granted some 40 loans for a total of 350 million u.a. in support of ventures in various industrial sectors, such as the FIAT motor vehicle factories at Bari and Foggia (the latter a joint venture with Alfa Romeo and Renault) — mechanical engineering in Bari, foodstuffs in Foggia, Taranto and Bari, and construction materials in Bari, Taranto, etc. In addition to this range of industries, a further 44 ventures of more modest scale in the foodstuffs, mechanical and electrical engineering sectors, etc. have received allocations from global loans granted to intermediary institutions.

The various undertakings in question have done much to enhance the economic structure of Apulia. Today, over a third of the working population of the region is engaged in industry, compared with a quarter fifteen years ago. In agriculture, notwithstanding a 45 % drop in the number of those working on the land, value added more than doubled between 1951 and 1975. This has meant a considerable improvement in the living conditions of the local population, with per capita income amongst the highest in the Mezzogiorno. The number of motor cars per 100 inhabitants rose from 3 in 1961 to 18 in 1975, while over the same period household electricity consumption has increased sixfold and the number of telephones sevenfold. Outward migration, which in 1961 was running at over 80 000, or more than 2.6 % of the population, has steadily slowed down, to an annual average in 1961-75 of 0.8 %, against over 1.0 % for the Mezzogiorno as a whole. The rate of progress has been even more marked in the Province of Taranto, where a large proportion of industrial investment has been focussed. There, the 1965-75 increase in population was four times the average for the Mezzogiorno, with a rate of per capita income currently higher than the average for the country as a whole.

Apart from the above, Bank lending is also influenced to a large degree by the prevailing economic and financial climate and by Community and national economic policy decisions. The demand for loans depends upon the liquidity position on national capital markets, on lending rates on these markets and on the international market. Financing for industry is subject to factors determining the readiness of firms themselves to invest. What is more, lending in foreign currencies in countries where the borrower is not protected against movements in exchange rates is very sensitive to vagaries of the international monetary system.

This said, EIB backing for regional development within the Community has contributed towards an estimated total capital outlay of some 21 000 million u.a., 56 % of which relates to infrastructure and 44 % to investment in productive sectors, mainly industry; the projects involve the direct creation of an estimated 150 000 permanent jobs and the safeguarding of a further 64 000.



Italy

Southern Italy has accounted for more EIB regional development financing than any other part of the Community: the annual amount of funds granted, at 1977 constant prices, has risen from an average of about 100 million u.a. between 1958 and 1964 and 150 million u.a. from 1965 and 1970 to an average of close on 300 million u.a. between 1973 and 1976, while the total for 1977 alone was 331 million u.a.

Income in the Mezzogiorno falls far short of the national average and is even further below the Community average: in 1975, the gaps were estimated at 40 % and 60 %. There is also considerable unemployment despite many people leaving the area. The problems facing the Mezzogiorno and its 20 million inhabitants can be traced to its history, terrain, climate and outlying position. Its rigid socio-economic structure is very much a contributory factor; although the older farm-centred community is gradually moving away from the land, the new urban society is established on a tenuous productive base, handicapped by a sluggish tertiary sector, and the entrepreneurial spirit of initiative, innovation and willingness to take risks is not as yet much in evidence.

When mounting operations in the Mezzogiorno, the Bank works in close cooperation with the network of financing institutions, such as the Cassa per il Mezzogiorno, set up by the Italian Government. Funds have been channelled mainly to a series of transport and telecommunications infrastructure projects with a view to breaking the South's isolation and bringing it closer to the key industrial centres

of northern Italy and the remainder of the Community. Schemes which the Bank has helped to finance include the Naples-Reggio di Calabria rail link, motorways along the Adriatic and Tyrrhenian coasts, several road links in Sicily, a by-pass around Naples and installations at the city's port, and harbour development schemes serving industrial estates in Syracuse, Manfredonia and Taranto. Improvements to the telecommunications network, assisted by the EIB since 1961, have helped to boost average telephone density from 3 to 18 telephones per 100 inhabitants, with access to automatic direct-dialling facilities rising from 85 % to 100 %.

In dry areas, major water resource schemes, principally for agriculture, industry and tourism but also for households, are a priority. The Bank has provided financial backing for several water catchment, supply and irrigation projects, mainly in Calabria, Apulia, Basilicata and Sicily and for a scheme, in the Bay of Naples area, to clean up water courses which, because of their pollution, cannot be used by industry or agriculture. As readily available energy supplies are no less essential to development, the Bank has granted several loans for hydroelectric power stations (in Sardinia, Calabria and Campania), thermal plant (e.g. in Basilicata using local lignite deposits), high voltage transmission lines (in Calabria and Campania) and gaslines.

Of course, what this leads to — the most important aspect of the steady and varied efforts to develop and modernise the Mezzogiorno — is the establishment of industry, the creation of employment and raising of incomes. The EIB has contributed many loans to help to set up large-scale basic industrial plant aimed at establishing or consolidating

Sector	Number		Amount (m u.a.)		%
	Total	of which global loan allocations	Total	of which global loan allocations	
Italy					
Energy, communications and other infrastructure	92		1 755.9		57.8
Energy	27		376.7		12.4
Nuclear power stations and fuel	3		54.2		1.8
Other power stations	8		110.0		3.6
Development and transmission of oil and natural gas deposits	15		199.6		6.6
Power lines	1		12.9		0.4
Communications	54		1 084.5		35.6
Transport	34		621.5		20.4
Telecommunications	20		463.0		15.2
Water schemes	11		294.7		9.7
Agricultural development	4		112.2		3.7
Water catchment, treatment and supply	7		182.5		6.0
Industry and services	559	331	1 283.3	169.2	42.2
Industry	551	327	1 269.5	167.4	41.8
Basic industries	206	105	660.1	59.4	21.7
Mechanical and electrical engineering	130	86	328.7	46.9	10.8
Agriculture and food industries	95	67	90.9	29.7	3.0
Other industry	100	69	114.5	31.4	3.7
Global loans	20		75.3 ⁽¹⁾		2.5
Services	8	4	13.8	1.8	0.4
Total	651	331	3 039.2	169.2	100.0

(1) Unallocated portion of 20 global loans (244.5m u.a.).

a series of coastal development centres. Finance has been provided for complexes producing iron and steel at Taranto and Bagnoli and chemicals at Manfredonia and Brindisi in Apulia, at Cagliari and Porto Torrès in Sardinia, and in south-east Sicily, together with a wide range of industrial projects in the construction materials, motor vehicles,

mechanical and electrical engineering and processing sectors, such as: motor and commercial vehicle industry plants at Foggia, Bari and Lecce in Apulia, Sulmona in Abruzzi, Cassino in Latium, Termini Imerese in Sicily, and Avellino in Campania; factories producing typewriters and accounting machines at Caserta, also in Campania, tyres at

Irrigation in the Metaponto

The Metaponto Plain covers an area of some 84 000 hectares, spreading from the nether foothills of the Apennines to the Ionian coast and from the Apulian to the Calabrian peninsula. In the first century BC, this was still one of the most fertile areas in the Mediterranean, but thereafter the land declined steadily for a number of reasons, making the Metaponto one of the most depopulated areas in the South. The continuous erosion of the soil, coupled with the stagnation of water impounded by coastal dunes, turned the area into a malarial swamp, which the farming population had steadily to abandon, taking to the hills. On the coast as such, the land was given over to large estates on which intensive farming was scarcely heard of and where the land was underutilised as a result.

Work first began on the rehabilitation of this plain in 1928, though the scale of the undertaking became extensive only after the agrarian reforms of 1950 and the water schemes introduced by the Cassa per il Mezzogiorno to drain the land and exploit the water available.

The Metaponto is crossed by four rivers flowing from north to south, the Sinni, the Agri, the Basento and the Bradano, plus a number of lesser watercourses which frequently dry up in summer. Under the national plan for the utilisation of water resources, the Basento is reserved for the supply of water to industry, but in 1963 work began on using the other three rivers to irrigate the plain.

On the Agri, the Pertusillo dam and its 155 million cu. m reservoir are to be used both to generate electricity and to supply drinking water to Taranto, as well as to feed the irrigation system, while downstream at Cannamo another reservoir provides headwater for the main irrigation channels. A dam on the Bradano, at S. Giuliano provides a storage capacity of 107 million cu. m, which is used primarily for irrigation, while the Monte Cotugno reservoir, now under construction on the Sinni, will hold 450 million cu. m, bringing the area considerably closer to having adequate water resources at its disposal.

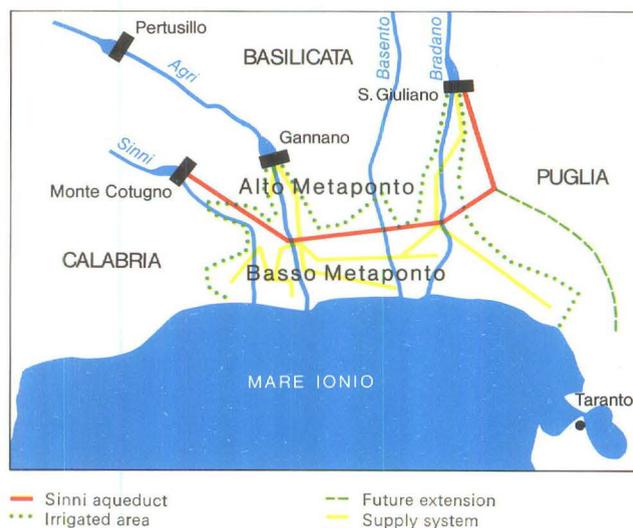
The Sinni scheme and the Pertusillo dam are the key elements in an ambitious Cassa Special Project aimed at solving the complex problem of water supplies in Apulia and Basilicata, where catchment areas are especially remote from irrigable plains and centres of population.

The Bank has granted the Cassa six loans for this project, totalling about 170 million u.a. In 1966, the first operation was mounted, in support of a 40 000 ha irri-

gation scheme in the Lower Metaponto in Apulia. This was a loan for 24 million u.a., followed in 1969 and 1975 by two further loans, for a total of 55.5 million u.a. to finance part of the aqueduct used to bring water from Pertusillo. Between 1975 and 1977, the Bank granted three more loans for a total of about 90 million u.a. towards construction of a dam on the Sinni, a water main and a 20 000 ha irrigation system in the Upper Metaponto.

The region is subject to climatic conditions that preclude any intensification of agriculture without irrigation: with it, the area under cultivation has been extended and the cropping pattern and farming techniques altered radically. It has allowed horticulture, citrus and other fruit farming and beet cultivation to substitute for traditional grain cultivation, while in the areas already fitted with installations, the average per hectare value of production has increased threefold, even fourfold, against an increase in the number of man-days per hectare of the same order. These new job opportunities and the improving wages and living conditions of those who reside in the area have helped to stem the flight from the land. In the Lower Metaponto, where the redevelopment of agriculture was pioneered in this part of the country, the tide has even turned and new villages have been established.

The venture has thus begun to bear fruit, and there is every reason to suppose that the Metaponto could once more become the prosperous, highly productive farmland that it was before.



Messina in Sicily, electric light bulbs at Bari in Apulia, plate glass at Caserta and San Salvo in Chieti, Abruzzi, food products at Foggia, pharmaceuticals in Campania, The Marches and Latium and cement works in Calabria, Campania, Sardinia and Sicily.

In 1977 the Bank advanced its first loan in support of vocational training by part-financing a training centre for telecommunications engineers in l'Aquila, Abruzzi.

Global loans made available to financing institutions in the Mezzogiorno have enabled the Bank to increase assistance for small and medium-scale ventures. In the industrial sector, more than 500 operations have been mounted in the form of individual loans or allocations from global loans worth a total of some 1 100 million u.a.; it is estimated that the various investments aided by the Bank involve the direct creation of around 88 200 jobs and the safeguarding of a further 13 000.

The table provides a breakdown by region and major sector of EIB financing in the Mezzogiorno. The case of Apulia (see page 14) shows how funds provided over 20 years for an interlinked range of investments have helped to promote an area's development and the Bank's role in this.

Projects offering regional benefits have of course centred on the Mezzogiorno in the main; only a small number have been implemented elsewhere in Italy. However reconstruction of Friuli, hit by earthquakes in 1976, called for funds to assist with construction of a motorway, repairs to and extension of the telecommunications network, together with a global loan for small and medium-scale industrial concerns.

Financing provided in the Mezzogiorno from 1958 to 1977

Breakdown by region and major sector

(million u.a.)

Region	Major sector	Amount	% for each region
The Marches	Infrastructure	21.3	1.8
	Industry	21.2	
	Agriculture	0.5	
		43.0	
Latium	Industry	92.8	3.9
	Services	1.6	
		94.4	
Campania	Infrastructure	191.1	16.9
	Industry	217.1	
	Agriculture	0.6	
		408.8	
Abruzzi	Infrastructure	24.0	4.8
	Industry	89.6	
	Agriculture	0.1	
	Services	2.5	
		116.2	
Molise	Industry	34.3	1.4
		34.3	
Apulia	Infrastructure	189.2	22.2
	Industry	349.4	
		538.6	
Basilicata	Infrastructure	39.1	2.3
	Industry	16.9	
		56.0	
Calabria	Infrastructure	132.3	7.5
	Industry	40.7	
	Services	7.9	
		180.9	
Sicily	Infrastructure	166.4	12.1
	Industry	127.1	
	Agriculture	0.7	
		294.2	
Sardinia	Infrastructure	77.3	9.7
	Industry	158.7	
	Agriculture	0.5	
		236.5	
Unallocated portion of global loans (1)		75.1	3.1
Multiregional projects		345.5	14.3
Grand Total		2 423.6	100.0

(1) Difference between sum of global loans granted (239.3 millions) and sum of allocations approved for drawdown.

United Kingdom

Regional problems in the United Kingdom are characterised very largely by declining traditional industries which have not been able to come to terms with technological progress or upheavals in their markets caused by a change in the distribution of production capacities at world level. Worst affected are the coal, iron and steel, shipbuilding and textiles industries. Resulting unemployment has been accentuated by the fact that there are areas suffering from a heavy concentration of declining industries which in turn have spread their own malaise to related industrial and service activities. In certain cases, especially in Scotland and Northern Ireland, modernisation

and conversion problems have been compounded by the areas' peripheral position. Moreover, the deteriorating fabric of industry, coupled with inadequate or obsolescent infrastructure (particularly water distribution and waste water disposal and treatment facilities), often calls for substantial investment before new industries can be established.

Given this background, EIB financing has gone mainly to industrial modernisation or conversion projects and for extending and improving infrastructure to promote industrial development and rehabilitation. Regional development in Scotland has also been stimulated by capital investment in extracting and transporting oil and gas from deposits in the North Sea, activities supported by the Bank by virtue of their interest to the Community (see following section).

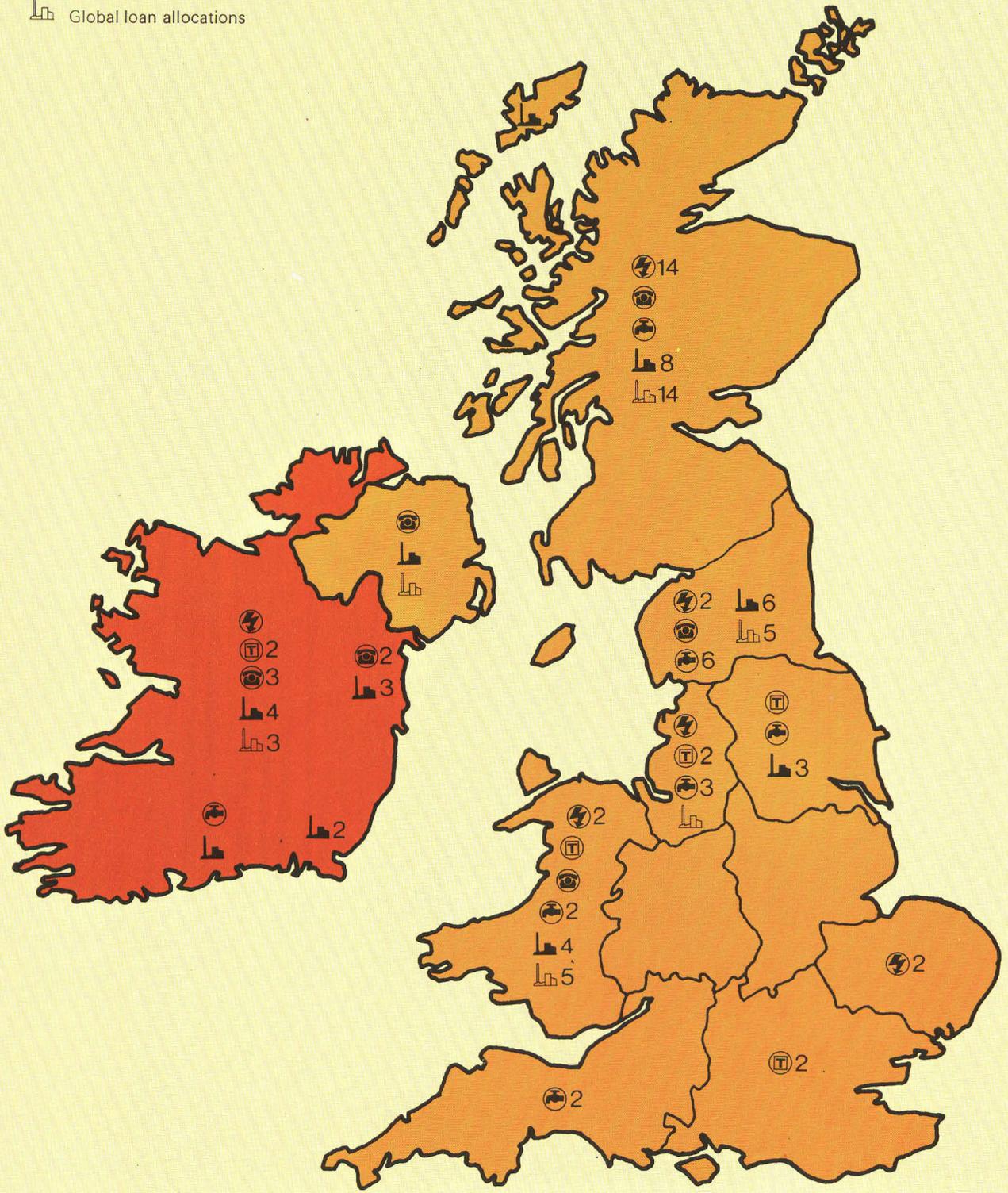
Sector	Number		Amount (m u.a.)		%
	Total	of which global loan allocations	Total	of which global loan allocations	
Ireland					
Energy, communications and other infrastructure	9		159.3		65.4
Energy – Solid fuel	1		3.3		1.4
Communications	7		140.7		57.7
Transport	2		27.5		11.3
Telecommunications	5		113.2		46.4
Water schemes – Water catchment, treatment and supply	1		15.3		6.3
Industry	15	3	84.5	1.8	34.6
Basic industries	4		43.1		17.7
Agriculture and food industries	6	3	15.3	1.8	6.3
Other industry	3		18.4		7.5
Global loans	2		7.6 ⁽¹⁾		3.1
Total	24	3	243.8	1.8	100.0

(1) Unallocated portion of 2 global loans (9.4m u.a.).

United Kingdom					
Energy, communications and other infrastructure	51		992.6		68.1
Energy	25		544.5		37.3
Nuclear power stations	5		167.4		11.5
Other power stations	3		61.5		4.2
Development and transmission of oil and natural gas deposits	12		254.0		7.4
Coal mining	1		13.4		0.9
Power lines	4		48.2		3.3
Communications	11		217.7		15.0
Transport	7		101.3		7.0
Telecommunications	4		116.4		8.0
Water schemes – Water catchment, treatment and supply	15		230.4		15.8
Industry	52	26	465.7	7.6	31.9
Basic industries	18	3	347.4	0.6	23.8
Mechanical and electrical engineering	13	8	33.8	2.3	2.3
Agriculture and food industries	7	5	26.9	1.9	1.8
Other industry	11	10	8.8	2.8	0.6
Global loans	3		48.8 ⁽¹⁾		3.4
Total	103	26	1 458.3	7.6	100.0

(1) Unallocated portion of 3 global loans (56.4m u.a.).

-  Energy
-  Transport
-  Telecommunications
-  Water schemes
-  Industry
-  Global loan allocations



On the industrial front, the Bank has advanced funds for modernising and restructuring British Steel Corporation works, supplementing finance provided by the European Coal and Steel Community, and for establishing or expanding traditional industrial undertakings (a whisky bottling plant in Scotland) or relatively new industries, such as aeronautical construction in Northern Ireland, a typewriter factory in Scotland and chemicals and foodstuffs plants in the North and in Yorkshire and Humberside. A number of small and medium-sized ventures have also received credit via the global loan formula. Given the

substantial volume of lending in support of industrial modernisation and restructuring, the impact of the projects concerned on employment should be assessed as much in terms of the number of jobs safeguarded (around 5 200) as the number of jobs created (some 8 350).

EIB loans for infrastructure have gone towards power stations in Scotland, Wales and Northern England, high voltage transmission lines in Scotland, extending the telephone networks and improving rail links between London and Scotland by means of high speed trains.

Restructuring the British iron and steel industry

The British Steel Corporation — BSC — is the Community's largest iron and steel undertaking: in 1976 it produced 19.7 million tonnes. It dates from the nationalisation and regrouping of the fourteen largest firms in the sector in Britain. BSC has been constrained to embark on a sweeping, long-term restructuring, rationalisation and conversion programme, in order to tailor its means of production to the demands of an increasingly open market and the pressure of international competition, and to meet the future requirements of British industry.

The basic objectives of this programme were set down in a 1973 communication from the Secretary of State for Trade and Industry, entitled "BSC Ten-Year Development Strategy". These were:

- to concentrate steel production in two integrated coastal complexes (Port Talbot, on the South Wales coast, and Teesside, in North-East England) and three plants served by deep-water ports (Llanwern, Scunthorpe and Ravenscraig);
- to close a number of obsolescent and ill-located plants.

The measures adopted in pursuit of these aims have been defined under five-year plans, which have been regularly updated to take account of the market situation and prospects and of two principal constraints: conditions affecting the raising of capital to finance investment of this scale, and the social implications of plant closures.

The current crisis in the iron and steel sector has thus occasioned some savage pruning of the original programmes for expanding production capacity, which over the 1976-81 period is now likely to remain unchanged.

As the sole shareholder of BSC the British Government puts all its weight behind the Corporation, providing equity to the extent necessary to maintain a satisfactory financial situation and making the resources of the

National Loans Fund available to meet remaining requirements.

Side-by-side with Community loans granted under the ECSC Treaty, the Bank has advanced considerable sums in support of BSC investment projects. At the end of 1977, the 17 loans granted by the Bank had reached a total of 338.8 million u.a. The bulk of these loans was concentrated in Scotland, Wales and North-East England.

The funds in question went for plant and machinery used at every stage of the steelmaking process: port installations for the off-loading of raw materials and burden preparation (Port Talbot and Teesside); a blast furnace (Llanwern); steelmaking plant at Ravenscraig and Motherwell; continuous casting lines and sheet and section rolling mills at Ravenscraig, Rotherham, Consett and Motherwell; cold-rolled sheet coating lines at Shotton, and seamless and welded tube facilities in Scotland and North-East England.

Other loans went to help modernise activities serving the steel sector and fringe processing (ingot moulds, repairs to continuous casting machines, refractory bricks and refining of coking plant by-products, such as benzol).

In Scotland, for instance, steelmaking has for the most part already been brought up to date, following the concentration at the Ravenscraig oxygen steelworks of the entire Scottish Division's smelting activities and most of its steel production. This plant replaces a number of open hearth plants scattered about the Glasgow-Motherwell area.

As a result of restructuring and despite the consequent loss of many jobs, BSC should be able to safeguard the positions of most of its employees in those regions where economic development had its roots in iron and steel and coal mining, and where these have long been the main activity and the principal source of wealth. The BSC programme takes account of regional needs by choosing for modernisation and development the most competitive centres in Scotland and Wales, thus ensuring that there will continue to exist an economic base from which new activities can be launched. This side of the concept has also been supported by the Bank with finance for about thirty job-creating ventures of varying scale in other sectors in Scotland, the North of England and Wales.

Financing provided within the Community from 1958 to 1972 and from 1973 to 1977

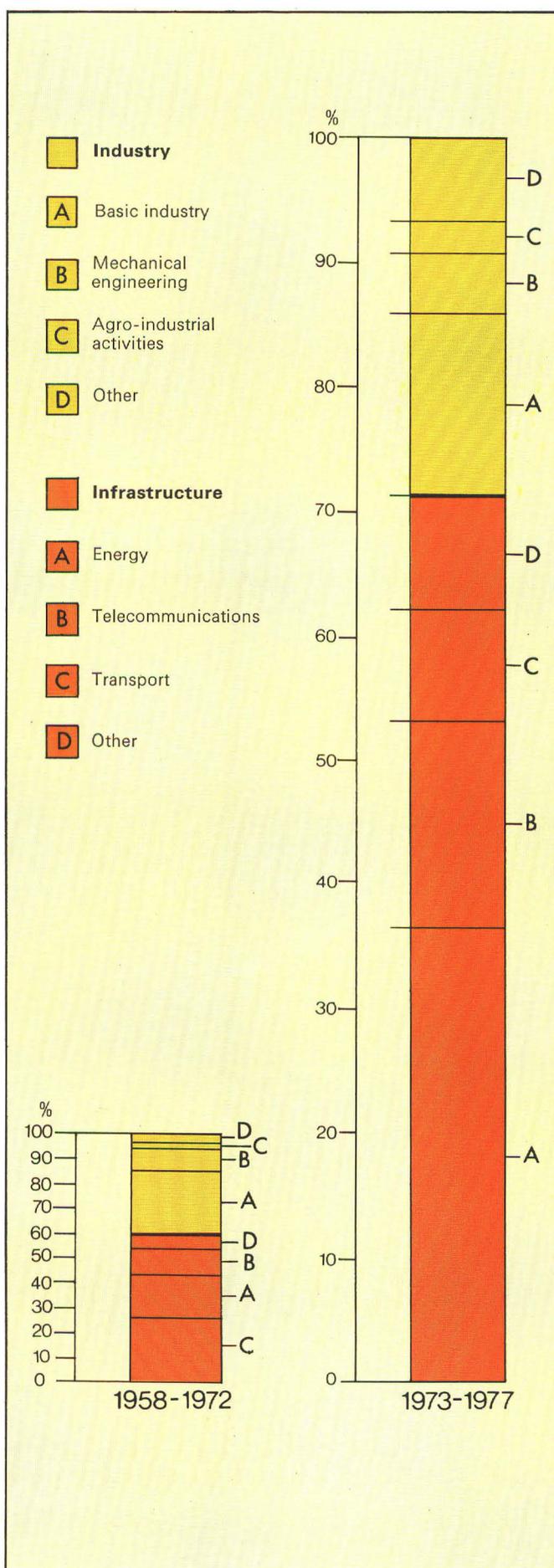
Sectoral breakdown

						1958-1972
	Number		Amount		%	
	Total	of which: global loan allocations	Total	of which: global loan allocations		
Energy, communications and other infrastructure	95		1 448.0		59.0	
Energy	33		425.2		17.3	
Production	24		294.4		12.0	
Nuclear	7		129.1		5.3	
Thermal power stations	8		75.1		3.0	
Hydroelectric and pumped storage plant	8		87.7		3.6	
Development of oil and natural gas deposits	1		2.5		0.1	
Solid fuel extraction	—		—		—	
Transmission	9		130.8		5.3	
Power lines	1		5.0		0.2	
Gaslines and oil pipelines	8		125.8		5.1	
Communications	51		884.7		36.0	
Transport	37		619.3		25.2	
Railways	8		129.1		5.3	
Roads, bridges and tunnels	26		436.1		17.7	
Shipping and inland waterways	1		24.0		1.0	
Airlines	1		25.2		1.0	
Other	1		4.9		0.2	
Telecommunications	14		265.4		10.8	
Water schemes	9		121.5		5.0	
Agricultural development	7		93.8		3.8	
Water (catchment, treatment and supply)	2		28.0		1.2	
Public buildings	2		16.3		0.7	
Industry, agriculture and services	329	114	1 007.5	51.2	41.0	
Industry (1)	327	114	997.9	51.2	40.6	
Mining and quarrying*	10	7	8.6	2.3	0.3	
Metal production and semi-processing*	25	5	244.1	2.7	9.9	
Construction materials*	29	11	69.3	5.3	2.8	
Woodworking	4	3	4.1	0.5	0.2	
Glass and ceramics	12	3	15.4	1.1	0.6	
Chemicals*	59	4	277.0	1.4	11.3	
Metalworking and mechanical engineering	53	27	99.9	11.5	4.1	
Motor vehicles, transport equipment	10	3	65.6	2.0	2.7	
Electrical engineering, electronics	16	6	45.4	3.1	1.8	
Foodstuffs	41	15	47.5	8.2	1.9	
Textiles and leather	22	10	17.8	3.7	0.7	
Paper and pulp*	11	7	19.2	3.5	0.8	
Rubber and plastics processing	18	10	41.0	4.7	1.7	
Other industry	5	2	3.6	0.6	0.1	
Building – civil engineering	1	1	0.6	0.6	0.1	
Industrial estates and buildings	—	—	—	—	—	
Unallocated amount of global loans	11	—	38.8	—	1.6	
Agriculture, forestry, fishing	—	—	—	—	—	
Services	2	—	9.6	—	0.4	
Tourism	1	—	6.8	—	0.3	
Research and development	1	—	2.8	—	0.1	
Other	—	—	—	—	—	
Grand Total	424	114	2 455.5	51.2	100.0	

(1) Of which basic industries (marked with an asterisk): 1958-1972: 618.2 million; 1973-1977: 751.7 million.

(million u.a.)
1973-1977

	Number		Amount		%
	Total	of which: global loan allocations	Total	of which: global loan allocations	
187		3 507.3		70.8	
92		1 718.4		34.7	
66		1 311.3		26.5	
28		756.8		15.3	
7		75.9		1.5	
9		157.8		3.2	
20		304.0		6.2	
2		16.7		0.3	
26		407.2		8.2	
7		73.6		1.5	
19		333.5		6.7	
63		1 280.4		25.9	
32		478.4		9.7	
7		103.7		2.1	
13		220.6		4.5	
9		130.5		2.6	
3		23.6		0.5	
—		—		—	
31		802.0		16.2	
32		508.5		10.2	
3		91.1		1.8	
29		417.4		8.4	
—		—		—	
726	572	1 444.0	268.9	29.2	
704	554	1 426.1	261.7	28.8	
9	9	5.8	5.8	0.1	
68	35	485.8	24.2	9.8	
48	40	46.1	19.6	0.9	
43	42	17.5	15.0	0.4	
16	11	47.8	5.9	1.0	
47	28	200.4	13.8	4.0	
124	112	108.3	49.9	2.2	
28	19	129.7	7.3	2.6	
38	33	32.9	19.2	0.7	
120	108	125.0	49.5	2.5	
50	50	22.6	22.6	0.4	
21	20	13.6	10.0	0.3	
33	28	29.0	11.9	0.6	
13	13	4.9	4.9	0.1	
6	6	2.1	2.1	—	
3	—	18.3	—	0.4	
37	—	136.3	—	2.8	
11	10	9.4	3.9	0.2	
11	8	8.5	3.3	0.2	
5	4	2.9	1.8	0.1	
1	—	1.6	—	—	
5	4	4.0	1.5	0.1	
913	572	4 951.3	268.9	100.0	



Water and effluent projects in the United Kingdom

Water, it is often said, is unique amongst major natural resources as it has no substitute. From the regional development point of view, the same could be said of adequate effluent disposal facilities, whose absence imposes as effective a constraint on industrial expansion as does lack of water.

In the United Kingdom, the last few years have seen a high level of investment in water supply and effluent disposal infrastructure. This is currently running at some £540 million (825 million u.a.). As a result of the radical transformation and reorganisation of the industry in England and Wales following the Water Act 1973 there are now nine English regional water authorities and a Welsh National Water Development Authority. Their activities are co-ordinated by the National Water Council which also has consultative and advisory powers. In Scotland, water and effluent are the responsibility of the regional councils.

The regional water authorities are responsible for all aspects of the water cycle within major natural drainage basins. They replace the fragmented management of different services shared between over 1 500 local authorities and other bodies prior to 1974.

The re-organisation has already proved a striking success. Despite the withdrawal of Government subsidies — which pre-1974 accounted for an estimated 58 % of total expenditure — the water industry has managed not only to cover all costs, including loan charges, but to build up substantial reserves. This has been achieved by a judicious mixture of courageous tariff increases and greater efficiency in cost control.

At the same time a highly efficient service to consumers has been provided even during the 1976 drought and very heavy investment in additional and improved facilities undertaken. Some progress has also been made towards the standardisation of tariffs for these essential services throughout the country.

Clearly this investment has been required by increasing and changing demand. Increases have been substantial. In 1929 average per capita consumption was 127 litres daily. By 1975 it had risen to 304 litres. Changes in demand patterns have been dramatic, ranging from wider uses of domestic appliances and sanitary instal-

lations in the home to the growth of new process industries. These have large and growing water needs which are putting an increasing strain not only on existing water supply systems but also on present effluent treatment and disposal facilities. The greater the volume of water supplied, the greater the effluent return. Taken regionally the situation varies, but there are many instances of vital industrial developments being slowed down or even embargoed until adequate treatment facilities are available. Unless investment in these two sectors is maintained at adequate levels the pace of industrialisation, from the 1980s onwards, is likely to be adversely affected.

At end 1977, 231 million u.a., had been lent for water supply and effluent facilities. In the water supply field loans have been made for a number of projects of regional importance: the Kielder reservoir and the Teesside scheme, and also schemes providing water for industry in the Merseyside Belt and parts of eastern Lancashire, in south-east Wales and in the Lothian region which includes Edinburgh, in Cornwall and in Hull, and for small industries and tourism in the farming areas of north Yorkshire.

The Kielder and Teesside schemes are worthy of more detailed consideration here. They are interconnected schemes of great significance for north-eastern England.

Kielder consists of a massive dam across the North Tyne river which will result in the creation of a large, artificial lake of almost 200 million cu. m. Through a sophisticated system of pipes and tunnels, supplies from this lake will be used to regulate the levels of the area's main rivers, the Tyne, Wear and Tees, which are also the principal sources of fresh water for 2.7 million people living in a subregion comprising such major towns as Newcastle and Middlesbrough. The bulk of the Northern Region's economic activities are also concerned. Total cost of the project will be around £110 million (187 million u.a.).

Kielder reservoir is intended to increase the amount of water available to Teesside (Middlesbrough, Billingham, Thornaby and Redcar), via the River Tees. The Teesside scheme, its logical extension, concerns the transmission of this water from the Tees to the concentration of water-using industries, which includes steel-making and petrochemicals, along the lower reaches of the same river. Without this water the expansion plans of existing and new firms would not be feasible.

Particular emphasis has been put on supporting effluent schemes vital for environmental improvement and the removal or prevention of planning embargoes on industrial and tourism development. The first British projects of this kind to receive EIB finance (1976) were in Cornwall and were mainly linked to tourism. These were followed, in 1977, by projects in south-east Wales which are key elements in the strategy of promoting new manufacturing industry at the heads and mouths of the valleys, in Edinburgh and on Teesside, where the facilities are needed to enable existing firms to expand and new manufacturing activities to be attracted.

Special mention should be made of loans for water supply projects and waste water disposal and treatment schemes, as extension and modernisation of these public services constituted a prerequisite for industrial growth in numerous areas of Scotland, Wales, and Northern and South-West England.

Ireland

Ireland's problems are those of a largely rural economy. Before emigration can be checked industrial growth must be achieved despite a number of handicaps, such as the country's outlying position and relatively small domestic market (just over three million inhabitants whose per capita income — less than 2 000 u.a. — is the lowest in the

Community). Efforts focus on attracting foreign investment, at the same time expanding industries set up by national promoters; special emphasis is placed on tapping natural resources and — given that agriculture is bound to continue to play a key role — on processing agricultural produce.

The EIB has supplemented national efforts by making loans for extending and modernising the telephone system, developing peat bogs, supplying water to the industrial centre of Cork and modernising the railways; on the industrial side, funds have been granted for agricultural and foodstuffs projects, a fertiliser factory, cement works and the construction of advance factories in various parts of the country.

Advance and custom-built factories in Ireland

Towards the end of 1977 the EIB helped to finance the construction of more than 80 advance and custom-built factories in Ireland with a loan equivalent of 18.3 million u.a. It was the Bank's first operation in this field, a move which reflects a concern to widen, where possible, the range of regional development projects eligible for finance.

Advance and custom-built factories are tried and tested instruments of regional development. They were introduced into Ireland by the Shannon Free Airport Development Company (SFADCo) in 1960. Since then their use has spread rapidly because of the need to industrialise and because of the lack of modern factories in what was and still is, in many ways, a predominantly agricultural country. Moreover the factories proved to be ideally suited to the greenfield conditions which prevail in Ireland.

The EIB loan helped to finance construction of new buildings in all parts of Ireland, with particular emphasis on the Irish-language-speaking areas but also including such major towns as Dublin, Cork, Galway and Limerick. Promoters were the three official bodies responsible for the country's industrial development, viz. the Industrial Development Authority (IDA), SFADCo and Gaeltarra Eireann. Some 6 000 persons should be employed in the factories once they are fully operational, i. e. in the early eighties.

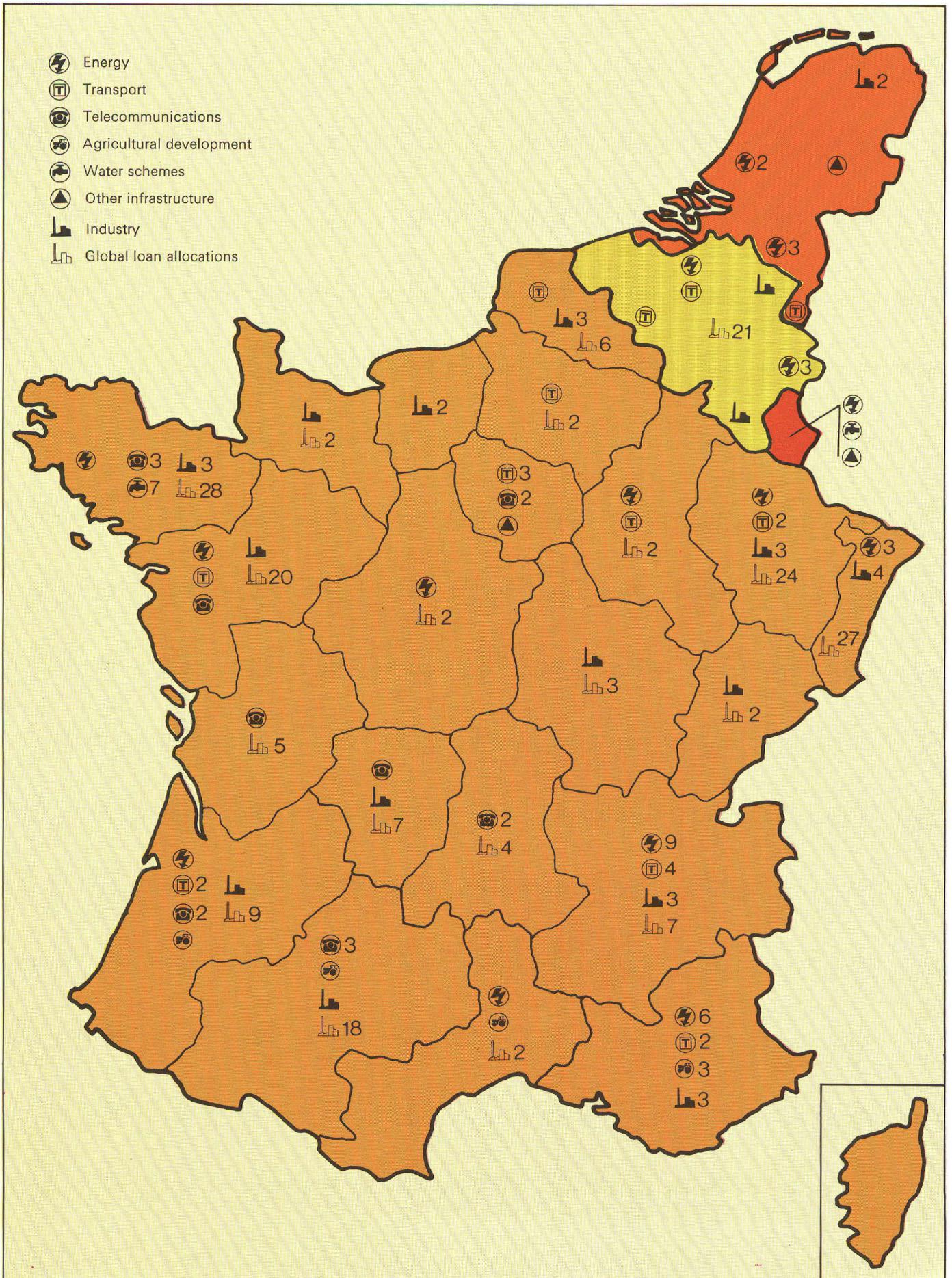
Like their predecessors, these factories offer advantages to the Irish economy as well as to incoming entrepreneurs, mostly foreign, which far outweigh their net cost in purely financial terms. Perhaps the most import-

ant long-term impact, however, is that the factories will strengthen the inward flow of capital, technical and engineering know-how and modern management expertise, three vital contributions to the efforts being made to strengthen Ireland's industrial base. Compared to this one factor, the others may seem less critical. They are nonetheless important: flexibility, in that the factories constitute a means of rapid intervention when a local employment blackspot occurs, as well as serving as building blocks in the phased development of large industrial estates; training, since primary training of the local workforce can be carried out prior to start-up and centred on the factory, once on-stream, through on-going, specialised training programmes and apprenticeships; environment (Ireland is a major tourist country), whose protection is greatly facilitated as the public authorities are responsible for all aspects of siting, factory design, infrastructural provision, landscaping and so on. There is thus far less chance of the unsightly rashes of factory developments so common in the older, industrialised countries.

For foreign businessmen wishing to establish in Ireland, the advantages of an advance or custom-built factory fall into two main groups. Firstly the ability to move into a finished factory helps to avoid some of the classic problems associated with setting up abroad. A second point is the opportunity to rent with an option to purchase later, which reduces capital outlay during the critical start-up and running-in periods.

A rather unexpected spin-off has occurred as a result of Ireland gaining such wide experience in this field. Irish engineers, planners, surveyors and architects now advise several developing countries on the adaption of the advance and custom-built factory technique to help in the solution of their own particular problems. This cooperation grew up as a result of requests from the countries concerned and is implemented through on-the-spot consultancy by teams of Irish experts or through visits, round-table discussions and seminars within Ireland itself.

Sector	Number		Amount (m u.a.)		%
	Total	of which global loan allocations	Total	of which global loan allocations	
Belgium					
Energy, communications and other infrastructure	6		83.3		74.4
Energy	4		57.3		51.2
Nuclear power stations	3		46.5		41.5
Gasline	1		10.8		9.7
Communications – Transport	2		26.0		23.2
Industry	24	21	28.7	15.5	25.6
Basic industries	8	6	16.6	5.8	14.8
Mechanical and electrical engineering	6	6	4.6	4.6	4.1
Agriculture and food industries	3	3	0.9	0.9	0.8
Other industry	6	6	4.2	4.2	3.8
Global loan	1	—	2.4 ⁽¹⁾	—	2.1
Total	30	21	112.0	15.5	100.0
⁽¹⁾ Unallocated portion of global loans for 17.9m u.a.					
France					
Energy, communications and other infrastructure	71		1 189.5		82.1
Energy	25		492.2		33.9
Nuclear power stations and fuel processing	11		299.5		20.7
Other power stations	8		113.6		7.8
Development and transmission of oil and natural gas deposits	5		74.1		5.1
Power lines	1		5.0		0.3
Communications	32		596.0		41.1
Transport	17		226.6		15.6
Telecommunications	15		369.4		25.5
Water schemes	13		86.0		5.9
Agricultural development	6		72.8		5.0
Water catchment, treatment and supply	7		13.2		0.9
Public building	1		15.3		1.0
Industry and services	208	170	259.8	70.4	17.9
Industry	205	167	258.4	69.0	17.8
Basic industries	40	24	124.9	10.2	8.7
Mechanical and electrical engineering	63	56	50.1	20.6	3.5
Agriculture and food industries	37	34	26.6	16.8	1.8
Other industry	55	53	27.2	21.4	1.8
Global loans	10	—	29.6 ⁽¹⁾	—	2.0
Services	3	3	1.4	1.4	0.1
Total	279	170	1 449.3	70.4	100.0
⁽¹⁾ Unallocated portion of 10 global loans (100m u. a.).					
Luxembourg					
Energy, communications and other infrastructure	3		9.0		100.0
Energy – power station	1		4.0		44.4
Water scheme – Water catchment and supply	1		4.0		44.4
Public building	1		1.0		11.1
Total	3		9.0		100.0
Netherlands					
Energy, communications and other infrastructure	6		84.4		80.2
Energy	5		76.1		72.3
Gaslines	3		45.7		43.4
Power stations	2		30.4		28.9
Communications – Transport	1		8.3		7.9
Industry and services	3		20.8		19.8
Basic industries	2		18.0		17.1
Services	1		2.8		2.7
Total	9		105.2		100.0



France

In France, the Bank's regional activities have centred on infrastructural works in the west and centre of the country which have a strong rural bias and relatively little industrial development as a result of their geographical situation. Bank lending has gone mainly towards improving links with central France (e.g. the Bordeaux — Paris railway line and the Basque Coast motorway), extending and modernising the telephone network (mainly in Brittany, Auvergne, Aquitaine, Poitou-Charentes and Midi-Pyrénées), supplying electricity and water to rural areas (Brittany) and con-

structing gaslines (south-west France). The Bank has also advanced finance for agricultural development schemes in Gascony and Languedoc and hydro plant in the Rhône, Durance and Verdon valleys in the south-east, involving the construction of dams and hydroelectric power stations, irrigation works, water supplies to urban areas and development of the Rhône to make it navigable.

Although less in volume terms, finance for industry has nevertheless contributed to the establishment of several large complexes, including the steelworks at Fos-sur-Mer and various chemical plants in conversion areas in Alsace-Lorraine. Undertakings producing foodstuffs in Brittany

Financing provided within the Community from 1958 to 1972 and from 1973 to 1977

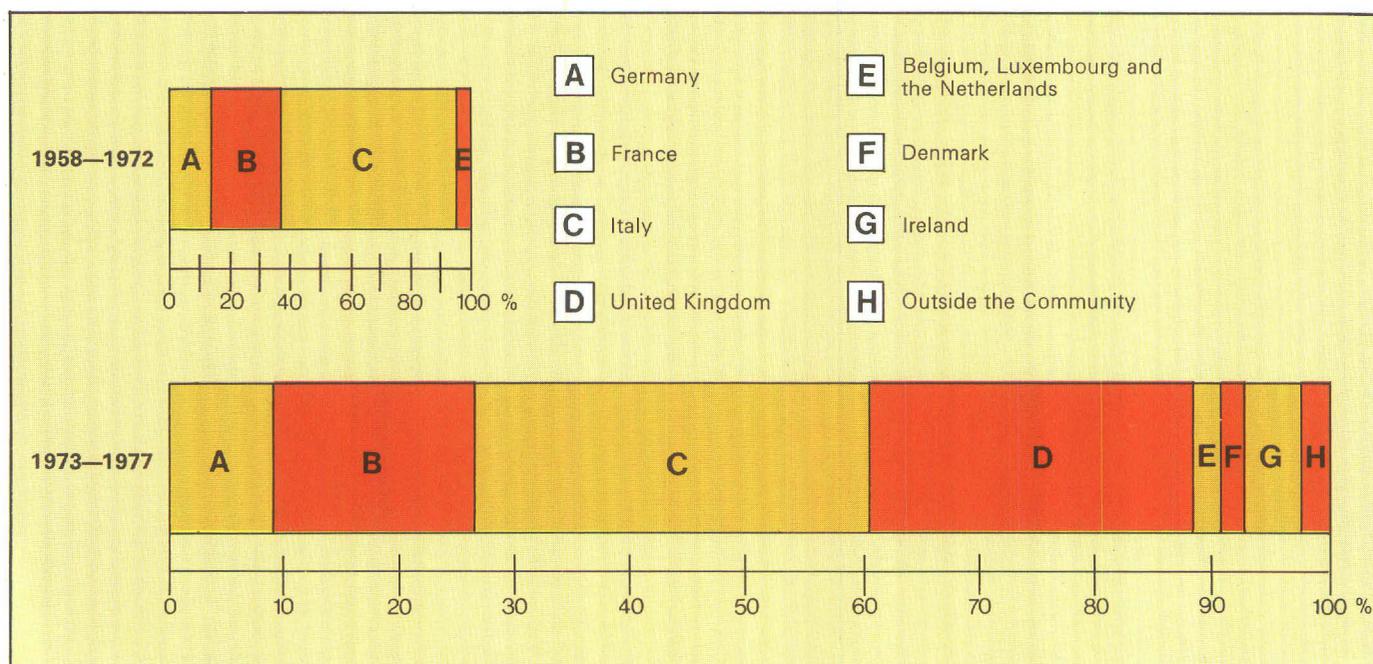
Breakdown by project location

	1958-1972			1973-1977			Annual averages	
	Number	Amount	% of total	Number	Amount	% of total	1958-1972	1973-1977
Member Countries								
Belgium	6	67.2	2.7	24	44.8	0.9	4.8	9.0
Denmark	—	—	—	71	85.9	1.7	—	17.2
Germany	56	353.6	14.4	105	439.9	8.9	25.3	88.0
France	82	570.5	23.2	197	878.8	17.7	40.7	175.8
Ireland	—	—	—	24	243.8	4.9	—	48.8
Italy	272	1 412.3	57.5	379	1 627.0	32.9	100.9	325.4
Luxembourg	3	9.0	0.4	—	—	—	0.6	—
Netherlands	5	42.9	1.8	4	62.3	1.3	3.0	12.5
United Kingdom	—	—	—	103	1 458.3	29.5	—	291.7
Non-Member Countries ⁽³⁾	—	—	—	6	110.5	2.2	—	22.1
Total	424 ⁽¹⁾	2 455.5	100.0	913 ⁽²⁾	4 951.3	100.0	175.4	990.3
(of which guarantees)	(9)	(110.0)	(4.5)	(3)	(118.2)	(3.3)	(7.9)	(23.6)

(1) Including 114 global loan allocations (1969-1972).

(2) Including 572 global loan allocations.

(3) Loans made in accordance with the second paragraph of Article 18 (1) of the Bank's Statute empowering the Board of Governors to authorise the Bank to contribute towards financing projects outside, but in the interest of, the Community.



and motor vehicle equipment in Limousin, as well as a mechanical engineering concern in Haute-Savoie, have also attracted Bank loans. However, the bulk of lending to industry has taken the form of global loans granted to intermediary institutions and regional finance companies which have used the proceeds to back some 170 small and medium-scale ventures in a wide range of sectors in different regional development areas.

Belgium, Luxembourg and the Netherlands

Financing in development or conversion areas in Belgium, the Netherlands and Luxembourg has been mainly for infrastructure works often of both regional and general Community interest, such as Maasbracht power station (which for a certain period will supply power to both Dutch and German consumers), the Nederlandse Gasunie gasline supplying north Brabant and other areas, and motorways between Maastricht and Heerlen and the Dutch and French frontiers via Brussels. In addition, several loans have gone to industrial projects including chemical works in the Dutch province of Groningen and the Belgian province of Limbourg, and a global loan has been granted to Société Nationale de Crédit à l'Industrie — Nationale Maatschappij

voor Krediet aan de Nijverheid for small and medium-scale ventures in Belgium's problem areas.

Denmark

In Denmark, the impact on employment of modernisation in the agricultural sector, especially in Jutland, and the heavy concentration of growth industries around Copenhagen called for a policy of actively encouraging the establishment of new activities in assisted regional development areas. In Greenland, too, because of its isolated position and particularly harsh climate, specific action was needed to extend basic infrastructure.

Mindful of these priorities, the Bank has granted loans for power stations and transport and telecommunications infrastructure in Greenland. In Denmark finance has been provided mainly for industrial projects in development areas: dry docks, a plant manufacturing marine engines, a biscuit factory, etc. Forty-seven small and medium-scale industrial ventures have benefited from funds drawn down from global loans granted to Finansieringsinstituttet for Industri og Håndvaerk and the Regional Development Board via the Danish Government. The ventures financed should give direct rise to some 1 115 new jobs and safeguard a further 915.

The development of Greenland

Remote from Europe, much of its territory lying north of the Arctic Circle, Greenland is faced not only with isolation but also the rigours of its climate: its mountainous terrain, 84 % permanently under ice, is particularly inhospitable, with only scattered pockets of human habitation, mostly along the south-west coast, where there is some non-glaciated land and a few ports open to shipping the year round. Three quarters of the sparse, 50 000 population reside in a few, far-flung towns, Godthaab being the capital.

The sole productive activities are confined to fishing and the food processing sector, although prospection work is going ahead on certain other resources (lead, zinc, uranium). This makes Greenland, economically speaking, very much dependent on Denmark both for finance and supplies. Consequently a long-term development plan has been formulated, centring on infrastructure and designed mainly to reduce the territory's dependence and to improve the living standards of its inhabitants. To this, the Bank has lent support in the form of finance for projects in the energy, transport and telecommunications sectors.

The first loan was for the new thermal power station at Godthaab, which received an advance of 3.3 million u.a. This was commissioned in 1976, almost doubling the power available, such that it should be possible to

meet the rapid increase in demand, at least up to 1981, occasioned by the doubling of the city's population in 10 years and the expansion of activities allied to fishing.

If the isolation of the Greenlanders is to be broken and their economy to achieve a modicum of development, domestic communications must be improved. For want of overland links and because the installation of a conventional trunk telecommunications system is all but precluded by the vicissitudes of the polar climate, the choice fell on a radio link system, using microwave repeater stations which offer the added advantage of low energy consumption. This has been installed with the help of finance from the Bank, to the amount of 5.4 million u.a.

A basic need also exists to improve Greenland's sea and air links, both for improving its supply situation and for easing difficulties in internal communication. In this area, the Bank granted a 3.5 million u.a. loan to part-finance harbour works (wharf extensions and increased storage capacity) at Frederikshaab, Narssaq and Julianehaab on the south-west coast, mainly in order to accommodate ocean-going vessels. A further loan, for 7.1 million u.a., was used to finance the construction of an airport at Godthaab, the first step in a long-term scheme to reorganise transport throughout the island. The main element in this plan is to replace helicopter services between the cities and the airports offering connections with Copenhagen with STOL aircraft services.

Germany

Regional problems in Germany are most acute in the border areas where industry and trade have been undermined by the division of Germany and the proximity of state-trading countries. Moreover, in some sectors structural decline has given rise to modernisation and conversion problems, in the Saar, for example.

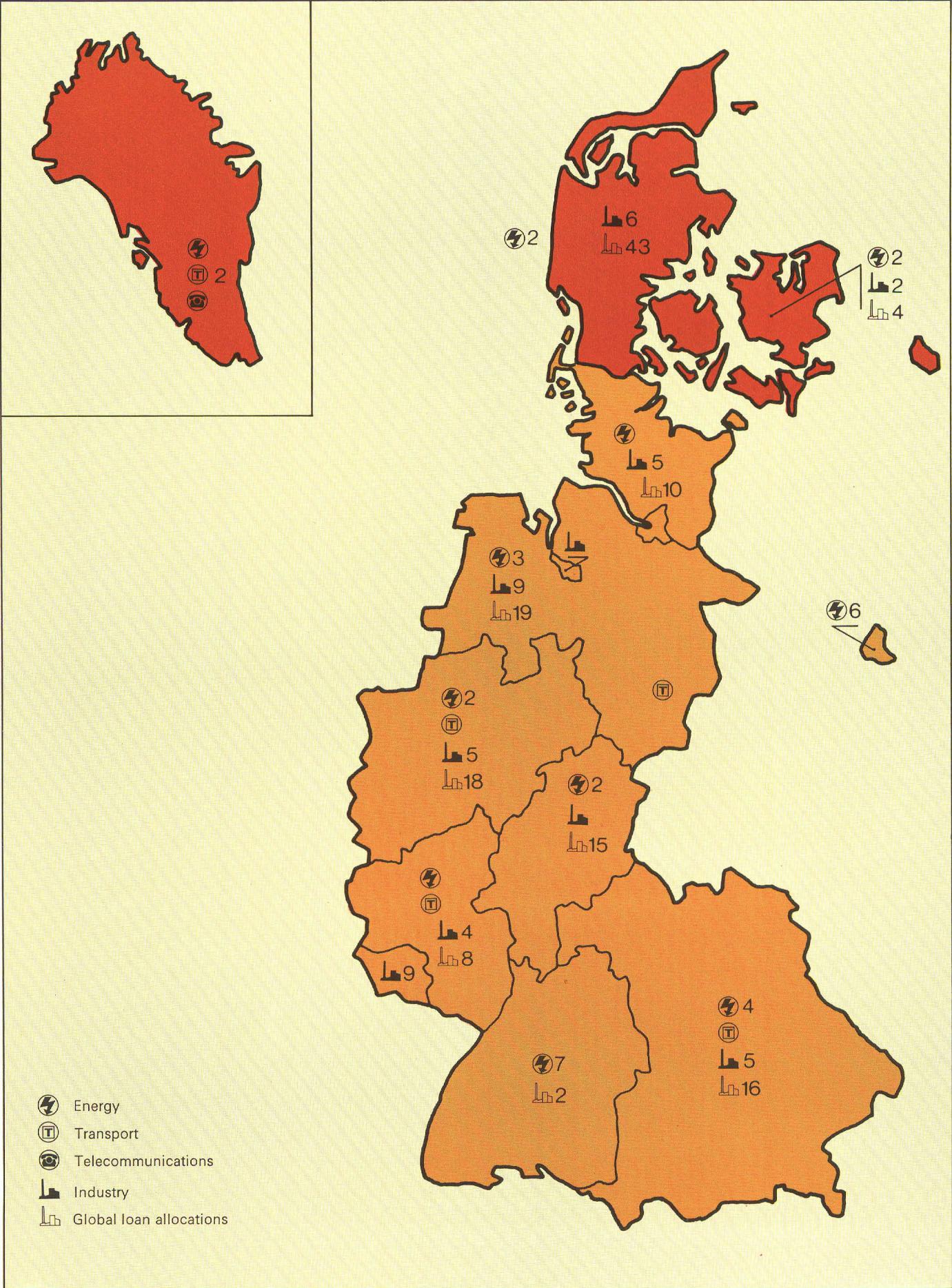
EIB finance has gone more towards industry than to infrastructure investment, although the Bank has assisted schemes for supplying electricity to Berlin, eastern Bavaria and north-west Lower Saxony. The wide range of industrial ventures financed includes major chemical and motor vehicle factories in Bavaria and Schleswig-Holstein, iron and steel works and mechanical engineering plant in the Saar, and numerous small and medium-scale ventures via global loans.

Sector	Number		Amount (m u.a.)		%
	Total	of which global loan allocations	Total	of which global loan allocations	
Denmark					
Energy, communications and other infrastructure	8		46.0		53.6
Energy	5		30.0		35.0
Power stations					
Development of oil and natural gas deposits	3		16.1		18.8
	2		13.9		16.2
Communications	3		16.0		18.6
Transport	2		10.6		12.3
Telecommunications	1		5.4		6.3
Industry and services	63	47	39.9	19.7	46.4
Industry	62	46	39.8	19.6	46.3
Basic industries	12	11	8.6	5.0	10.0
Mechanical and electrical engineering	17	13	12.6	4.8	14.6
Agriculture and food industries	15	13	12.4	7.1	14.4
Other industry	10	9	5.1	2.7	5.9
Global loans	8	—	1.1 ⁽¹⁾	—	1.3
Services	1	1	0.1	0.1	0.1
Total	71	47	85.9	19.7	100.0

(¹) Unallocated portion of 8 global loans (20.8m u.a.).

Germany					
Energy, communications and other infrastructure	30		524.7		66.1
Energy	26		448.9		56.6
Nuclear power stations	13		318.4		40.1
Other power stations	7		60.9		7.7
Development and transmission of oil and natural gas deposits	4		57.1		7.2
Power lines	2		12.5		1.6
Communications – Transport	4		75.8		9.5
Industry	131	88	268.8	36.0	33.9
Basic industries	37	17	151.1	7.5	19.0
Mechanical and electrical engineering	40	31	52.0	13.8	6.6
Agriculture and food industries	9	8	8.9	3.4	1.1
Other industry	41	32	46.5	11.2	5.9
Global loans	4	—	10.3 ⁽¹⁾	—	1.3
Total	161	88	793.5	36.0	100.0

(¹) Unallocated portion of 4 global loans (46.3m u.a.).



Projects of common interest

When drafting the paragraph of Article 130 setting out the Bank's function with regard to financing 'projects of common interest to several Member States', the authors of the Treaty of Rome were probably thinking mainly of the need to tailor economic, and particularly transport, infrastructure to the requirements of the new Common Market.

The road, rail, waterways and energy transmission networks in all Member Countries had been designed primarily to meet domestic needs, although some did handle international traffic and major cross-Europe links had long been set up through multinational cooperation. However, the establishment and balanced development of a European Economic Community were to give a new dimension to trade and cooperation, while the movement of goods and people was destined to increase. Extending the different intra-Community links and adapting the networks with a view to achieving economic integration were clearly of prime importance for facilitating the economic expansion of the Community.

The ambitions of the Treaty's authors certainly went beyond merely fostering trade and the movement of people. Their intention was that, in the longer term, closer, more rational cooperation should first blossom, then flourish between various economic agents and particularly between enterprises from different Member Countries.

They were also aware that if a Community were gradually to be established, it would have to face up to new problems of common concern; resolving these would be the key to its very future. Joint guidelines and Community policies would have to be worked out, and appropriate financing provided before they could be put into practice.

Some of these matters of common concern — developing new frontier technology or environmental protection, for example — have evolved over the years; it was not felt necessary to spell them out at the beginning, the idea being that a general consensus of opinion would lead to appropriate action.

There are other cases, however, where fairly specific guidelines have been laid down by the competent authorities, as with the energy policy formulated at the end of 1974 which merits special mention.

From well before the oil crisis, the Community relied very heavily on oil and other imports to cover its energy requirements. Oil in fact accounted for 600 million tonnes of the 1 000 million toe (1) consumed in 1973 and was virtually all imported. Reliance on external supply sources varied widely from one Member Country to another depending upon national coal and natural gas resources: in 1973, the Community as a whole imported 63 % of its requirements, yet the figures for Denmark and Luxembourg were more than 99 %, Italy and Belgium 83 % — 86 %, France and Ireland 78 % — 80 %, Germany 55 %, the United Kingdom 48 % and the Netherlands only 6 %.

The 500 % rise in oil prices between 1970 and 1976 made for a commensurate increase in the burden on the

Community's balance of payments: in 1970, net energy imports amounted to some 8 200 million u.a., or the equivalent of 1.3 % of the Community's gross domestic product and 17 % of total imports, whereas by 1976, the figure had soared to 43 300 million u.a., or more than 3.7 % of GDP and 31 % of total imports.

These factors were and are all the more disquieting inasmuch as:

(i) the previous trend had been towards fairly vigorous growth in Community energy consumption (close on 5 % per annum from 1963 to 1973), a marked upswing in the proportion of requirements covered by oil (61 % in 1973 as against 37.5 % in 1963) and natural gas (12 % compared with 2 % in 1963), a sharp decline in the role of solid fuels (from 55 % to less than 23 %) and hydroelectricity (5 % to less than 3 %) and the emergence of nuclear power (1.4 % in 1973);

(ii) estimates of fossil fuel reserves, especially oil, are generally pessimistic and numerous experts are mooting the possibility of a growing shortage by the end of this century;

(iii) researching and developing new energy sources is a costly and long drawn out affair;

(iv) the Community depends on a small number of countries for its oil imports and hence is vulnerable to the risk of supply cuts.

These considerations prompted Community authorities to work out a new strategy defining the objectives of a Community energy policy for 1985 aimed at:

(i) checking growth in domestic consumption by more rational and economic use of energy, without prejudicing economic and social development;

(ii) tapping more of the existing reserves of hydrocarbons and solid fuels within the Community;

(iii) implementing a programme of technological research and development to exploit both existing and new sources of energy;

(iv) developing nuclear power;

(v) seeking a variety of secure external supply sources to cover requirements which cannot be met from internal resources.

Community dependence on imported energy would thus be trimmed to 50 % and, if possible, to 40 % before 1985, which would mean reducing the proportion of oil in relation to overall consumption (between 41 % and 49 % by 1985), maintaining the current levels of hydro and geothermal output (3 %) and solid fuel consumption (17 %) and more widespread use of natural gas (18 % — 23 % by 1985) and nuclear energy (13 % — 16 % by 1985). Even if these objectives were to prove somewhat ambitious and need to be revised downwards, they clearly represent guidelines for the Community's energy policy and indicate the path which the Bank should follow towards their attainment.

(1) Tonnes oil equivalent.

In line with this policy, the Bank has helped also to finance certain energy projects situated outside the European territory of Member Countries but which are of clear common interest to the Community because they will help to increase or diversify its energy supplies.

Communications

During the first 10 to 15 years of EIB activity, the bulk of Bank 'common interest' financing went in support of transport infrastructure offering benefits for several Member Countries. Most such projects were located in frontier areas and often helped to resolve localised economic problems. Funds were advanced for the Paris—Metz—Saarbrücken and Paris—Brussels motorways, the Fréjus alpine road tunnel and a number of motorways linking Italy with France and also with Germany (the Brenner motorway), improved France—Italy and France—Germany rail links and port development schemes. More recently the Bank has also helped to finance a car ferry between Great Britain and Ireland, cross-Channel hovercraft and medium-range aircraft for improving intra-Community links.

Industrial cooperation

As time passed, the Bank began to receive financing applications for projects to be carried out jointly by promoters in two or more Member Countries. Their close financial, technological, commercial and management cooperation contributed quite clearly towards European economic integration and for this reason the Bank held such projects eligible for loans on the strength of their common interest.

Under this heading are included several projects of particular importance in terms of capital outlay, sophisticated technology and the priority attaching to the corresponding economic policy objectives. Two of these projects, the

EURODIF uranium enrichment plant and the NERSA fast breeder reactor, will be dealt with later in the light of their contribution to Community energy policy and technological progress. A further example is the Airbus, the result of close technical collaboration between aerospace companies in France, Germany, the United Kingdom, the Netherlands and Spain.

A second category comprises projects entailing cooperation between electricity producers in several Member Countries e.g. hydroelectric schemes on the Rhine calling for construction of power stations at Gamsheim in France and Iffezheim in Germany, a nuclear power station at Tihange in Belgium, built in collaboration with Electricité de France, and pumped storage plant at Vianden in Luxembourg, connected to the German grid.

The majority of industrial cooperation projects which the Bank has helped to finance have been in the more traditional sectors such as motor vehicles, iron and steel, metals semi-processing, construction materials, chemicals and foodstuffs; examples include a variety of fertiliser, ammonia and urea projects implemented jointly by French and German undertakings in eastern France and the Saar, a plant producing alumina in Sardinia involving cooperation between Italian, German and British companies, and an electrolytic zinc smelter in Lower Saxony, the result of Franco-German collaboration. Mention has been made of instances of industrial cooperation with firms in other Member Countries fostering the development of industry in southern Italy.

Energy

Since the early 70s, projects financed on the grounds of their common interest have included a growing proportion of ventures likely to assist the Community in coping with new problems or to contribute to the attainment of Community policy objectives.

The Benelux motorway network

As the effects of the Rome Treaty began to be felt, the early 1960s saw the emergence of closer links between the expanding economies of Member Countries, producing a boom in trade within the Community and an increase in the movement of people that together created a need to adapt the transport infrastructure. Indeed, the Commission in 1960 offered recommendations in this area, based on the provision of arterial links across the Community and the improvement of individual Member Countries' transport networks.

Because of their location, the Benelux countries are at the epicentre of communications between economically strategic points in Germany (the Ruhr, in particular), France and the United Kingdom. This was the

consideration behind a series of loans granted by the Bank in 1967-69 to part-finance motorways in this area providing vital links in the Community grid.

In Belgium, two EIB loans, for 10 million u.a. and 16 million u.a., were used to part-finance a section of the motorway linking Antwerp with the Netherlands and a length of the Brussels-Paris motorway, which also attracted a loan from the Bank for a second section, entirely on French soil.

In the Netherlands, the Bank granted a 8.3 million u.a. loan towards the Maastricht-Heerlen motorway in Southern Limburg, a key element in the wider system of communications between Antwerp, Brussels and Liège in Belgium, and Aachen and the Ruhr in Germany.

As vital motorway links between the Belgian and Dutch North Sea ports and the industrial heartland of Germany and France, these projects offered the added benefit of making a contribution to the reconversion of the Borinage and central mining areas of Belgium and Southern Limburg in the Netherlands.

This is notably the case in the energy sector where funds have been advanced for reducing the Community's dependence on imports, realising energy savings and providing a wider variety of secure supply sources. A total of 1 653 million u.a. has been made available for operations of this type since 1973.

The Bank has assisted the development of hydroelectric sites and pumped storage stations offering a combined additional capacity of 3 730 MW (in addition to 1 740 MW of plant financed prior to 1973). It has also adhered to Community policy guidelines in backing construction of nuclear power stations in France, Germany, Belgium, the United Kingdom and Italy, with a total capacity of 18 130 MW. EIB energy financing has included support for investment in industries manufacturing equipment for the various phases of the nuclear cycle, the working of a uranium deposit in northern Italy, and the EURODIF gaseous diffusion uranium enrichment plant (constructed by French, Italian, Belgian, Spanish and Iranian promoters) where production will be sufficient to supply around 90 000 MW of nuclear power stations. Finance has also been provided for the NERSA Super-Phénix fast breeder reactor which will use far less uranium than conventional reactors.

This is being built by Electricité de France together with ENEL, its Italian counterpart, and a group of electricity producers from Germany, Belgium, the Netherlands and the United Kingdom. It is estimated that, when completed, these projects will provide the Community with electricity equivalent to around 25 — 30 million toe a year.

The Bank has also granted loans for exploring and developing hydrocarbons resources in the North Sea (the Ekofisk, Frigg, Thistle, Beryl and Dan fields) and, for more modest deposits off the Adriatic and Ionian coasts of Italy and in Lombardy. Projects financed by the Bank should provide the Community with additional energy resources of some 105 million toe, almost two thirds in the form of oil and over one third natural gas, corresponding to 37 % of estimated Community hydrocarbons production or 16 % of domestic energy production in 1985.

Under the same heading the Bank has contributed financing, in conjunction with the European Coal and Steel Community, towards developing and modernising coal mines in the United Kingdom and working peat bogs in Ireland, the increased production from which will correspond to some 1.9 million toe.

These different schemes will boost the Community's total energy production capacity by more than 140 million toe, representing about 25 % of the Community's net energy imports in 1976 or 22 % of forecast domestic production in 1985.

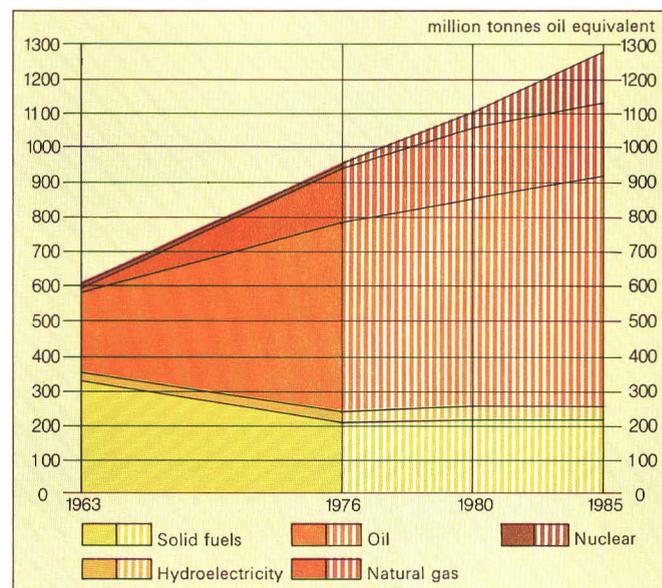
Projects intended to diversify and so render more secure the Community's energy supply sources have centred on the trans-European gaslines, the largest of which are the SEGEO and TENP pipelines carrying natural gas from the Netherlands and the Trans-Austria Gasline transporting Russian gas across Austria, with a combined capacity of around 38 000 million m³ per annum or some 45 % of the estimated total flow of natural gas through the European network by 1985. Sums have also been lent for work on individual Member Countries' natural gas networks and interconnections, essential for the rational consumption of

this type of energy, utilised mainly for domestic purposes, chemicals production and certain specific industrial activities. The Bank has provided support for constructing a total of over 6 600 km of gaslines, and has also helped to set up underground storage facilities for close on 2 000 million m³ of natural gas in Lombardy with a view to regulating supplies.

New technology

The bulk of operations in support of ventures deploying new technology of interest to several Member Countries or the Community as a whole, has already been mentioned under the heading of cooperation between companies in different Member States or the attainment of Community energy policy objectives. Two examples are the EURODIF enrichment plant and the sodium-cooled fast breeder reactor constructed by NERSA. Other projects have included, in the Netherlands, a vacuum hydrodynamic tank for testing scale models of ships; in Italy, a research centre for improving iron and steel production processes and protecting the environment; in the United Kingdom, construction of the first production models of a new type of high speed train.

Energy consumption in the Community, 1963-1976 and forecast consumption up to 1985



Environment

The Bank is attaching more and more importance to protecting the environment and combating pollution, two of the most pressing problems of our time. It looks closely at the environmental effect of all projects submitted and checks that the promoter respects existing norms.

As well as financing a growing number of water supply schemes the EIB is increasing its support for waste water

disposal and treatment projects. Quite apart from regional development considerations, the Bank has also stepped up lending for anti-pollution schemes which require large-scale investment or constitute models of their kind. Funds have been made available for protecting the Rhine (plant at Ludwigshafen to treat industrial waste water) and to reduce pollution in the Mediterranean (new sewers and treatment plant in the Bay of Naples area and facilities for treating oil tanker ballast water at Marseilles).

The European gasline network in Germany

There has been a massive increase in consumption of natural gas, a fuel which fifteen years ago was little used. This now amounts to 156 million tonnes of oil equivalent (toe), or 16.4 % of all energy consumed in the Member Countries. The uptrend is due to continue, answering the two imperatives that have shaped the Community's energy policy since the oil crisis: the need to diversify energy sources and to ensure greater security of supply. By 1985 gas is likely to be covering about 18 % of the Community's energy requirements, more or less on a par with coal.

Though not inconsiderable, the Community's own supplies will not suffice to meet the rise in demand, and new contracts have had to be negotiated for the provision of additional gas from the Norwegian sector of the North Sea, the Soviet Union, Iran and Algeria. This could cause imports, which in 1976 amounted to 12.2 million toe or 8 % of EEC gas requirements, to rise to around 78 million toe, covering almost a third of Member Countries' needs.

The European gasline network was designed to handle output from the Community's own fields and has had to be considerably enlarged and diversified for transmission of those additional volumes of gas that are needed to give Member Countries safer, more regular supplies.

The investment schemes in question have been most concentrated in Germany, not only because of the massive requirements of that country's industries and conurbations, but also because its geographical location means that most of the major European gaslines must cross its territory.

Germany accounts for nearly a quarter of overall gas consumption in the Community, and demand is expected to go on rising, to reach 61 million toe by 1985. This will include 23 million toe of gas imported from outside the Community, or almost one third of EEC imports. In answer to this trend, a major network has been built up, which will moreover be used for the transmission of gas from the North Sea, the Netherlands, the Soviet Union and Iran to France, the Benelux countries and Italy, moving as much as 18 million toe by 1985.

The build-up of the European grid began in 1964 in the Netherlands, with the laying of the pipeline to convey gas from Groningen. The subsequent tapping of deposits in Drenthe Province and in the Dutch sector of the North Sea led the Nederlandse Gasunie company to expand its network, with subsequent extensions both into Belgium and France (SEGEO — Société Européenne du Gazoduc Est-Ouest) and into Germany, Switzerland and Italy (TENP — Trans European Natural Gas Pipeline). The latter two pipelines each have a capacity of around 9 million toe.

The need has arisen in Germany for other major pipelines, to transmit inland gas piped ashore at Emden from the Ekofisk field in the North Sea.

Gas imported from the Soviet Union by Ruhrgas, passing through the Waidhaus transit point on the Czechoslovak frontier for distribution in Central Germany goes via a mains system which is currently being strengthened to meet the expected increase in the volume of imports from this quarter, as well as to handle gas purchased in Iran by Ruhrgas and Gaz de France. This new pipeline system (MEGAL — Mitteleuropäische Gasleitungsgesellschaft), which will be supplied both from Waidhaus and from Oberkappel on the Austrian-German border, will enable gas from the Soviet Union and Iran to be transmitted to Germany and France (16 000 million toe per annum).

In this way, there has evolved a complex system of major pipelines in Germany extending over 8 000 km and capable of supplying not only Germany but France, Switzerland and Italy with gas imported from the Soviet Union, Iran, Norway and the Netherlands or shipped in liquefied form, mainly from Algeria, and regasified, the future destination of such gas being the terminal at Wilhelmshaven. The gaslines in question are interconnected with a continental grid that has more than 23 000 km of gas mains.

Many sections of this system have been financed by the Bank, which has loaned a total of 279 million u.a., including 49.6 million u.a. in Germany (Ruhrgas and TENP gaslines), 45.7 million u.a. in the Netherlands (Gasunie lines) and 10.8 million u.a. in Belgium (SEGEO). In addition, 173 million have gone for various supply and distribution gaslines in France and Italy. With thorough diversification of import sources and the interconnection of the gas grids, Member Countries and gas utilities have been able to increase exchange operations considerably, one benefit of which has been to improve the security and regularity of the Community's energy supplies.

Modernisation and conversion of undertakings

Article 130 of the Treaty of Rome also entrusts the EIB with the task of providing support for modernising and converting undertakings or for creating new activities called for by the gradual establishment of the Common

Market. So far the Bank has had little cause to advance funds for such purposes.

This can be ascribed to a number of factors:

(i) undertakings appear on the whole to have adjusted to the Common Market more rapidly and smoothly than originally expected, doubtless due in part to steady economic expansion throughout the 1960s;

Nuclear energy schemes in France

The 1973 oil crisis highlighted the dangers of the Community's heavy dependence on outside supplies of energy. Imports rose from 39 % of Community energy consumption in 1963 to 61 % in 1976, making the reduction of this reliance on external supplies a matter of the utmost urgency for Member Countries, which are also at pains to improve security and regularity of supply by diversifying imports and seeking new sources of energy. Of the options available, only nuclear energy can make any appreciable impact on a reasonable timescale and furnish a significant proportion in coming years of the energy that will be needed, if economic growth is to be maintained.

Previously, the advanced technology of nuclear power station construction meant that progress in this sector was a matter of developing prototypes capable of generating electricity at a cost that could compare favourably with that of conventional thermal power.

With the quadrupling of oil prices in 1973, the terms of comparison were radically altered and Community countries were thus able without difficulty to embark on far more ambitious nuclear construction programmes aimed at reducing their energy dependence. The impact of these programmes will be felt fully by around 1985, once the plants in question are commissioned. At that stage, nuclear power generation will top the 600 000 million KWh per annum mark, compared with the present level of less than 100 000 million. This will represent almost half the power supplied by fossil-fuelled power stations.

Mindful of the fact that the natural and enriched uranium used to fuel nuclear reactors has for the most part to be imported and that the problem of dependence could thus arise once again, the countries of the Community have launched research and investment programmes aimed at both increasing their own enrichment capacity and perfecting such technologies at that of the fast breeder reactor, which uses less uranium.

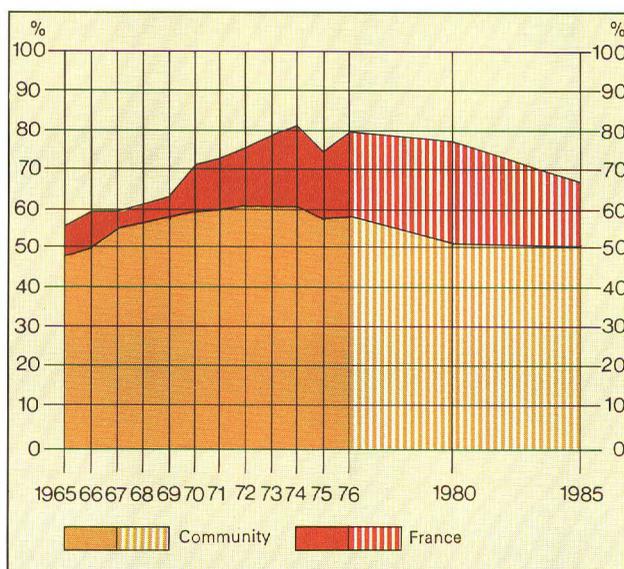
Amongst Member Countries, France shows a particularly heavy degree of energy dependence, one that is moreover increasing. In 1976, net imports of energy supplies amounted to over 11 000 million u.a., or 21 %

of total imports and 4.4 % of Gross Domestic Product, compared with 12 % and 1.8 % respectively three years earlier. This, coupled with the fact that France was not slow to acquire a reasonable command of nuclear technology, meant that the development of nuclear power generation was given a key role in the French energy programme. After building a number of carbon gas reactors of less than 500 MW rating during the 1960s, France finally settled on the pressurised water reactor, offering a unit rating of around 900 MW.

The VIth Plan, for 1971-75, called for the construction of light water reactors offering a total installed capacity of 8 000 MW. In answer to the oil crisis, however, the Government decided to step up its programme and to use nuclear plants not only to cover the increase in demand for electricity but also to accelerate the phasing-out of certain coal and oil-fired power stations. Electricité de France (EdF) was authorised by the Government to place orders for 13 000 MW of nuclear plants in 1974-75, 12 000 MW in 1976-77 and 5 000 MW a year in 1978 and 1979. In 1985 installed nuclear capacity should reach around 40 000 MW, or over 40 % of total generating capacity, compared with 6 % in 1976.

Since 1972, the EIB has played a part in financing power stations built under this programme, firstly with

Energy dependence of France and the Community, 1965-1976 and forecast dependence up to 1985 (imports as % of overall consumption)



(ii) certain problem sectors have tended to be bunched in regions consequently classified as handicapped areas where the Bank has helped to modernise and convert undertakings and to create new activities on the strength of its regional development objective;

(iii) as a special Community instrument already existed for two of the sectors concerned, coal and steel, the Bank has

an advance of funds for the first phase of the Fessenheim plant in Alsace, which was commissioned in 1977. Since then, a series of loans have been granted in support of three of the five stages of the power station at Bugey and the first stage of the Dampierre plant. EdF also cooperated in the construction of Tihange power station in Belgium, which feeds half the power it generates into the French grid, and in the building of a plant in Burgundy to produce nuclear reactor vessels.

Finance has also been advanced by the EIB to the NERSA company which is building the Super Phénix fast breeder reactor, at 1 200 MW, the country's first commercially-rated prototype. This company is backed by EdF and its Italian counterpart ENEL, along with a group of electricity generating concerns from Germany, Belgium, the Netherlands and the United Kingdom. The power station in question has also received a loan from Euratom based on the Bank's appraisal and managed by the EIB in accordance with the terms of Euratom/EIB cooperation. Fast breeder reactors make optimal use of uranium and will enable the Community to make most sparing use of an energy source with which it is far from well endowed.

Total lending under this heading came to 270 million u.a. at the end of 1977, or about 16 % of the overall cost of the capital investment in question. The generating stations concerned will together have an installed capacity of about 6 200 MW, or one seventh of France's nuclear energy capability in 1985. These plants will be able to produce over 30 000 million KWh a year, which, for instance, would be equivalent to the entire electricity consumption of the Paris region.

Also given financial support by the Bank is the construction by a group of French, Italian, Belgian, Spanish and Iranian promoters of a gaseous diffusion uranium enrichment factory, a venture of considerable interest to the Community as a whole, which has accordingly attracted joint finance from Crédit National of France, Istituto Mobiliare Italiano of Italy and Société Nationale de Crédit à l'Industrie of Belgium, all of which are members of the 'Club' of Community institutions specialising in long-term credit. This plant will have an enrichment capacity of 10.8 million USW (units of separative work), more or less sufficient to keep abreast of the annual rate of commissioning for nuclear power stations in the Community in 1985.

been able to centre its attention on projects located in priority areas.

Nevertheless, the Bank has granted 18 loans worth a total of 89.4 million u.a. for projects under this heading, part-financing sugar mill modernisation schemes in Basilicata and Sardinia, iron and steel works and rolling mills in Lombardy, the Saar and Rhineland Palatinate, a cement works conversion project in Campania, shipyards near Trieste, modern cooperative dairies in Ireland, industrial-scale abattoirs in Denmark and fishing vessels in Germany. Support has also been provided for establishing new activities such as metalworking at Leghorn and precision mechanical engineering at Saint Nazaire to absorb redundant shipyard workers, and potash extraction and phosphoric acid production in Sicily to take up labour from run-down sulphur mines.

The Bank may, in future, be approached to give more support for this type of project as many sectors are encountering structural problems requiring major alterations in the face of less favourable market prospects, changes in distribution of production capacities at world level between industrialised and developing countries, and new technological demands.

Fighting pollution in the Bay of Naples

Wholesale migration from the Mezzogiorno during the past quarter of a century has not prevented a massive increase in the population of its coastal cities, Naples, for instance, being estimated by 1976 to have 1.2 million inhabitants. As this conurbation's capacity to accept such an inflow has been saturated, both people and businesses have overspilled into neighbouring communities, spreading closer to one another and producing ribbon development right around the Bay: a 50 km sprawl from Pozzuoli to Sorrento. This part of Campania now has close on 2 million residents, not counting the inflow of holidaymakers, especially during the summer, with 6.5 million tourist nights recorded in 1976. Moreover, there are 15 000 industrial ventures in the area, while in the hinterland agriculture has become more and more intensive, consuming ever greater quantities of fertilisers. Neither the local communes nor the regional authority, however, are able to invest on a large enough scale adequately to adapt the sewerage system to requirements. This means that to date most of the foul water discharged by local residents, factories and farms has been flushed into the sea, either directly or via watercourses.

The net result has been to make this region one of the most polluted parts of Italy, with the water turning especially foul in summer, when the tourist season coincides with the time when rivers and streams show their lowest rate of flow. The natural cleansing process is moreover inhibited by the absence of currents and tidal flow in the Bay.

This increasing pollution of watercourses and the sea has for some years past been posing an ever-greater threat to those who live in the area, and indeed has cast

a cloud over the expansion and even the survival of some forms of economic activity, such as tourism and fishing. Signs have been appearing that the situation could even jeopardise Campania's ability to pursue a development policy at all.

This led the Italian authorities in 1972 to instruct the *Cassa per il Mezzogiorno* to carry out a project to clean up a vast area centring on the Bay of Naples and taking in three quarters of the population of the region — nearly 3 700 000 people.

The works to be carried out between now and 1982 fall into two phases: the construction and improvement of a sewage mains system covering some 90 km and about 200 km of collectors, and the rehabilitation of various watercourses and canals, together with the provision of about thirty effluent treatment plants around the Bay, to put a stop to the discharge of any raw sewage into the sea. The industrial sector is moreover now obliged to subject its used water to adequate treatment, while it will also be recycling a proportion of treated effluent as a further step towards husbanding the region's somewhat inadequate water resources.

These installations, which were costed at Lit 1 111 400 million (151.3 million u.a.) in 1975, are to be constructed in a number of phases, the first of which calls for the investment of about Lit 120 000 million, towards which in 1975 and 1976 the EIB granted two loans, totalling 45.3 million u.a.

The campaign against pollution in the Bay of Naples will help to enhance the quality of life in this highly populous area as well as allow economic activity to develop normally. It also answers one of the compelling needs expressed recently with the signature of the Barcelona Convention between those states whose shores are washed by the Mediterranean: to put a stop to the increasing pollution of this inland sea and halt the spoliation of what is an irreplaceable common asset. To achieve such an aim, all manner of safeguards must be adopted, and from this point of view the Bay of Naples venture is an exemplary exercise.

Financing outside the Community

Various aspects of the Community's relationships with other countries were debated before signature of the Treaty of Rome and are reflected in a number of the political and economic provisions of the Treaty. These include the possible accession of other European countries to the Community and the direct association with the Community of then dependent territories of certain Member Countries.

As far as the EIB is concerned, although its work was to be principally within the Community, Article 18 (1) of the Bank's Statute was drafted to give the Board of Governors special power to authorise lending for projects outside Member Countries.

This power has been invoked to help to finance certain projects outside the EEC of special importance for the Community's energy supplies, but its principal application has been in the context of development assistance provided by the Community to third countries.

During the past 20 years, this assistance has evolved considerably and today it covers essentially two large groups:

- the African, Caribbean and Pacific States which (with few exceptions) were formerly dependencies of EEC Member Countries; since the conclusion of the Lomé Convention these are referred to as the ACP (1) group;

- most of the countries bordering the Mediterranean, in accordance with the Community's policy of strengthening cooperation with neighbouring states in this region.

There are several facets to the Community's special relationships with these countries and reasons for a natural sense of solidarity in support of their continued development, such as considerations of economic interdependence and, with many of the countries, the weight of a common past characterised by close cultural links.

Two of the countries, Greece and Portugal, have asked formally for admission to the Community as full members. The Association Agreement between the Community and Turkey has the same perspective, in the longer term.

The Community's policies of aid and cooperation cover a large number of fields ranging from financial aid and technical assistance to trade preferences, industrial cooperation, food and emergency aid and a scheme to help stabilise earnings from exports of basic commodities. Community financial assistance is provided by the Commission, primarily through the European Development

Fund (EDF), and the EIB, which collaborate closely, each within its own terms of reference.

There are certain basic principles governing the Bank's activities outside the Community:

- it operates according to policies and on the basis of geographical and sectoral priorities determined in frame agreements negotiated between the Community and the countries concerned;

- lending outside the Community must accord with the same criteria of economic viability which the Bank applies to all its financing operations;

- for lending outside the EEC the Bank has generally asked for guarantees from Member Governments or the Community;

- EIB lending is integrated into the other financial activities of the Community; in certain cases the Bank operates on behalf of the Community with budgetary funds; where loans from its own resources are concerned these are usually subsidised with budgetary funds in order to render the terms more suitable for development assistance.

Financing for projects in Africa, the Caribbean and the Pacific

Within a few years of the Community's creation most of the former dependent countries and territories had become independent nations and had, therefore, to decide whether they wanted to continue as associates of the Community. Most of them chose to do so and in July 1963 the first Yaoundé Convention was signed between the Community and 17 African States and Madagascar.

Under the Yaoundé Convention the European Investment Bank was called upon to lend from its own resources as well as to share responsibility with the Commission in granting from budgetary funds loans on special conditions (soft loans), which the Bank managed on behalf of the Community.

The experience of the Bank as a lender for industrial development was thus to be put to use for the benefit of the associated states. The inclusion of the Bank, which borrows on the capital markets, also meant that additional resources could be mobilised without burdening the budgets of the Member Countries. Finally there was an important psychological effect: although most of the finance to be provided under the Convention was in the form of outright grant aid or soft loans, the inclusion of finance from the EIB's own resources was indicative of a change in the relationship with the beneficiaries, who were to be seen more and more as equal partners in the normal pattern of international financial transactions.

The first Yaoundé Convention was followed by a second which came into force in 1971. During the ten years of these conventions, first 18 and later 19 countries were in

(1) The Lomé Convention was signed on 28 February 1975 between the EEC and 46 African, Caribbean and Pacific (ACP) countries. The ACP signatories which include 17 African States, Madagascar and Mauritius (AASMM), formerly associated with the Community under the Yaoundé Conventions, have since grown to 53 and are as follows: **Africa:** Benin, Botswana, Burundi, Cameroon, Cape Verde Islands, Central African Empire, Chad, Comoro State, Congo, Equatorial Guinea, Ethiopia, Gabon, the Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Jibuti, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Niger, Nigeria, Rwanda, Sao Tomé and Principe, Senegal, Seychelles, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Uganda, Upper Volta, Zaire, Zambia; **Caribbean:** the Bahamas, Barbados, Grenada, Guyana, Jamaica, Surinam, Trinidad and Tobago; **Pacific:** Fiji, Papua New Guinea, Tonga, Western Samoa.

On the basis of a Decision of the Council of the European Communities dated 29 June 1976 provisions of a similar nature to those of the Lomé Convention, including the granting of Community financial aid, of which part from the EIB, apply to a number of Overseas Countries and Territories (OCT) which are dependencies of Member Countries.

principle eligible for Bank loans; with the signing of the Lomé Convention, the list now stands at 53.

The Lomé Convention, which came into effect on 1 April 1976, opened a new chapter in relations between the Community and the developing world; it brought together a group of countries very diverse in background and aspirations, yet who reached a common stand on vital questions of economic development.

A brief profile of these ACP countries shows them as follows:

— they are young nations; excluding Liberia and Ethiopia, at most 20 years have passed since they attained independence;

— many of them belong to the least developed countries of the world; their per capita GDP averages out at only US \$250; 18 have a per capita income of less than US \$200 and only 6 one exceeding US \$1 000;

— most of the ACP countries have a small population (average 5.5 million) and a low population density (14 inhabitants per sq km) which makes development difficult and costly;

— most are still at the very beginning of their industrial development and depend largely on exports of agricultural and mining products, with little value added in the country of origin; only four of them (Congo, Gabon, Nigeria and Trinidad and Tobago) are oil exporting countries;

— as a result most of them have been severely hit by the world economic crisis of the mid-seventies; only a very few can borrow directly on the international capital markets and most depend on financial assistance to spur on their development.

To help the advancement of these countries the Lomé Convention — based to some extent on the previous Yaoundé Conventions but considerably broader in scope — provides for a range of different financing facilities and a division of responsibilities between the Commission and the Bank which seeks to ensure that different types of investment are matched to appropriate kinds of finance.

The large majority of the financial aid is in the form either of outright grants or loans on very soft conditions, which are intended mainly to finance agriculture, infrastructure and social projects with a lower or more indirect return. In contrast with the procedure adopted under the Yaoundé Conventions, requests for special loans are appraised and approved exclusively by the Commission, the Bank intervening only in the collection of debt service on the Community's behalf.

The EIB's role under Lomé has been spelled out clearly as being to act as the primary source of finance for operations in industry, mining and tourism, although it can also help to finance various branches of economic infrastructure.

In accordance with its Statute the Bank lends from its own resources only for projects which contribute either directly or indirectly to an increase in productivity; those in the production sector must generate sufficient profits to cover loan repayments.

The Convention nonetheless enables loans to be provided at a lower cost than would otherwise be possible — always bearing in mind that the Bank must borrow its own funds at market rates — by specifying that part of the grant aid shall be used to provide 3 % interest subsidies (except in a few special cases).

Community aid under the two Yaoundé Conventions, the Lomé Convention and related Decisions on the OCT

(million u.a.)

		Amounts drawn from European Development Funds set up by Member States	Loans from EIB own resources	Total
1st Yaoundé Convention	680	grants	70	800
	50	loans on special conditions ⁽¹⁾		
	730			
2nd Yaoundé Convention	810	grants	100 ⁽²⁾	1 000.5
	90.5	loans on special conditions ⁽¹⁾ and contributions to the formation of risk capital		
	900.5			
Lomé Convention	2 174	grants	400 ⁽³⁾	3 559.5
	469.5	loans on special conditions ⁽¹⁾		
	101	risk capital operations		
	400	stabilisation of export earnings		
	15	reserve		
	3 159.5			

These amounts do not take account of the accession to the Convention of the Republic of Jibuti.

⁽¹⁾ Term of up to 40 years including a grace period of not more than 10 years; rate of interest of between 1 % and 3 % under the two Yaoundé Conventions and 1 % under the Lomé Convention;

⁽²⁾ 2 or 3 point interest subsidy according to type of project financed from the grant allocation;

⁽³⁾ 3 point interest subsidy, except for oil and mining projects unless, in the latter case, they are located in one of the least developed States listed in Article 48 of the Convention; a total of 100 million u.a. has been set aside for this purpose from the grant aid allocation.

In addition, the EIB has the entire responsibility for handling an amount set aside from budgetary resources to be used as risk capital assistance. Operations under this heading represent a particularly valuable form of aid in ACP countries where industrial investment is almost invariably faced with very special problems: markets may be small and difficult to assess, perhaps there is no network of existing industrial enterprises to provide trained labour, spare parts or skilled management, etc.

In many cases, the provision of risk capital is particularly suitable. Such operations, which may be combined with

ordinary loans, take different forms, such as direct equity participations on behalf of the Community, subordinated loans (repayable only after senior loans have been paid off) or conditional loans (repayable only after fulfilment of certain conditions indicating that an investment has reached a predetermined level of profitability).

As at end-1977, under the Lomé Convention and the previous Yaoundé Conventions, a total of 113 operations had been signed by the Bank, committing funds worth 419 million u.a. for projects representing a total investment of about 2 850 million u.a.

The cement industry in West Africa

In December 1975 the three West African countries of Togo, Ghana and Ivory Coast signed a treaty on the joint development of large limestone deposits at Tabligbo, near Lomé in Togo, and the construction of a clinker plant. Their aim was to cover the bulk of their cement-manufacturing requirements in coming years and to guarantee stable supplies.

The project is being implemented by CimENTS de l'Afrique de l'Ouest — CIMAO — 92 % of the capital of which is held by the three states that signed the treaty.

The clinker plant will have two kilns, giving an annual capacity of about 1.2 million tonnes, making this, from the outset, one of the largest facilities of its kind south of the Sahara; the plant has been designed to allow installation of a third kiln which will raise output to 1.8 million tpa.

Under the terms of the treaty, the three promoting countries will purchase everything the plant produces, for sale at a uniform price to clinker-grinding plants on their own territory.

The overall investment cost has been estimated at the equivalent of about 245 million u.a. at 1976 prices, including 190 million for the industrial phase of the project, for which CIMAO is responsible, and 55 million for the provision by the Togo Government of the railway and port installations and power supplies needed for the project. Investment on such a massive scale, with over 80 % of the outlay taking the form of foreign currency expenditure, calls for support from several development financing institutions, both multilateral and bilateral.

For this project, the European Investment Bank has provided finance totalling 25.9 million u.a., including two loans from its own resources in March and April 1976, for 5.9 and 14 million u.a. respectively. The second of these two operations attracted a three point interest subsidy from the European Development Fund.

In addition, the Bank has granted each of the governments in question a 2 million u.a. risk capital contribution to part-finance purchase of its portion of

preference shares in CIMAO. These three operations, funded from special resources, took the form of subordinated loans, repayment of which takes place only when other credit advanced to the governments for the purchase of preference shares has been repaid. The range of financing possibilities available to the Bank under the Lomé Convention has afforded it considerable flexibility in accommodating a major industrial project of common interest to a number of African countries.

Togo, Ghana and Ivory Coast should derive major economic benefits from the close cooperation they have established for the production and marketing of a base material essential for their economic expansion.

The project will also improve the security of their supplies of this material as the plant, when commissioned in 1981, will be capable of meeting 70 % of their combined requirements. At the same time, prices will no longer be subject to the vagaries of the cost of clinker on world markets.

The project is to be implemented in Togo, where it will help to improve the balance of payments and diversify the economy, which has hitherto been closely dependent on phosphates, cocoa and coffee, export income from which is also highly sensitive to fluctuations on the international market.

Equally, Ghana will be able to offset some of the cost of its imports of clinker against the supply of electricity to the Tabligbo plant from its hydroelectric power stations on the Volta, which are currently being expanded with the support of international financing institutions, including the EIB. The three countries will moreover reap the benefit of the element of technology transfer that is implicit in the construction of the plant.

Above and beyond these strictly economic aspects, however, the prime consideration before the three countries in question when they decided to go ahead with the project was the expression it gave to the political will to establish new links in West Africa based on close, constructive cooperation between countries that had hitherto been held apart by the linguistic and trading legacy of their past and the frontiers they had inherited. Indeed, CIMAO stands before the 15 CEDEAO countries (members of the Economic Community of West African States, set up in 1975 along EEC lines) as a model of industrial and trade cooperation.

These projects are estimated to involve 61 300 jobs; by European standards this may not appear particularly impressive but it should be remembered, that as most ACP countries are small, generally at the beginning of their industrial development, often each job created means employment for someone who has never before been in a position to earn a cash income for himself and his family.

Almost two thirds of all the funds provided by the Bank, 255 million u.a., were from its own resources; it is perhaps not surprising, given some of the economic factors already discussed, that these were concentrated in about 20 of the 53 ACP countries which to date have been best able to generate projects for which a loan by the EIB is the most appropriate form of finance.

One third, 164 million u.a., has been provided in the form of special loans or as risk capital operations (for both of which separate accounts are maintained in the Bank's 'Special Section', established for this purpose).

In terms of sectoral distribution, industry dominates, with about 60% of all funds provided, followed by transport, infrastructure and energy. Within the industrial sector a wide range of projects have benefited from EIB operations.

Clearly in front, both in total amount and, more important still, in number of operations, are the food processing industries, which have absorbed about one third of all industrial lending. This group includes many mills producing edible oils, canning facilities, several sugar projects, etc., the agricultural components of which were often financed through the EDF or by other lending institutions. All of these projects respond to the principal problem facing the ACP countries, which is to broaden and to intensify agricultural production and processing, both for local markets and for exports.

One of the industries for which local markets are usually large enough for some form of local processing is textiles; the EIB has supported, either by loans from its own resources or from budgetary funds, about a dozen projects in the sector for a total of 26 million u.a.

In Gabon, for example, where local cotton production and the domestic market are not such as to warrant the construction of a spinning and weaving mill, the Bank provided finance to build a printing factory for finishing imported cotton for local consumption. In Cameroon, on the other hand, the EIB participated in the entire process of establishing a local cotton processing industry; three loans

Financing provided from 1964 to 1977 in the African, Caribbean and Pacific States and in the Overseas Countries and Territories

Breakdown by project location

Location	Ordinary operations from EIB resources					Special operations (1)					Total financing			
	Yaoundé Conventions		Lomé Convention		Total Amount	Yaoundé Conventions (2)		Lomé Convention (3)		Total Amount	Number	Amount	of which Yaoundé	of which Lomé
	Number	Amount	Number	Amount		Number	Amount	Number	Amount					
Benin	—	—	—	—	—	1	3.3	—	—	3.3	1	3.3	3.3	—
Cameroon	9	17.3	3	18.2	35.5	6	23.9	1	2.3	26.2	19	61.7	41.2	20.5
Congo	1	9.0	—	—	9.0	3	6.7	—	—	6.7	4	15.7	15.7	—
Ivory Coast	10	51.2	4	21.6	72.8	10	35.6	2	2.2	37.8	26	110.6	86.8	23.8
Gabon	4	4.4	—	—	4.4	3	10.3	—	—	10.3	7	14.7	14.7	—
Ghana	—	—	1	10.0	10.0	—	—	1	2.0	2.0	2	12.0	—	12.0
Upper Volta	1	0.5	—	—	0.5	1	5.0	2	4.4	9.4	4	9.9	5.5	4.4
Mauritius	1	1.7	2	5.0	6.7	—	—	—	—	—	3	6.7	1.7	5.0
Kenya	—	—	5	27.9	27.9	—	—	1	1.1	1.1	6	29.0	—	29.0
Madagascar	—	—	—	—	—	1	1.9	—	—	1.9	1	1.9	1.9	—
Malawi	—	—	2	9.5	9.5	—	—	1	1.0	1.0	3	10.5	—	10.5
Mauritania	1	11.0	—	—	11.0	1	2.8	—	—	2.8	2	13.8	13.8	—
Rwanda	—	—	—	—	—	—	—	1	3.0	3.0	1	3.0	—	3.0
Senegal	2	3.9	—	—	3.9	3	6.5	—	—	6.5	5	10.4	10.4	—
Tanzania	—	—	—	—	—	—	—	2	7.4	7.4	2	7.4	—	7.4
Chad	—	—	—	—	—	1	1.2	1	7.5	8.7	2	8.7	1.2	7.5
Togo	1	5.9	2	16.3	22.2	—	—	3	5.2	5.2	6	27.4	5.9	21.5
Zaire	3	34.2	—	—	34.2	2	14.8	2	1.2	16.0	7	50.2	49.0	1.2
Surinam	—	—	—	—	—	1	1.9	—	—	1.9	1	1.9	1.9	—
Netherlands Antilles	—	—	—	—	—	1	4.4	—	—	4.4	1	4.4	4.4	—
Caribbean	—	—	—	—	—	—	—	1	1.0	1.0	1	1.0	—	1.0
New Caledonia	2	7.0	—	—	7.0	2	3.4	—	—	3.4	4	10.4	10.4	—
Réunion	—	—	—	—	—	2	2.8	—	—	2.8	2	2.8	2.8	—
Guadeloupe	—	—	—	—	—	1	0.7	—	—	0.7	1	0.7	0.7	—
Martinique	—	—	—	—	—	1	0.6	—	—	0.6	1	0.6	0.6	—
Grand Total	35	146.1	19	108.5	254.6	40	125.8	18	38.3	164.1	112	418.7	271.9	146.8

(1) Operations on special conditions financed from Member States' resources through the European Development Fund and accounted for in the Bank's Special Section.

(2) Loans on special conditions and contributions to risk capital formation.

(3) Risk capital assistance.

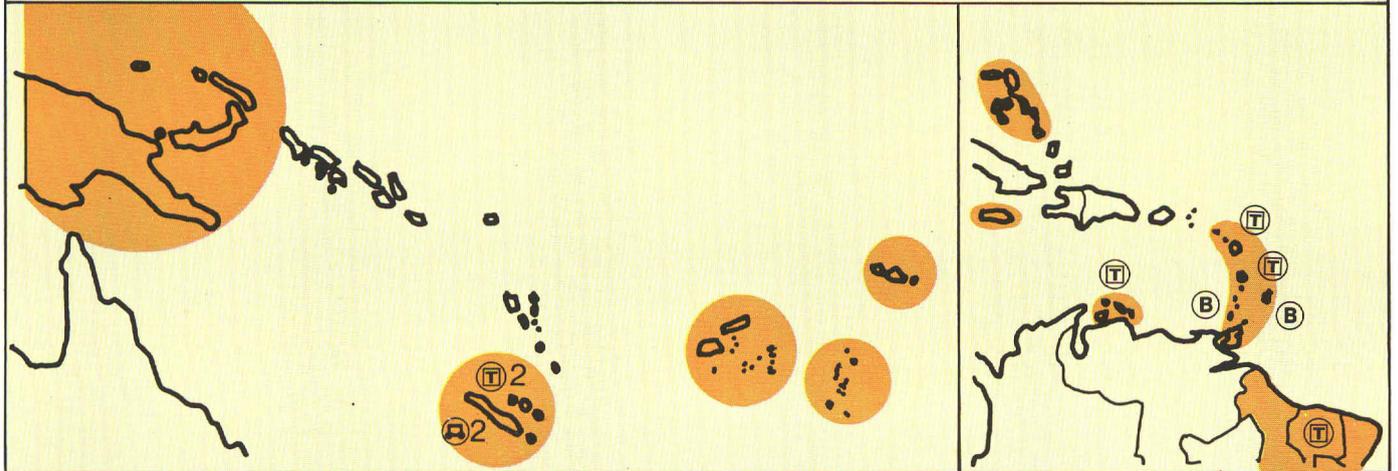
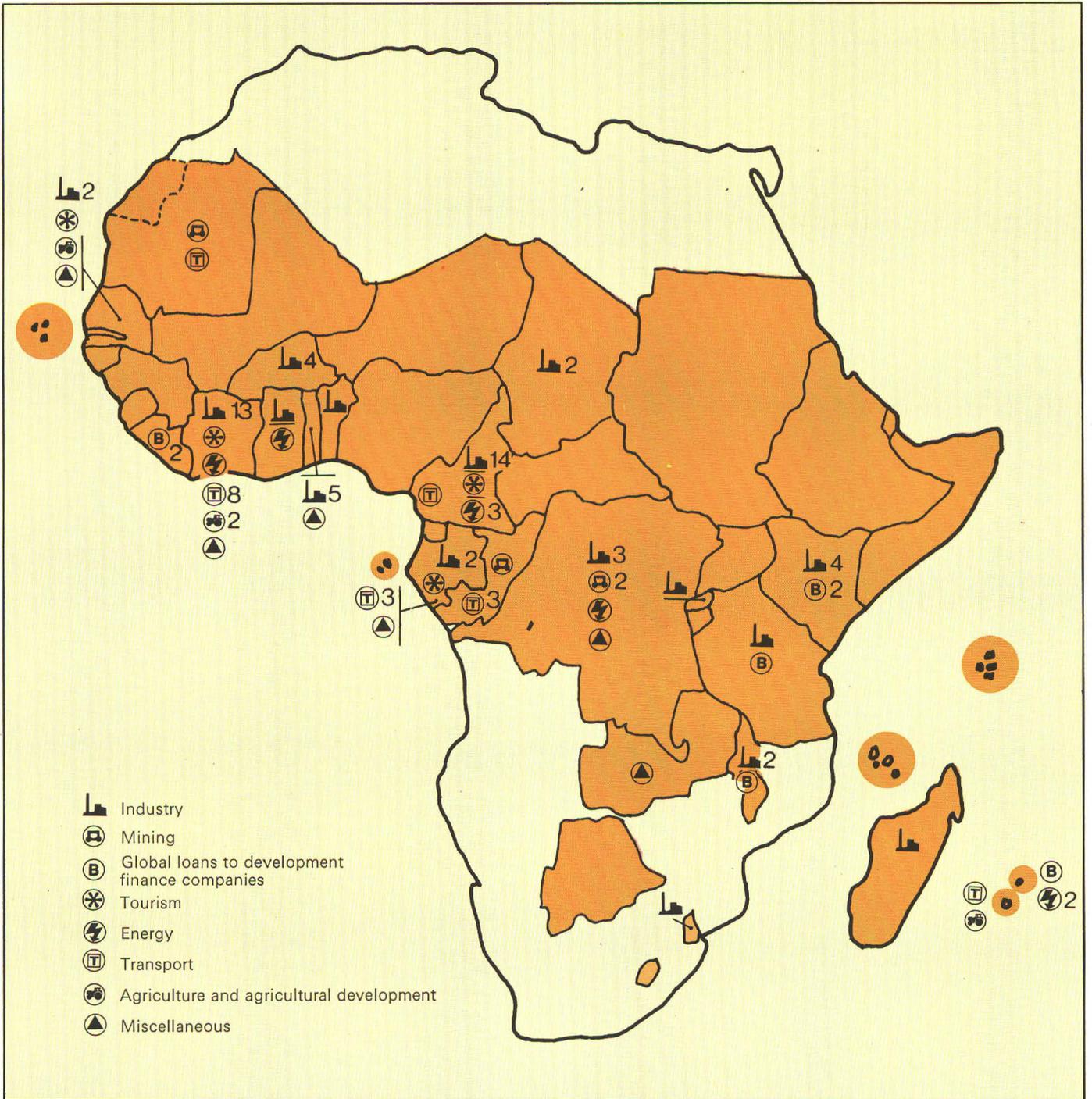
from the Bank's own resources financed successive developments of an integrated complex, with spinning and weaving installations in the north, close to the cotton growing areas, and bleaching, dyeing and printing activities in the south, close to the country's principal markets and export outlets.

A small number of operations have been mounted in the mining sector, but their aggregate amount has been substantial. Three loans for a total of 44 million u.a. have been provided for copper mining projects in Africa, contributing to investment totalling about 550 million u.a. These figures illustrate the very large sums required for mining schemes, especially greenfield projects. It is evident that no single lender is in a position to mobilise the funds needed and the EIB is increasingly participating with international lending institutions in co-financing these and other capital-intensive development projects, such as power schemes for which the Bank lends increasingly because of their basic importance for industrial growth. The EIB regularly cooperates with the traditional bilateral agencies of the Member Countries — such as the Caisse Centrale de Coopération Economique (CCCE), the Commonwealth Development Corporation (CDC) and Kreditanstalt für

Wiederaufbau (KfW) as well as with the well-known international institutions such as the World Bank, the African Development Bank and, more recently, with the various bilateral and multilateral banks and funds of the Arab World.

Industrial development cannot be achieved through large, capital-intensive projects alone. It also requires a network of small and medium-scale enterprises to cater for small markets and special needs, to offer repair services and to provide scope for the development of skilled manpower and local entrepreneurial skills. These enterprises also need financial support but there are obvious practical limits to how a bank operating at an international level like the EIB can deal directly with the needs of small ventures in distant countries. To overcome these difficulties many international lending institutions, including the EIB, are today cooperating with locally established development finance companies; these are in daily direct contact with their clients, have an intimate knowledge of local markets and customs and are therefore better equipped to appreciate the risks and prospects of a given project. Furthermore they are not only a channel for efficient lending to small local enterprises; they also perform an important function in each national economy, particularly in developing the

As at 31 March 1978				
Sector	Number	Amount (m u.a.)	%	
ACP States and OCT				
Energy, communications and other infrastructure	36	155.6	35.6	
Energy	8	54.8	12.5	
Power stations	6	34.8	7.9	
Power lines	2	20.0	4.6	
Communications	24	88.7	20.3	
Transport	23	88.0	20.2	
Telecommunications	1	0.7	0.1	
Water schemes	4	12.1	2.8	
Agricultural development	2	5.3	1.2	
Water catchment, treatment and supply	2	6.8	1.6	
Industry, agriculture and services	81	281.0	64.4	
Industry	72	263.5	60.4	
Mining	6	59.6	13.7	
Basic industries	16	48.4	11.1	
Mechanical engineering	1	1.4	0.3	
Agricultural and food industries	27	104.0	23.8	
Other industry	13	25.9	5.9	
Global loans to development finance companies	9	24.3	5.6	
Agriculture	2	9.3	2.1	
Services	7	8.2	1.9	
Tourism	4	7.0	1.6	
Other	3	1.2	0.3	
Total	117	436.6	100.0	



financial sector, and EIB support for these institutions is an important part of this process. The Bank provides finance to local development companies through global loans, which are parcelled out to fund different ventures chosen on the basis of individual appraisals and in agreement with the EIB. Under the Lomé Convention 6 global loans had been granted by end-1977 and more operations of this type are expected to follow.

As far as risk capital operations are concerned — about 40 million u.a. had been committed at end 1977 — experience has shown them to be a useful, sometimes even indispensable, complement to loans from the Bank's own resources. More than 70 % of all risk capital funds have benefited countries which are counted among the least developed ACP States.

These brief illustrations are only indicative of the Bank's operations in ACP countries and are not intended to present a comprehensive picture. The coming years will see further modifications and developments, but the broad concepts for Bank lending will remain the same, at least during the period of the Lomé Convention.

To conclude, a few figures will illustrate the rapid growth of EIB operations in these countries. During the 11 years of the two Yaoundé Conventions, there were 146 million u.a. in loans from the Bank's own resources and 126 million u.a. in special operations making a total of 272 million u.a. The Lomé Convention provides for a ceiling of 500 million u.a., almost double in less than half the time, of which 80 % is to come from the Bank's own resources and 20 % to be provided as risk capital from budgetary funds.

In Kenya, valuable chemicals made from agricultural waste

Maize cobs, an agricultural waste material hitherto burned or thrown away, will be turned into valuable export chemicals in a factory which the EIB has helped to finance in Kenya.

Many thousands of small farmers will be able to sell the cobs and hence see a welcome rise in their incomes; the scheme involves a transfer of relatively sophisticated technology from Europe to Africa and there are a number of other elements which combine to make it in many respects a model for sound industrial development in the Third World.

The enterprise, the Kenya Furfural Company Ltd., is a joint venture between the Kenya Government, local investors — including Kenya development banks and farmers themselves — plus private interests from Britain and Germany which will contribute not only finance but also management and marketing skills.

Despite the considerable success of the Kenya Government in the development of industry and tourism, the mainstay of the economy, and that which affects the lives of the vast majority of Kenyans, is agriculture. In the western and central provinces, maize is the predominant food crop and production has steadily increased over the years. The cobs, representing nearly 25 % of the total weight of the crop, are traditionally regarded as worthless, yet they are in fact a source of certain key industrial chemicals, notably furfural which

is used primarily in the manufacture of lubricating oils and a derivative, furfuryl alcohol, used in precision casting. Mechanised maize harvesting in the Western world has greatly reduced the availability of cobs and in 1974 a group of European technical companies interested the Kenya Government in the establishment of furfural production in Kenya based on the many thousands of tons of cobs available every year from the local farmers.

The cost of setting up the factory was estimated at about 20 million u.a.; given that new technology is involved for the first time in an African country, all the shareholders were inevitably faced with a certain element of risk in undertaking such an investment.

After detailed examination had demonstrated the potential of the project, the EIB was able to assist in sharing part of this risk by taking, on behalf of the EEC, a 16 % participation (worth 1.1 million u.a.) in the company's capital, using resources set aside under the Lomé Convention for risk capital operations to be handled by the EIB. In addition, from its own resources, the Bank approved a loan to the company of 5.9 million u.a., with the customary 3 % interest rebate as provided for under the Lomé Convention.

Construction of the factory started in late 1977 at Eldoret, about 300 km north-west of Nairobi. It will process 65 000 tons of maize cobs per year and produce from these about 5 000 tons of furfural, plus 2 500 tons of acetic acid and 250 tons of formic acid. All the products will be exported, providing a valuable addition to Kenya's foreign exchange earnings, and the company will give direct employment to about 300 people.

Financing operations in the Mediterranean region

It was in the early 60s that the Bank first became committed to providing finance in the Mediterranean area following signature of association agreements between the Community and Greece and Turkey. Both agreements foresaw the possibility of these two countries subsequently becoming full members of the Community and were conceived from quite a different point of view to that underlying subsequent developments in the Community's Mediterranean policy. In 1976 and 1977 the Community concluded a number of agreements with the Maghreb and Mashreq countries and with Malta, Israel and Cyprus, aimed at increasing trade and strengthening industrial, technical and financial cooperation. Having already been invited by the Community to provide funds in Portugal and Yugoslavia, the Bank will now be able to extend financing operations to embrace the above countries once the agreements enter into effect. At the end of 1977 the Bank had granted loans in the Mediterranean region totalling 680.1 million u.a., of which 388.7 million went to Turkey, 150 million to Portugal and 116.4 million to Greece. In the same year it mounted its first operation in Yugoslavia for 25 million.

Greece

The first Financial Protocol annexed to the Association Agreement with Greece signed in 1962 provided for Bank

finance totalling US \$125 million in the form of loans from its own resources under mandate from, and with the guarantee of, Member States which also financed the three point interest subsidy on loans for projects offering an indirect or long-term return up to a limit of two thirds of the maximum available.

This Protocol was originally to cover a period of five years but ran from 1963 to 1975 after the establishment of the military regime in 1967 froze relations between the Community and Greece until 1974. Its purpose was to help speed up expansion of Greece's economy by part-financing capital investment schemes aimed at bringing about structural changes and removing the main bottlenecks. In the agricultural sector, the EIB has backed irrigation schemes in the Salonika, Karditsa, Pinios and Serres plains where some 120 000 ha, or one tenth of the country's potential irrigable land, have been brought under irrigation. The introduction of new crops and higher yields in irrigated areas have made for a threefold increase in agricultural revenue for around 130 000 people and helped to reduce the shortfall in, for instance, sugar, maize, meat and dairy produce.

The dearth of road infrastructure in a country with a highly fragmented topography impeded the development of peripheral areas and hampered links with the Community. Decentralisation of industry outside the Athens area called

Financial aid for Greece, Portugal, Turkey and Yugoslavia

		(million u.a.)			
		Loans from EIB own resources	Loans on special conditions	Grant aid (subsidies)	Total
Greece	First Protocol (1962-75)	116.4 (1)	—	24.3 (1)	140.7
	Second Protocol (expiring on 31 October 1981)	225.0 (2)	10.0 (3)	45.0	280.0
Portugal	Exceptional emergency aid (1976-77)	150.0 (2)	—	30.0	180.0
	Protocol (expiring 5 years after entry into force)	200.0 (2)	—	30.0	230.0
Turkey	First Protocol (1964-69)	—	175.0 (4)	—	175.0
	Second Protocol (1973-76)	25.0	195.0 (4)	—	220.0
	Supplementary Protocol	—	47.0 (4)	—	47.0
	Third Protocol (expiring on 31 October 1981)	90.0	220.0 (4)	—	310.0
Yugoslavia	Authorisation of the Bank's Board of Governors acting on a request from the Community	50.0	—	—	50.0

(1) A three point interest subsidy was granted by the six founder members of the EEC for financing land improvement, road and energy projects.

(2) Loans attracting a three point subsidy financed from the Community budget up to a loan ceiling of 150 million u.a.

(3) Term: 30 years, including an 8-year grace period; rate of interest: 2½ %.

(4) Term: 1st Protocol - 30 years, including a 7-year grace period
2nd Protocol and Supplementary Protocol - 30 years, including an 8-year grace period
3rd Protocol - 40 years, including a 10-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 and Supplementary Protocol: 2.5 % projects offering an indirect or long-term return; 4.5 % for projects offering a normal return
3rd Protocol - 2.5 % for all projects

for a modern road network to which the Bank contributed by advancing funds towards constructing more than 400 km of roads including the entire Athens-Patras highway.

In the early 60s, manufacturing concerns accounted for less than one fifth of gross domestic product, the bulk of mineral resources had yet to be tapped, and the industrial sector was dominated by textiles and foodstuffs undertakings. Between 1963 and 1967 the Bank helped to finance seven industrial projects including a fertiliser factory, three cement works and, on the northern coast of the Gulf of Corinth, a large alumina and aluminium complex making for enhanced use of Greece's abundant bauxite resources.

In 1975 when the Bank resumed operations, the pattern of industry had changed: there was a need to set up plant producing intermediate goods and to modernise small and medium-sized businesses. The EIB provided funds for a

series of industrial projects, including a factory turning out flat-rolled aluminium products and a cables plant, while a global loan granted to the National Investment Bank for Industrial Development channelled finance to 18 small and medium-scale ventures in a wide range of sectors throughout the country.

A second Financial Protocol, signed in February 1977 and in the course of ratification, provides for finance up to a ceiling of 280 million u.a. to be committed before October 1981, including 225 million u.a. from the Bank's own resources. Future EIB operations will be mounted against the background of Greece's application to join the Community and priority will be accorded to financing projects furthering the integration of the country's economy within the Community structure.

Irrigation of the Serres Plain in Greece

In the Greece of today, agriculture continues to play an important role, supplying 20 % of GDP and giving employment to some 35 % of the working population, a much higher proportion than in any of the Community countries.

Notwithstanding the sterling efforts made to restructure and modernise farming, the country still suffers heavy deficits in certain essential foodstuffs (maize, rice, meat and milk) and falls far short of exploiting its export potential to the full. With membership of the Community in prospect, the pressure to modernise this sector and raise its productivity becomes even greater, and Greece is already intent on devoting a larger share of its investment budget to agriculture.

Such is the nature of the Greek climate that extending the country's irrigation systems is an eminently suitable way of raising agricultural output. At present Greece has 850 000 hectares under irrigation, almost a quarter of its arable farmland. Potentially irrigable land is however estimated at not less than 1.2 million ha, in view of which the Government has launched a plan aimed at raising the area of irrigation to 1.1 million ha by 1980.

Irrigation of the Serres Plain, towards which the Bank advanced 26 million u.a. in 1975, comes within this plan. The area in question lies in Eastern Macedonia, near the Bulgarian frontier: there is fertile soil, but the erratic annual rainfall pattern means that periods of drought alternate with times when extensive flooding occurs.

Works scheduled under the project include rehabilitation of flood control on the Strymon River, trebling the capacity of the Lake Kerkini reservoir by constructing new levees, installing a system of on-demand sprinkler irrigation covering 20 000 ha, using a score of pumping stations and requiring nearly 700 km of conduit. Also

included are 300 km of drainage channels and more than 1 000 km of service roads and tracks. In support, an extension service consisting of about 30 agricultural engineers and technicians is being set up, while studies are in hand for the irrigation of a further 10 000 ha. In addition, the Government has adopted measures for the redistribution of land, soil conservation and the provision of credit to farmers.

With projects of this magnitude, there is a lead time of as much as 9 or 10 years between completion of installation work on the irrigation system and full realisation of the potential it offers. The Serres Plain scheme will not modify the pattern of crops grown in the area, but rather the overall volume harvested and its relative importance, the better to meet the current needs both of Greece and of its export markets, especially when it comes to milk, meat, cotton, vegetables, sugar beet and maize.

As stock farming expands, new cross-breeding will improve the quality of stock, and this activity should in future provide some 20 % of farming income, compared with 10 % at present. Rising output in this area, coupled with increased yields of sugar beet and cotton will help to reduce the agricultural component of the trade deficit considerably.

The project will be of direct benefit to 13 000 families engaged in arable and stock farming, who at present are seriously underemployed. In the area in question, employment is currently estimated at around 2 900 man-years, a figure which implementation of the project should raise to 6 300 man-years, accompanied by a 250 % improvement in labour productivity. At regional level, the project will lend scope for expansion to the area's emergent agro-industrial sector (sugar mill, cotton gin, dairy, cold stores etc.). Irrigation of the Serres Plain should in fact turn the tide of migration, there having been an outflow from this part of the country over the past ten years, with a 10 % drop in overall population and the loss of 35 % of the farming workforce. It should also help to narrow some of Greece's sectoral and regional disparities.

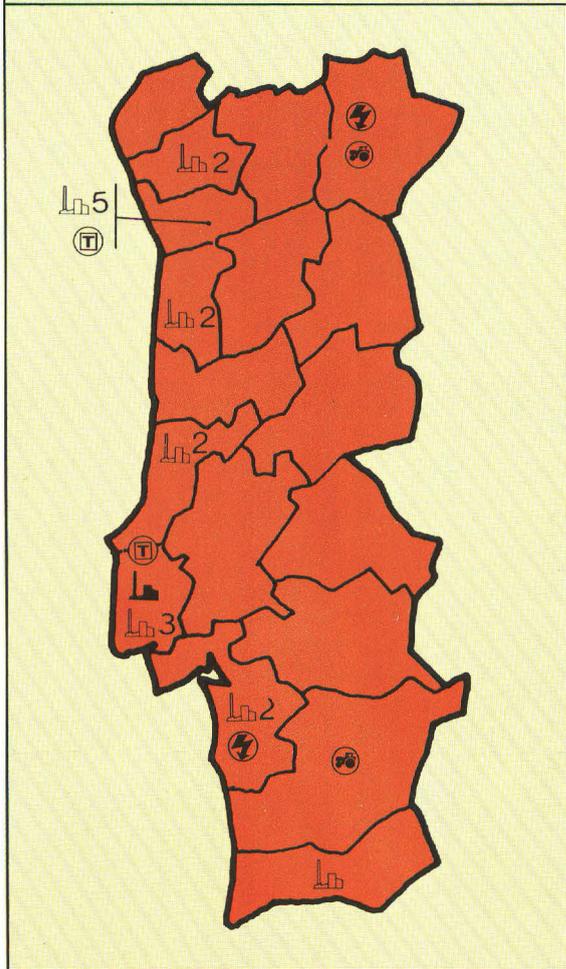
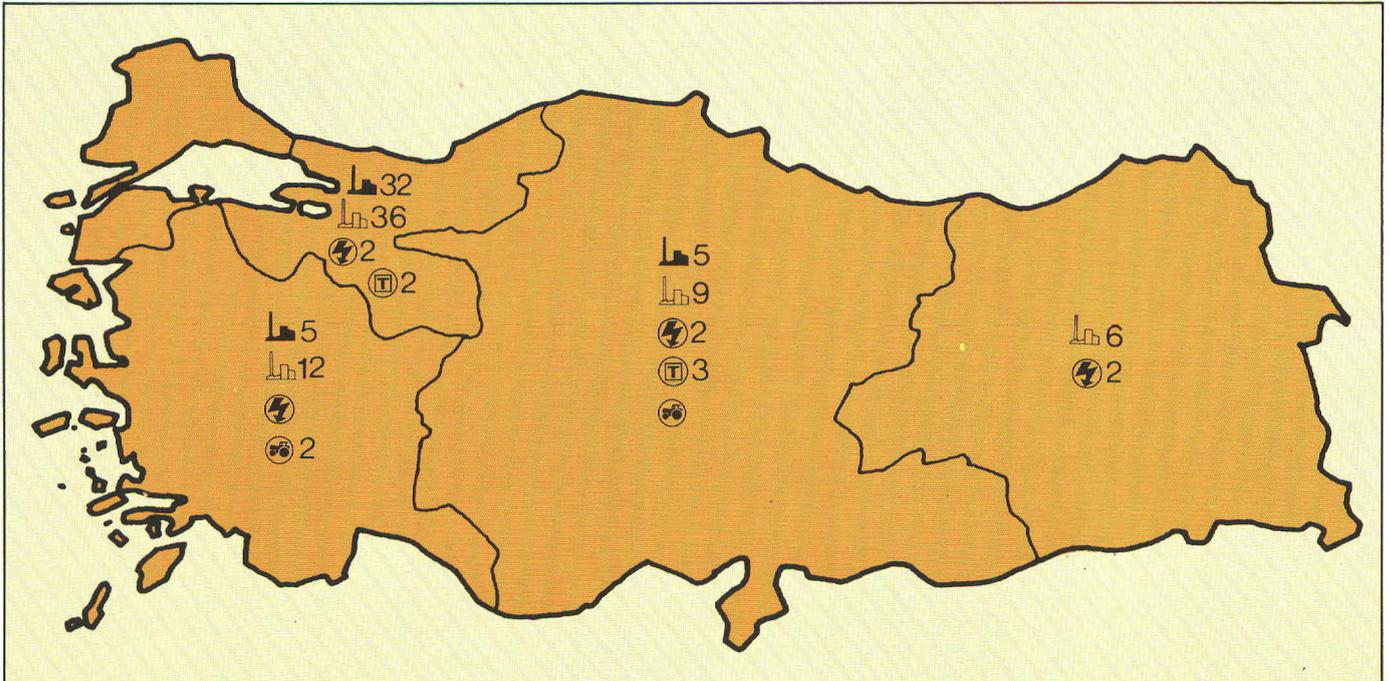
Sector	Number		Amount (m u.a.)		%
	Total	of which global loan allocations	Total	of which global loan allocations	
Turkey					
Energy, communications and other infrastructure	15		240.4		61.9
Energy	7		136.9		35.2
Power stations	6		129.3		33.3
Power lines	1		7.6		1.9
Communications – Transport	5		67.5		17.4
Water schemes – Agricultural development	3		36.0		9.3
Industry and services	105	63	148.3	42.5	38.1
Industry	97	57	145.3	40.1	37.3
Basic industries	39	16	110.4	14.8	28.4
Mechanical and electrical engineering	23	22	10.5	9.6	2.7
Agriculture and food industries	9	9	6.6	6.6	1.7
Other industry	19	10	17.8	9.1	4.5
Global loans	7	—	(40.1)	—	—
Services (global loans: preinvestment studies and technical assistance)	8	6	3.0	2.4	0.8
Total	120	63	388.7	42.5	100.0

Portugal					
Energy, communications and other infrastructure	6		106.0		70.7
Energy – Power stations	2		55.0		36.7
Communications – Transport	2		24.0		16.0
Water schemes – Agricultural development	2		27.0		18.0
Industry	25	22	44.0	15.0	29.3
Basic industries	7	6	24.4	4.4	16.3
Mechanical engineering	8	8	5.4	5.4	3.6
Agriculture and food industries	2	2	0.8	0.8	0.6
Other industry	6	6	4.4	4.4	2.8
Global loans	2	—	9.0 ⁽¹⁾	—	6.0
Total	31	22	150.0	15.0	100.0

(¹) Unallocated portion of 2 global loans (24m u.a.).

Greece					
Energy, communications and other infrastructure	9		79.3		68.1
Energy – Power lines	1		6.0		5.1
Communications – Transport	4		17.0		14.6
Water schemes – Agricultural development	4		56.3		48.4
Industry	31	18	37.1	8.9	31.9
Basic industries	10	2	23.9	0.8	20.5
Electrical engineering	1	—	4.3	—	3.7
Agriculture and food industries	9	9	4.7	4.7	4.1
Other industry	10	7	5.4	3.4	4.6
Global loan	1	—	-1.2 ⁽¹⁾	—	-1.0
Total	40	18	116.4	8.9	100.0

(¹) Represents the difference between the amount contracted (7.7m u.a.) and the amount drawn down (8.9m u.a.). The difference between the initial amount of the global loan and the amount allocated is due to the fact that conversion into units of account was effected on the basis of the rates applicable, in the first instance, when the contract was concluded and, secondly, when allocations were authorised.



Industry
 Energy
 Agricultural development
 Global loan allocations
 Transport

Turkey

The first two financial protocols with Turkey, signed in 1963 and 1970, provided mainly for the granting of loans on special conditions financed from Member State's budgetary resources and tailored to the country's borrowing capacity and balance of payments position. The Bank was responsible for selecting investment projects and granting and administering the loans which are accounted for separately under its Special Section.

Loans on special conditions granted under the first Protocol (1964-69) totalled 175 million u.a. and those under the second Protocol (1973-76), 195 million u.a. Moreover, the latter provided for a ceiling of 25 million u.a. for ordinary loans from the Bank's own resources. The EIB contributed, under the country's development plan, to financing capital investment schemes for boosting productivity by developing and modernising infrastructure essential to

economic development, and schemes for expanding and modernising agriculture and industry.

More than four fifths of these amounts have been given over to financing large infrastructural and industrial projects, including, in the transport sector, the bridge over the Bosphorus, electrification of part of the rail network and the construction of 200 diesel locomotives. In the energy sector, the largest loans have gone towards working a major lignite deposit, commissioning a thermal power station fired by this lignite and constructing three hydro-electric power stations which should together account for approximately one third of Turkey's total installed capacity by 1980.

On the industrial side, the bulk of funds has benefited the chemicals sector (e.g. a petrochemicals complex near Izmit, now supplying Turkish industry with synthetic rubber), the construction sector, with four cement works, and

The Bosphorus bridge

The compelling need for high-capacity, modern transport infrastructure across the Bosphorus and the Golden Horn and around Istanbul arose from the increasing volume of international transport between Europe and Asia, the growth of both population and industry in this part of Turkey, and the expansion of trade between Thrace and Anatolia.

Because of the massive technical problems implicit in any attempt to solve by existing means the problems of road transport, in particular heavy vehicles (embarkation on and disembarkation from the two old floating bridges across the Golden Horn and the ferries plying the Bosphorus, cutting across the flow of shipping up and down the straits etc.), this new system of infrastructure emerged as the best of a number of options. It was for instance calculated that the actual cost per vehicle crossing would be about 50 % lower using the bridge than taking the ferry.

The works part-financed by the Bank involved construction of a 1 560 m suspension bridge over the Bosphorus, a 1 000 m multiple-span bridge over the Golden Horn and a 19 km motorway skirting the conurbation to the north and passing over both bridges. Because Istanbul is situated in hilly terrain, the project included many other structures.

Of the works, the Bosphorus Bridge is the most spectacular, its 1 074 m central span making it the largest in Europe and fourth largest in the world, after the suspension bridges at Verrazano Narrows in New York (1 300 m), San Francisco's Golden Gate (1 280 m) and Mackinac, Michigan (1 158 m). The six-lane deck makes use of the latest technology, with prefabricated modules attached to the main cables by angled suspenders, enabling the architects to give the structure a very light line that fits well into the local landscape.

The new Golden Horn Bridge spans a channel some 400 m wide, but has an overall length of 1 000 m

because of the need to link up the bridge with the peripheral motorway; both comprise two three-lane carriageways.

The peripheral motorway was designed to accommodate both international and regional traffic, and vehicles passing between various districts of Istanbul. It links the Istanbul-Edirne trunk road to the West with the main arterial road between Istanbul, Izmit and Ankara to the East, and can handle 80 000 vehicles a day.

The overall investment cost of the project came to 150 million u.a., of which 40 million represented foreign currency outgoings. Financing was provided by the Turkish Government and foreign lenders operating as a syndicate, which included the EIB, Germany, France, Italy, the United Kingdom and Japan. The Bank, which itself advanced a loan for 20 million u.a. in 1969, acted within this syndicate as coordinator, its chief functions being to implement the chosen financing scheme, manage loans and oversee the main tendering operations.

The works were carried out by the Turkish Ministry of Public Works, through its Directorate-General for Highways, which retained English and Japanese consulting engineers for the design of the bridges and a French bureau for the motorway plans. The Highways Directorate also referred at every key stage in the project to a multinational panel of consultants.

Implementation of the project involved wide international cooperation, the Bosphorus Bridge being built by a German-English consortium, with the steel towers coming from Italy and the suspension cables from Germany and Luxembourg. The Bridge over the Golden Horn was constructed by a German-Japanese consortium.

Opened to traffic in 1973, the Bosphorus bridge was handling 76 000 vehicles a day by the summer of 1977, a traffic flow that was not expected until the early 1990s. The bridge is likely to reach saturation point by 1980 or 1981, when the daily flow will have increased to 100 000-120 000 vehicles: feasibility studies are already in hand on a second link across the Bosphorus.

the paper sector where the Bank has backed the construction of five mills which will meet the country's cellulose, paper and board requirements and enable greater benefit to be drawn from the country's forestry resources.

The Bank has also supported a number of smaller industrial projects, all in the private sector, generally via global loans granted to intermediary financing institutions. Eight global loans have been made available to the Industrial Development Bank of Turkey (TSKB) and the Industrial Investment and Credit Bank (SYKB), helping to finance 63 ventures in a wide range of sectors such as pharmaceuticals, household electrical appliances, foodstuffs, mechanical engineering and metal processing. Emphasis has tended to be placed on ventures giving immediate direct rise to new jobs and providing a more balanced geographical spread of industrial activities.

In the agricultural sector, the Bank has helped to finance large-scale agricultural development schemes in the Izmir (along the Gediz river) and Mersin regions. These schemes involved equipping more than 120 000 ha of land with irrigation facilities, major works to protect the Gediz Valley from flood waters and supplying water to the town of Mersin. Better scope for cultivation in both regions will give direct rise to some 20 000 jobs.

The total amounts provided for under the first two protocols have now been fully committed. It will be possible to grant further loans following ratification of both the Supplementary Protocol for 47 million u.a., signed in 1973 following enlargement of the Community, and the third Protocol, signed in 1977, which provides for financing of 310 million u.a., comprising 220 million in the form of special loans and 90 million for loans from the Bank's own resources.

Portugal

At the end of 1975 the Bank was authorised by its Board of Governors to make up to 150 million u.a. available to Portugal as exceptional emergency aid from the Community in the form of loans from the EIB's own resources carrying a three point interest subsidy financed from the Community budget.

The intention was to assist the country in coping with a difficult economic climate brought about by fundamental socio-economic changes, by injecting foreign capital to finance viable projects essential to the country's economic development.

The 150 million u.a. was committed in full in 1976 and 1977: 53 % went to projects in the energy and transport sectors, 29 % to industrial plant and 18 % to agricultural schemes.

The Bank has supported extension and modernisation of harbour installations at Lisbon and Leixoes, near Oporto, and construction of two power stations forming part of a national programme designed to meet the projected 100 % increase in electricity demand over the next ten years.

The EIB has lent 27 million u.a. for two irrigation projects covering a total of 10 000 ha in the north of the country and the southern Alentejo. These ventures will step up intensive farming and should help to reduce the country's

dependence on imported foodstuffs, while creating new jobs in a sector which for many years has attracted only a modicum of investment.

Two global loans have been channelled to Banco de Fomento Nacional, Portugal's development bank, which allocated the proceeds to 22 small and medium-scale industrial ventures. In addition, the Bank has backed construction of a pyrites processing plant which will make for better use of one of the country's mineral resources and reduce imports of iron ore.

In September 1976, the EEC and Portugal signed a financial protocol providing for 200 million u.a. from the Bank's own resources between 1978-82 in the form of loans which, up to a maximum of 150 million u.a., will attract a three point interest subsidy financed from the Community budget. Priority will be accorded to projects accelerating the country's industrial growth and modernising its agricultural sector. Special consideration will also be given to ventures helping to integrate Portugal's economy within the Community structure with a view to the country's accession to the EEC.

Yugoslavia

At the request of the Council of Ministers of the European Communities, the EIB's Board of Governors authorised the Bank in December 1976 to grant up to 50 million u.a. in Yugoslavia in the form of loans from its own resources. This decision gives effect to the Community's policy of cooperation with Yugoslavia spelled out in the joint Belgrade declaration which provided for financing for investment projects of common interest to Yugoslavia and the Community side-by-side with increased trade and exchange of technology. An initial loan was made in November 1977 for extending the domestic high-voltage transmission network and erecting lines interconnecting with the Greek and Italian grids and, via the Italian network, with other European grids.

Protocols in the course of ratification

In 1976 and 1977, as part of its new Mediterranean policy, the Community concluded a series of cooperation agreements firstly with Morocco, Algeria, Tunisia and Malta and subsequently with Egypt, Jordan, Syria and Lebanon, as well as with Israel and Cyprus. Although each country is faced with its own specific economic difficulties, the majority have certain problems in common such as a substantial agricultural deficit, a large number of people working on the land, untapped mineral resources, emergent industries and insufficient financial resources, particularly foreign currency, to attain their development plan objectives. It is for these reasons that cooperation agreements, in addition to offering commercial advantages, provide for economic, technological and financial cooperation. Furthermore, exceptional aid has also been earmarked for reconstruction of Lebanon. The provisions

of financial protocols vary widely from one country to another depending upon each country's economic situation, although they all provide for loans from the EIB's own resources.

Bank activity in this area is thus destined to expand. After providing 316 million u.a. from its own resources between 1963 and 1967 and 370 million u.a. from Member States' budgetary funds, the EIB is now preparing to commit, between 1978 and 1982, close on one thousand million u.a. from its own resources and, as agent for the Community, a large proportion of the 425 million u.a. reserved for special loans. As well as substantially increasing the volume of its lending, the Bank will be widening even further its theatre of operations to embrace 14 Mediterranean countries, as against only two up to 1976.

Planned financial aid for the Maghreb and Mashreq countries, Malta, Israel and Cyprus

	Loans from EIB own resources ⁽¹⁾	Loans on special conditions ⁽²⁾	Grant aid ⁽³⁾	Total
(million u.a.)				
Algeria	70	19	25	114
Morocco	56	58	16	130
Tunisia	41	39	15	95
Total Maghreb	167	116	56	339
Egypt	93	14	63	170
Jordan	18	4	18	40
Lebanon financial protocol	20	2	8	30
emergency aid	20	—	—	20
Syria	34	7	19	60
Total Mashreq	185	27	108	320
Malta	16	5	5	26
Israel	30	—	—	30
Cyprus	20	4	6	30
Total	418	152	175	745

(1) Generally attracting a 2 point interest subsidy (financed from the grant aid allocation) except in the case of Israel and emergency aid for Lebanon.

(2) Term: 40 years, including a 10-year grace period; rate of interest: 1 %.

(3) Part of this amount is earmarked for financing interest subsidies.

Amounts available may be granted up to 31 October 1981, except in the case of Malta and Cyprus where the agreements will be valid for 5 years after entry into force.

Development of port facilities in Portugal

Facing the Atlantic, yet situated at the approach to the Mediterranean basin, Portugal has traditionally turned to the sea for most of its international trade. In the efforts to restrengthen the Portuguese economy, improvements to port facilities hold a high priority.

At present, the principal elements in the port system of Portugal are the major deep-sea ports at Lisbon and Leixões, the harbour of the city of Oporto, both requiring modernisation and expansion, for which the EIB has lent 24 million u.a. Lisbon serves the south and south-central area of the country, while Leixões has a catchment area covering the whole northern region and extending as far south as Coimbra. In the near future, a new deep-water port will come into service at Sines in the south, with important new installations to handle oil and certain bulk cargoes.

The Port of Lisbon has grown to handle 6 million tons per year of dry cargo but facilities are adequate only for berthing ships of up to 8 metres draft; larger dry-cargo vessels can be accommodated alongside the existing berths only after a certain portion of their cargo has been off-loaded onto barges while the ships are at anchor in the Tagus. To eliminate this costly and inefficient double-handling, the Port Authority decided to reconstruct and extend the quay at Alcantara-Rocha, one of the major wharfs of the port of Lisbon; the cost is estimated at 20 million u.a., 40 % of which will be covered by a loan from the EIB. The scheme will provide

over 1 000 metres of deep-water berths allowing ships with a draft of up to 12 metres to off-load directly onto the quay. The funds provided by the Bank will also help to pay for studies to be carried out by specialised consultants to plan new facilities to meet the likely further development in traffic.

Due to the rapid growth in traffic over the last decade, the Port of Leixões (handling about 3 m.t. per year of dry cargo) has reached full operational capacity. Large ships often have to ride at anchor outside the port, frequently in severe weather conditions, before being able to enter the harbour. In fact, total ships' lost time, due to waiting, has exceeded 1 500 days per year in recent years.

The inadequacy of the port facilities was an obvious hindrance to the further economic development of the northern region with its already well-established concentration of small and medium-scale manufacturing enterprise. In order to cut ship's waiting time, the Port Authority launched a major expansion programme to increase by 50 % (over 1 000 metres) the available length of quay, to build a new specialised container terminal with a further 360 metres of quay and to lay new railway connections from the port to the national system.

The EIB loan of 16 million u.a. represents 36 % of the estimated total cost of 44 million u.a., and includes finance for studies by specialised consultants on the optimum use of the expanded port facilities.

Resources

The resources mobilised by the Bank for the purposes of its financing operations consist, firstly, of the paid-in portion of its capital, its statutory and other reserves and the proceeds of borrowing operations. These are used to fund financing activities deploying the Bank's own resources and are entered on its balance sheet. In addition, there are 'special resources', usually of budgetary origin, furnished either by the Member States or by the Community, which are managed by the Bank as agent for the Community and are accounted for in the Bank's Special Section. 'Special operations' have already been described in the previous chapter and the resources with which they are carried out will not be discussed again here.

During the early years of its existence, before it made a practice of calls on the capital markets, the Bank financed its lending operations from its own funds: those amounts paid in by the original six Member States, which came to 250 million u.a. out of the 1 000 million u.a. subscribed.

1977 these showed an aggregate total of close on 540 million u.a. Article 24 of the Statute in fact stipulates that, 'a reserve fund of up to 10 % of the subscribed capital shall be built up progressively', and that, 'if the state of the liabilities of the Bank should so justify, the Board of Directors may decide to set aside additional reserves'.

The Bank's own funds are thus a key element in its financial structure. Amounting to some 1 100 million u.a., these constitute one of the resources on which it can draw to finance its lending operations.

This said, their main significance is that they ensure the Bank's credit standing on the markets, enabling it to perform its basic function of raising the bulk of the resources it requires to finance investment by means of borrowings.

The graph on page 64 illustrates the growth of the Bank's balance sheet between 1958 and 1977, giving a breakdown of the various types of resources within overall liabilities.

Statement of subscriptions to the capital of the Bank since 1958 at 31 December 1977

(million u. a.)

	Initial subscription		Decision of Board of Governors of 26 April 1971		Enlargement of the Community (1 January 1973)		Decision of Board of Governors of 10 July 1975			
	Distribution according to Member States (%)	Subscribed capital	Paid-in capital	Subscribed capital	Paid-in capital	Subscribed capital	Paid-in capital	Subscribed capital	Called capital (paid in and due to be paid in)	Breakdown according to Member States (rounded %)
Germany	30.0	300.0	75.0	450.0	90.0	450.0	90.0	787.5	123.75	22.22
France	30.0	300.0	75.0	450.0	90.0	450.0	90.0	787.5	123.75	22.22
United Kingdom	—	—	—	—	—	450.0	90.0	787.5	123.75	22.22
Italy	24.0	240.0	60.0	360.0	72.0	360.0	72.0	630.0	99.0	17.78
Belgium	8.65	86.5	21.625	129.75	25.95	118.5	23.7	207.375	32.5875	5.85
Netherlands	7.15	71.5	17.875	107.25	21.45	118.5	23.7	207.375	32.5875	5.85
Denmark	—	—	—	—	—	60.0	12.0	105.0	16.5	2.96
Ireland	—	—	—	—	—	15.0	3.0	26.25	4.125	0.74
Luxembourg	0.2	2.0	0.5	3.0	0.6	3.0	0.6	5.25	0.825	0.15
Total	100.0	1 000.0	250.0	1 500.0	300.0	2 025.0	405.0	3 543.75	556.875	100.0

As the total outstanding on loans and guarantees provided by the Bank may not exceed 250 % of the subscribed capital (Article 18 of the Statute), the past twenty years have seen a number of capital increases. The amount subscribed by the nine Member States totalled 3 500 million u.a. at 31 December 1977, while paid-in capital has risen steadily to its present level of 556 million u.a. The Board of Directors may require payment of the balance of the subscribed capital, which at present amounts to around 85 % of the total.

In June 1977, the Bank's Board of Governors stated that at its annual meeting in 1978 it would decide on the amount and timing of the increase in the Bank's capital needed to obviate the risk of the volume of its loans being inhibited by the statutory limit placed on its outstanding loans and guarantees.

As its activity has expanded, the Bank has enjoyed a steady rise in its net income, which year by year has been appropriated to its statutory and other reserves; at the end of

The EIB has always endeavoured to raise on the best possible terms the long-term capital resources it needs to expand its lending activity, and so to organise the running of its affairs as to keep its financial structure sound and be in a position to offer interest rates consistent with its task in the Community.

In twenty years, the Bank has become one of the leading permanent borrowers on the capital markets, its issues always being assured of a good reception by investors. It also enjoys a certain influence when it comes to borrowing format and technique and in contributing to the accessibility, expansion and consolidation of the financial markets.

Calls on the capital markets

The Bank floated its first loan issues in 1961, for 21 million u.a., since when there has been a rapid increase in the amount of resources so raised each year, to 1 161.5 million

Balance Sheet of the Bank at 31 December of each year

Assets

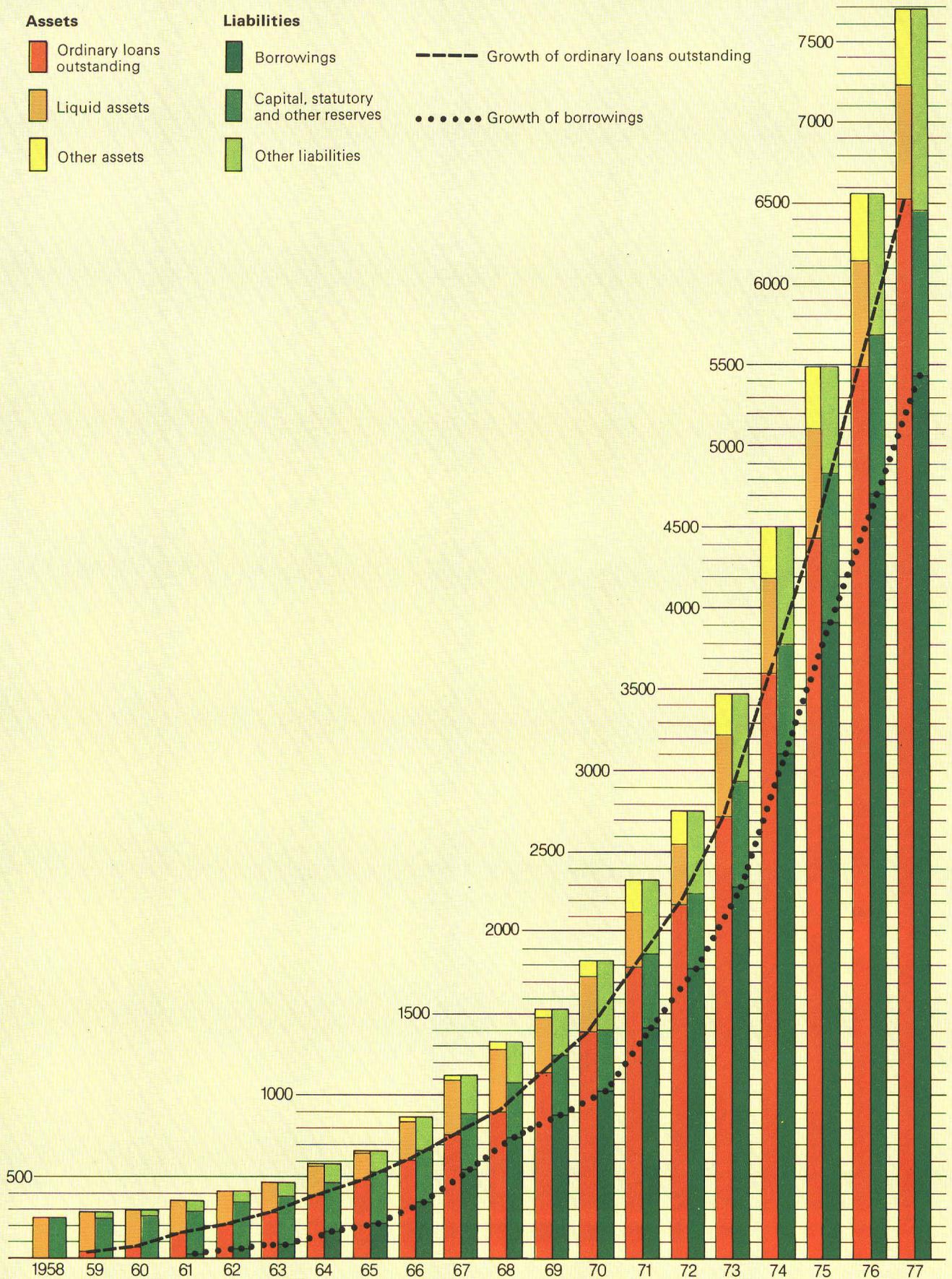
- Ordinary loans outstanding
- Liquid assets
- Other assets

Liabilities

- Borrowings
- Capital, statutory and other reserves
- Other liabilities

--- Growth of ordinary loans outstanding

..... Growth of borrowings



Funds raised up to 31 December 1977

(million u. a.)

Year	Number	Issues			Participations by third parties in EIB loans	Funds raised
		Amounts				
		Private issues	Public issues	Total		
1961	3	7.6	13.8	21.4	—	21.4
1962	2	—	32.3	32.3	—	32.3
1963	3	8.0	27.2	35.2	—	35.2
1964	5	13.5	53.3	66.8	—	66.8
1965	4	—	65.0	65.0	—	65.0
1966	6	24.0	114.5	138.5	—	138.5
1967	8	40.0	154.5	194.5	—	194.5
1968	13	112.5	100.0	212.5	—	212.5
1969	9	63.7	82.3	146.0	—	146.0
1970	7	66.6	102.3	168.9	—	168.9
1971	20	208.0	204.9	412.9	—	412.9
1972	19	133.4	328.6	462.0	17.5	479.5
1973	22	207.0	401.0	608.0	4.3	612.3
1974	16	704.2	121.3	825.5	—	825.5
1975	26	318.6	495.1	813.7	17.0	830.7
1976	17	221.0	510.9	731.9	17.0	748.9
1977	31	321.9 (1)	707.6	1 029.5	132.0	1 161.5
1961-1977	211	2 450.0	3 514.6	5 964.6	187.8	6 152.4

(1) Includes 87 million u.a. in interbank operations.

u.a. in 1977. Cumulative borrowings between 1961 and 1977 came to 6 152.4 million u.a.

In the early days, the Bank had recourse almost exclusively to the capital markets of the Member States, where it may borrow, 'either in accordance with the legal provisions applying to internal issues or, if there are no such provisions in a Member State, after the Bank and the Member State concerned have conferred together and reached agreement on the proposed loan. The competent authorities in the Member State concerned may refuse to give their assent only if there is reason to fear serious disturbances on the capital market of that State' (Article 22 of the Statute).

Later on, it became necessary for the Bank to place its issues on various national markets outside the Community, beginning with the Swiss market in 1961 and followed in 1975 by the United States market, after the abolition of interest equalisation tax. The first issue in Japan was made in that same year and in 1976 the EIB made its first call on the Austrian market.

At the same time, a series of issues was being floated on the international capital market; firstly, in various currencies on the Eurobond market, and on various other financial markets, then on the Middle Eastern markets and finally on the Asian dollar market in Hong Kong and Singapore, where after three years the EIB continues to be the only non-Asian long-term borrower.

In 1973 and 1974 the Bank floated two loan issues in a new borrowing unit, the Eurco (European Composite Unit), consisting of the sum of fixed amounts of the currencies of the Member Countries of the Community.

The Bank now makes issues on most world financial markets. The extent to which each of the principal currencies figures in Bank borrowing varies from year to year, according to the domestic monetary policies of the countries concerned and the international financial and monetary situation. The Bank borrows on the most favourable terms it can command at any given time (comparing interest rates, currency exchange risks, issuing charges and handling commission) for the amounts and terms it must obtain to meet borrowers' requirements.

The graph on page 66 shows the currency breakdown of EIB lending. As borrowings have accounted for such a heavy proportion of the resources used for lending since the early 1960s, this also gives a fairly close reflection of the currency breakdown of the Bank's borrowings.

This shows that, having once provided the Bank with the bulk of its resources, the currencies of Community countries are now in a minority position. The Deutsche Mark is still prominent but, in relation to the rapid increase in the Bank's activity, the role of the French franc, Italian lira, Belgian franc and guilder in overall EIB resources is diminishing. By contrast, non-Community currencies in recent years have accounted for up to 65 % of borrowings, with the United States dollar alone representing over 50 %.

This trend can be attributed not only to developments on the capital markets over the past twenty years, but also to the fact that the Bank's financing requirements have raised its annual borrowings from an average of about 170 million u.a. between 1966 and 1970 to around 500 million u.a. in 1971-73, 800 million u.a. in 1974-76 and over 1 000 million u.a. in 1977.

The volume of Bank borrowing may be expected to rise far above this level moreover in coming years, not only in response to heavy demand for capital in the regional development and energy fields, but also in order to accommodate the desire expressed by the European Council in 1977 to see the Bank expand its operations, mainly to rekindle investment — especially job-creating investment — in the Community.

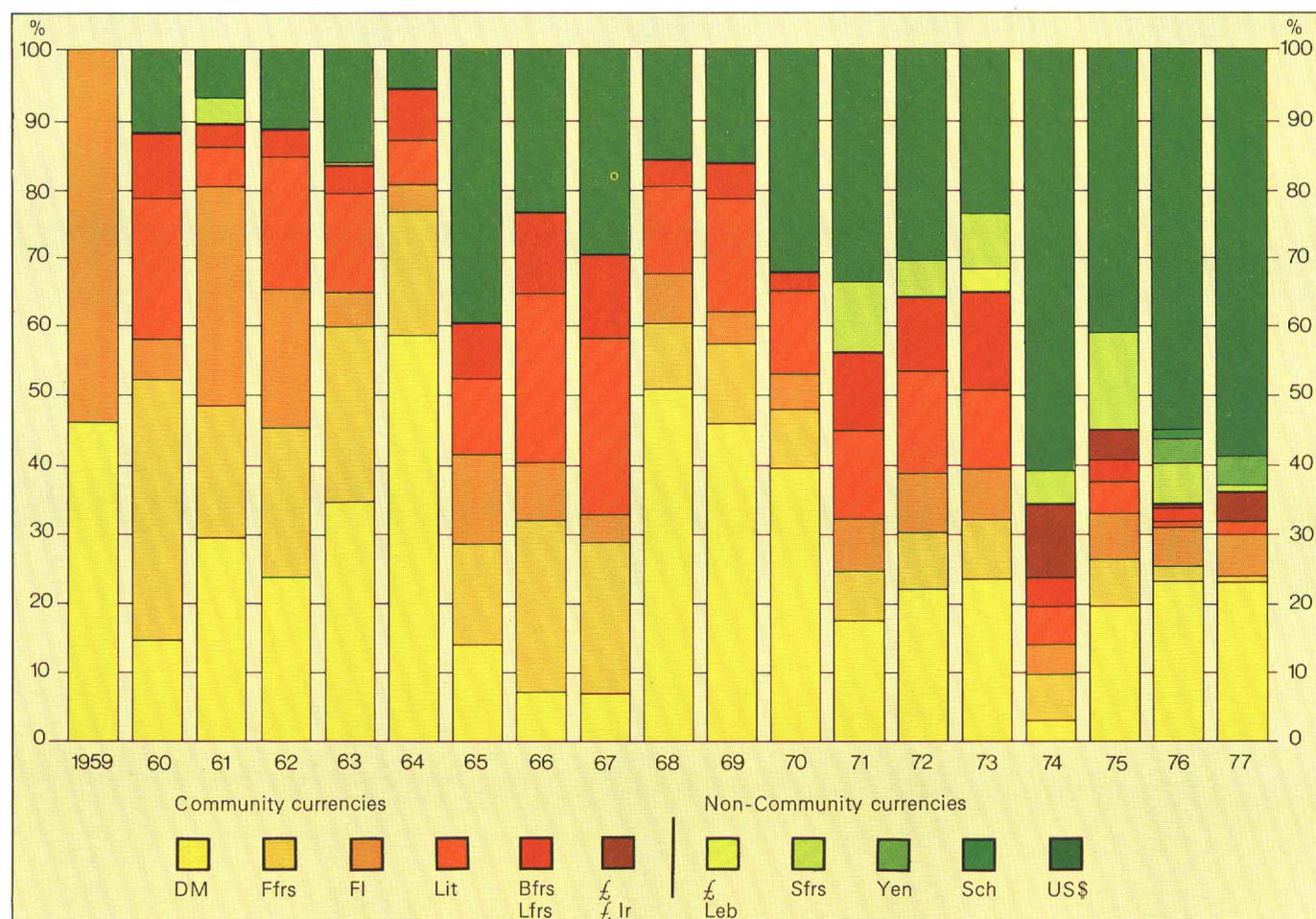
Until the early 1970s, Community currencies and the other currencies borrowed by the Bank changed hands on the money markets at conversion rates very close to their

wider interest rate differentials between the various currencies of borrowing and a wider range of loan terms, which have in general tended to narrow access to certain capital markets.

Investors in EIB issues are attracted by the various forms of security that these offer, in particular:

(a) the fact that, when appraising investment projects submitted to it and assessing the financial situation of its borrowers, the Bank ensures that only viable operations enter its loan portfolio;

Percentage currency breakdown of EIB loan disbursements (1)



(1) Bases for the conversion into units of account of disbursements made in national currencies, as follows:
 (a) up to 31 December 1973, 1 unit of account = 0.88867088 grams of fine gold; conversions made on the basis of parities notified to IMF;
 (b) since 1 January 1974, European unit of account (see p. 6); conversions based on rates obtaining for national currencies at 31 December each year.
 Graph does not show certain currencies, in which the Bank has had merely occasional dealings, involving only modest amounts.

parities as notified to the International Monetary Fund. On the capital markets, prevailing interest rates were also very close to these. Since the demise of the monetary system based on fixed parities established under the Bretton Woods agreements, this has ceased to be the case.

With the coming of the generalised system of floating exchange rates, divergencies in economic performance between various countries, in particular, have made for

(b) the first-rate guarantees that its loans carry: nearly 85 % of the balance outstanding on all its lending within the Community is covered by direct guarantees of Member States or public institutions within the Community;

(c) its operations outside the Community normally attract guarantees from Member States or the Community itself: depending on circumstances, these guarantees cover all financial commitments deriving from the loans granted, or

all risks so incurred, subject to a ceiling that may either be an agreed amount or a fraction of the credit opened in respect of the loans in question (see box, page 68 for a breakdown of loans outstanding by principal form of guarantee);

(d) its guarantee capital (2 986 875 000 u.a.), i.e. the non-paid-up portion of the capital subscribed by Member States (3 543 750 000 u.a.), which may be called by the Board of Directors, 'to such extent as may be required for the Bank to meet its obligations towards those who have made loans to it' (Article 5.3 of the Statute).

(France, Belgium, the Netherlands, Japan and Austria), or in order to secure a longer term for its borrowings (Switzerland). Again, in approaching the Eurosterling market, which reopened at the end of 1977, it had recourse to a public issue.

In addition, the Bank raises a sizeable volume of its resources by means of private placements, with or without the issue of negotiable certificates, through the intermediary of a bank or group of banks. This procedure is currently used to a large extent on the German market (Schuldscheindarlehen — loans against promissory notes

Statement of funded debt at 31 December 1977

(units of account)

Payable in	Operations during the financial year 1977				Borrowings outstanding at 31 December 1977		
	Borrowings outstanding at 31 December 1976	Borrowings	Redemptions	Exchange adjustments	Amount	Rate of interest (weighted averages)	Due dates
DM	1 004 165 761	202 439 064	45 687 568	+ 38 115 518	1 199 032 775	7.29	1978/1993
Ffrs	181 811 585		11 516 359	- 4 207 127	166 088 099	7.89	1978/1987
Lit	198 567 057		22 381 575	- 13 017 332	163 168 150	6.72	1978/1988
Bfrs	238 101 328	36 721 864	8 206 845	+ 2 145 966	268 762 313	7.75	1978/1993
Fl	308 020 370	80 760 805	8 761 575	- 1 315 372	378 704 228	7.81	1978/2002
Lfrs	149 827 841	12 238 883	2 683 570	+ 1 247 275	160 630 429	7.67	1978/1988
£		38 219 813		+ 742 117	38 961 930	9.75	1978/1992
Euroco (1)	89 122 837			+ 206 318	89 329 155	8.13	1978/1989
\$	2 060 397 880	521 595 903	52 970 776	- 195 042 631	2 333 980 376	8.57	1978/1997
Sfrs	430 753 638	55 506 262	73 605 155	+ 51 329 496	463 984 241	6.92	1978/1991
£Lebanese	13 591 594		931 502	- 1 300 104	11 359 988	7.13	1978/1985
Yen	30 238 613	81 963 923		+ 7 229 378	119 431 914	7.53	1978/1988
Sch	18 485 655			+ 361 543	18 847 198	8.00	1981/1986
Total	4 723 084 159	1 029 446 517	226 744 925	- 113 504 955	5 412 280 796		
Redemption premiums	8 723 432		84 873	- 399 628	8 238 931		
Grand total	4 731 807 591	1 029 446 517	226 829 798	- 113 904 583	5 420 519 727		

(1) The Euroco consists of the sum of fixed amounts of the currencies of all the Member States of the European Economic Community: 1 Euroco = DM 0.9 + Ffrs 1.2 + £ 0.075 + Lit 80 + Fl 0.35 + Bfrs 4.5 + Dkr 0.2 + £lr 0.005 + Lfrs 0.5.

In pursuing its financial activities in various sectors of the monetary and capital markets, the Bank has cooperated increasingly with many other banking institutions, with which it has joined in efforts to improve borrowing techniques and procedure.

As an ever-present borrower on the capital markets, its first concern is the primary markets, on which it raises the bulk of its resources, although it also sets much store by the way its certificates perform on the secondary markets, as this has a considerable bearing on the prospects for its future issues.

The EIB uses a variety of borrowing techniques, as circumstances dictate and as the particular advantages of each commend their use in given economic conditions.

It uses public issues, mainly for raising large volumes of leading currencies: 200 to 250 million Deutsche Mark on the German market, 150 to 200 million US dollars on the international market or the foreign issues — Yankee bonds — market in New York. However it also floats public issues on national markets in which a 'queue' system obtains

— or private securities) and on the Swiss market (usually for terms of not more than 7 or 8 years), or for placings with major institutional investors in the United States.

Certain operations lend themselves to direct negotiations with financial institutions (insurance and investment companies, pension funds, savings banks etc.), should these, for instance, be investing surplus capital from the oil-producing countries, or raising funds on a large scale for their own account.

The Bank has also raised resources, like the World Bank and the International Finance Corporation, by issuing participation certificates, in its loans, to third parties. For some years past, where needs have dictated, it has tailored the issue of these certificates (which carry its own guarantee) according to the currencies, sums and terms sought by investors.

Lastly, the EIB has access to the kind of facility that is customarily established between banks for handling their short and medium-term holdings. The amounts so raised to date are not great, but this device does enable it to realise re-

sources over a 2 to 4 year term in the form of interbank deposits or placings of 'notes' in one or two principal currencies, which it uses mainly for bridging gaps between borrowing and lending operations.

On the secondary markets, the Bank plays its part in standardising procedures and balancing out interest rates, at two stages:

(a) when issues are floated, where it helps to even out terms and conditions on the markets by arbitrage between the various centres. Here it pays close heed to redemption and optional repayment provisions. On the international market, it has come to have widespread recourse to the technique of 'purchase funds' (where the issuer undertakes, subject to a certain ceiling, to buy up certificates from the market when the rate drops below par);

(b) at the negotiating stage, the Bank has in particular stepped in to align settlement procedures and to coordinate the activities of securities-clearing systems.

It was in 1969 that the Bank first availed itself of the 'global bearer bond', a special bond issued for the entire amount raised at the time when the loan issue itself is concluded, and surrendered some weeks later against final certificates.

In a similar area, the Bank has also helped to improve cooperation between the two securities clearing and release firms that exist side by side in Europe, Cedel and Euroclear. In 1975, it arranged for the possibility of transfers between one and the other, at least during the global bearer bond phase.

Liquidity management

The Bank may make use of funds on hand for which it has no immediate need by placing these on the money markets, purchasing or selling securities (other than company shareholdings), issued either by itself or by its borrowers, and generally by mounting any kind of financial operation consistent with its function.

A large proportion of its liquid funds consists of long-term borrowings, resources which are usually amassed in large unit amounts and retained for as short a time as possible in the Bank's treasury pending their redeployment as loan disbursements, once contracts are signed and as progress on projects financed by the Bank dictates.

The Bank has also set up a comprehensive worldwide correspondents' network, with which it deals most

Breakdown of loans outstanding at 31 December 1977 by principal form of guarantee*

A. Loans for projects within the Community (and related loans**)

Loans granted to, or guaranteed by, Member States	4 219 658 868 u.a.
Loans granted to, or guaranteed by, public institutions in the Community	883 575 941 u.a.
Loans granted to, or guaranteed by, financial institutions (banks, long-term credit institutions, insurance companies)	331 848 336 u.a.
Loans guaranteed by companies outside the financial sector under majority control of Member States or public institutions in the Community	295 495 156 u.a.
Loans secured by fixed charge on real estate	124 095 078 u.a.
Loans guaranteed by non-bank companies in the private sector	123 520 209 u.a.
Loans secured by fixed charge on assets other than real estate or other security	53 524 100 u.a.
	6 031 717 688 u.a.

B. Loans for projects outside the Community

1. Loans granted under the second Yaoundé Convention

Loans granted to, or guaranteed by, States which were signatories to the Convention	77 962 481 u.a.
Loans secured by other guarantors	4 672 432 u.a.
	82 634 913 u.a.***

2. Loans granted under the Lomé Convention

Loans granted to, or guaranteed by, the ACP States	108 006 110 u.a.***
--	---------------------

3. Other loans granted outside the Community

Loans guaranteed by Member States	109 483 603 u.a.
Loans guaranteed by the EEC	172 412 635 u.a.
Loans granted to, or guaranteed by, States which have concluded particular agreements with the EEC	14 462 518 u.a.
Loans guaranteed by a public institution, company or bank of a Member State	7 555 699 u.a.
	303 914 455 u.a.
	6 526 273 166 u.a.

* Certain loans are covered by several types of guarantee or security. ** Operations concerning projects on the Norwegian continental shelf and in Austria authorised under the provisions of the second paragraph of Article 18 (1) of the Statute. *** The amounts of guarantees provided by Member States to cover any risk attaching to these financial commitments are as follows: 24 430 695 u.a. for loans granted under the second Yaoundé Convention; 32 541 000 u.a. for loans granted under the Lomé Convention. In the event of these guarantees being invoked, the guarantors' obligations will be determined on the basis of the rates of conversion between the unit of account and the currencies disbursed to borrowers as at the disbursement dates.

frequently as a placer of short and medium-term deposits, although from time to time it may also approach this source for covering its short and medium-term liquidity requirements.

A portfolio of securities has gradually been built up for investing part of the Bank's liquid funds, mainly to answer the needs of the statutory reserve.

Acquisitions for the Bank's portfolio are limited to securities carrying a first-rate signature and enjoying access to a large secondary market on which they may be placed or dealt in at any time.

At 31 December 1977, the overall book value of the portfolio entered on the Bank's balance sheet was 241.7 million u.a.

Lending rates

EIB loans are usually disbursed in a number of currencies (those of the Member States of the Community and others, in particular the US dollar). The Bank selects currencies of disbursement in the light of its own holdings after consulting prospective borrowers as to their currency preferences.

The Bank operates on a non-profit-making basis and its interest rates are close to the cost of the resources it raises on the financial markets. Lending rates are fixed periodically by the Board of Directors in relation to trends in the cost of resources and are in no way determined by the type of project financed, its location or the status of the borrower. The rate charged on each loan is generally that in force on the date when the contract is concluded and is not subject to revision.

Until the mid-1970s there was a single interest rate, regardless of any differences in the currency mix of disbursements. Rates were fixed only at the date of disbursement, and at certain times two or even three standard rates were being offered, according to term of loan.

Divergent trends in interest rates and exchange risks have since then compelled the Bank to diversify its range of interest rates, again according to currencies of disbursement and term of loan.

This means that each of the currencies used by the Bank is now given a specific rate for each of the loan terms offered, which may range from 5 to 20 years. The rate of interest applied to a loan disbursed in a cocktail of currencies is equal to the average rate for each currency, weighted to take account of its importance within the cocktail (1).

According to circumstances, the Bank may offer various loan formats:

(a) loans in standard currency cocktails, the composition of which may be agreed finally at the time of signature if disbursement is to follow immediately; otherwise, the weighting of each currency within the cocktail is adjusted with each disbursement so as to maintain the return afforded by the original interest rate;

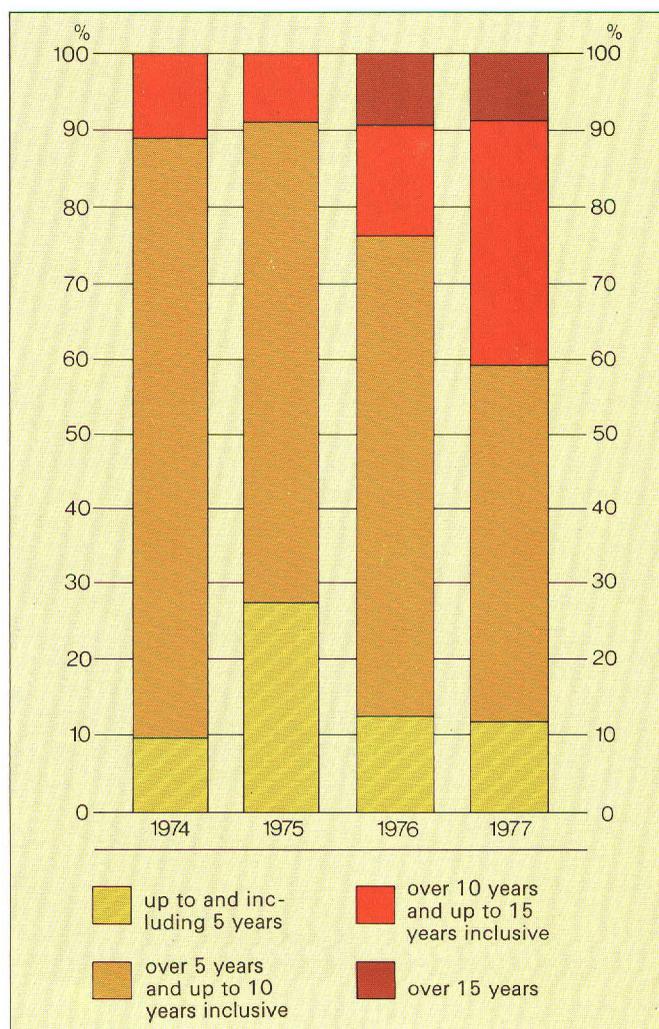
(b) currency-cocktail loans tailored to the borrower's requirements and to the Bank's holdings, with the interest rate adjusted as necessary.

This gives borrowers scope at the outset for having a say in the choice of currencies for inclusion in the cocktail, after assessing what might be an acceptable exchange risk in regard to the rate obtaining for each currency;

(c) single-currency loans: a format introduced originally for loans denominated in United States dollars requested for co-financing major projects, especially in the energy sector, this option was subsequently extended to other non-Community currencies used by the Bank;

(d) back-to-back arrangements for major financing operations, where the rate of interest is based on the Bank's operating margin and the cost of the corresponding borrowing operation.

Term of borrowings



(1) A table of the Bank's interest rates, together with full details of its lending terms and conditions, is presented in the brochure 'Loans and Guarantees in the Member Countries of the European Economic Community', available on request.

Outlook

The European Investment Bank has always endeavoured to meet the rising demand for investment capital in those areas covered by its terms of reference. From an annual average of around 115 million u.a. during its initial period of activity, between 1959 and 1968, EIB lending rose to 425 million in 1969-72, topping the 1 000 million mark in 1973-76 following the enlargement of the Community, to reach 1 571.5 million in 1977. Although financing operations outside the Community are expanding, the growth in Bank financing is very much a function of its activity in the Member Countries; since its inception this has accounted for 87 % of all its lending.

There is every indication that this expansion will be sustained in the coming two or three years.

First and foremost, the development and conversion of regions in difficulty calls for massive resources, on top of those set aside by Member Countries. The European Regional Development Fund set up in 1975 serves of course to mobilise considerable sums from the Community budget for this purpose: 1 300 million u.a. during the three years 1975-77 and 1 850 million earmarked for 1978-80. In addition, there are loans granted by the European Coal and Steel Community (ECSC) for regions beset by the problems affecting the coal and iron and steel industries, while a further source of finance is the modernisation aid granted from the EAGGF (European Agricultural Guidance & Guarantee Fund) to regions with farming problems. This however still leaves the EIB as the Community's prime source of funds for projects bringing regional benefits, its central function being to channel capital raised in the more developed parts of the Community or outside it to disadvantaged regions.

Furthermore there will be an increasing need in coming years for Bank financing of capital investment needed to reduce the Community's energy dependence and equip it with safe, diversified sources of supply.

Another distinct possibility is that the structural problems affecting various sectors of industry will boost demand for finance to back modernisation and conversion projects and the setting up of new ventures serving to keep at least part of the workforce concerned in employment, or to provide alternative occupation for people thrown on to the labour market as a result of restructuring, productivity improvements and the adjustment of industry to the changing pattern of supply and demand on world markets.

This view of the future pattern of activity and the prospect of an appreciable rise in the volume of operations within the Community have been endorsed by the European Council. After its meeting on 25 and 26 March 1977, the European Council issued a statement on economic growth, inflation and employment, in which it agreed, 'to seek action at Community level in three directions: firstly to promote measures to help resolve specific labour market problems, especially in improving training and employment opportunities for young people and women: secondly to encourage higher level investment in the Member States and thirdly to halt divergence and promote convergence in their economic performance. To this end the European Council invites on the one hand the Commission, in particular by the better use of Community instruments, and on the other hand the Board of Governors of the European

Investment Bank to seek ways of improving the effectiveness of their activities.'

Acting on this statement, the President of the European Council wrote to the Chairman of the Bank's Board of Governors, asking him whether the Bank 'considered that there was scope for a substantial increase in the Bank's activities in the next two or three years in furtherance of the Council's aims, and, if so, what advice the Bank might have to give on the desirable extent and nature of such increased activity, and, on its financial implications'. Measures were adopted within the Bank to ensure that the aims defined by the European Council could be pursued to good effect. In particular, the Board of Governors declared its intention to raise the Bank's capital in 1978 to the level needed to accommodate the substantial increase in EIB operations now in prospect.

Financing in Member Countries was already entering a spate of growth in 1977, and in coming years the Bank will continue to expand operations in support of regional development. Even greater priority will be accorded to regions with the worst kind of structural unemployment and to those where unemployment stems from the loss of markets or the decline of basic industries, especially if these have markedly lower income levels than others. The EIB will do everything possible to boost its lending to small and medium-scale industrial ventures which, as a general rule, show a higher level of job creation in terms of capital invested. It will also endeavour to raise the volume of loans going to crisis-ridden industrial sectors where firms must either modernise their plant or switch production if they are to remain competitive, and must also redeploy their labour force. Also due for funding on a larger scale are investment projects in the energy sector, which are a critical factor in the future development of directly productive activities.

This expansion of EIB activity in pursuit of the objectives set down by the European Council could, in some cases, be greatly facilitated by the introduction, under, for example, national aid schemes, of appropriate exchange risk cover for industrial borrowers and suitable financial guarantees, for economically viable projects in hard-pressed sectors, of the kind already furnished in Italy for financing operations in the Mezzogiorno. A new formula was agreed between the Bank and the British Government at the end of 1977 whereby private sector investment projects were also afforded exchange risk cover previously limited to the public sector.

This raises a further point: the Community authorities have recently moved a considerable way towards creating new financing machinery, to run in tandem with that of the Bank as it expands. After the Council of the European Communities had authorised the Commission to contract Euratom loans, on 6 December 1977 the European Council then approved the creation, on a trial basis, of a new Community borrowing and lending instrument, loans under which would be managed by the Bank.

Circumstances of two kinds could in the longer term occasion further, large-scale expansion of EIB activity:

(i) During the next few years, the applications for Community membership submitted by Greece, Portugal and Spain should lead to the further enlargement of the

Community. This would make for a sizeable increase in the volume of finance required for capital investment, both in the less developed regions and to promote structural adaptation or the provision of new infrastructure of general benefit to the Community.

(ii) Any extension of Community policies to new sectors could also increase demand for financing by the Bank. Again, problems of raw material supplies could result in certain categories of investment outside the Community being approved for funding and in the Bank being approached for this purpose.

* * *

Recent developments in the Community's policy of cooperation with a large number of non-member countries have considerable implications. The line it is now pursuing has led to the signature of agreements and financial protocols, not only with those African, Caribbean and Pacific states that signed the Lomé Convention, but also with most of the Mediterranean countries and Portugal. Multilateral aid earmarked for these countries by the Community in line with its policy on economic and financial cooperation for the period from 1976 to 1980-81 currently stands at more than 4 900 million u.a. The Bank has naturally been requested to play its part in financing operations under this heading. A figure of about 1 300 million u.a. has been suggested as the amount that could be advanced by the Bank from its own resources outside the Community between 1978 and 1981. In addition, it will administer some 350 to 400 million u.a. under special operations using budgetary funds and acting as agent for the Community.

Over the next few years, Bank operations in developing countries are expected to expand appreciably, rising from an annual average of around 50 million u.a. in 1965-73, about two thirds of which were drawn from budgetary resources, to 150 million u.a. in 1974-77 and as much as 400 to 500 million u.a. in coming years, with almost four fifths of this total met from the Bank's own resources.

The fact that financing operations will be expanding both in Member Countries and outside the Community means that the balance of the Bank's activity will be maintained, without departing from the guideline handed down by the Board of Governors in March 1976, when it was stipulated that the commitment of Bank funds outside the Community should not be allowed to inhibit the scope for expanding operations in Member Countries.

* * *

The future pattern of Bank activity can at this stage be traced only with a broad brush. That further steps along the path to Europe's economic integration and the wider and deeper unity of the Community will involve massive investment, there can be no doubt. Structural transformation occasioned by the changing world economic climate and the pursuit of financial cooperation in support of non-member countries will only serve to increase the scale of the undertaking. It falls to the European Investment Bank to ease the burden by making good its credit on the capital markets and raising the necessary funds.

The people, the structure

There is an oft-quoted phrase that the Community is not about coalitions between States, but a means of uniting peoples.

We have seen how the EIB's work is essentially that of helping to create some of the economic conditions leading to greater prosperity and social well-being of the peoples of Europe and to deeper cooperation between them.

The Bank's capital structure and the financial resources that it has to carry out its tasks have been discussed in some detail.

One of its strengths — in common with other Community institutions — lies, however, in its human resources. The Bank has been able to benefit from experience and talents drawn from nine nations; the daily working relationships at all levels as well as the many links of personal friendships could almost be said to represent in themselves a picture of European unity.

The 20 years have seen service by 91 Directors and Alternate Directors, 3 Presidents, 10 Vice-Presidents and over 620 staff. For shorter or longer periods, to greater or lesser degrees, all have contributed to the Bank's development; this is not simply to make a polite expression of thanks, customary in anniversary publications, but also to emphasise that their work is part of the solid structure of the Bank and a guarantee of its continued development in the future.

Equally important, another strength of the Bank has been its organisational structure, designed for administrative autonomy in line with the idea that it was indispensable for the EIB to be free to exercise independent banking judgement to carry out its tasks effectively.

At the summit is the Board of Governors, whose members are Government Ministers, one from each Member State, usually the Minister responsible for finance.

The Governors lay down general directives on credit policy; they must approve the annual report and balance sheet and one of their powers is to decide, when necessary, on increases in the Bank's capital.

The office of Chairman is for one year and is held by each Member of the Board in rotation, according to the alphabetical order of the names of Member States: it is currently Denmark's turn.

Next comes the Board of Directors consisting of 18 Directors (17 nominated by the nine Member States and 1 by the Commission of the European Communities) and 10 Alternates (9 nominated by the Member States, 1 by the Commission). The Alternates may take part in meetings but have no vote unless they replace an absent Director. Members are typically heads of public credit institutions or senior officials from finance, economic or industry ministries. They are appointed by the Board of Governors for terms of five years.

The Directors, whose meetings are presided over by the Bank's President, are responsible for ensuring that the EIB is managed in accordance with the provisions of the Treaty of Rome and the Bank's Statute, and with the general directives laid down by the Board of Governors. They alone can take decisions in respect of granting loans or guarantees, raising loans and fixing interest rates.

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

The Management Committee is the full-time 'motor' of the Bank, controlling all day-to-day operations. The point that the Board of Directors acts on proposals by the Committee

1957	25 March: signature of the Treaty of Rome of which the Statute of the EIB forms part.
1958	EIB comes into existence on 1 January endowed with a subscribed capital of 1 000 million u.a., of which 250 million is to be paid in. First Board of Governors' meeting is held on 25 January, first Board of Directors' meeting on 6 February.
1959	First financing operations — for energy and industrial projects in Southern Italy and Luxembourg — are approved by the Board of Directors in March.
1960	The six Member States pay in the last instalments of the paid-up capital of 250 million u.a. In this first fully operational year, financing totals 41.3 million u.a.

1961	EIB introduces itself on the capital markets by making its first bond issues, in Dutch guilders. Greece signs an Association Agreement with the Community on 9 July (becoming operative on 1 November the following year); a Financial Protocol annexed to the Agreement provides for the EIB to lend for investment projects helping to promote the country's economic progress.
1962	Financing operations approved by the Board of Directors since 1959 exceed the 250 million u.a. paid in by the Member States; from now on the EIB will depend upon its borrowing operations for the majority of the funds it requires.
1963	Turkey signs Association Agreement with the EEC on 12 September (coming into force 1 December the following year); a Financial Protocol annexed to the Agreement provides for the EIB to undertake financing operations in Turkey using funds provided by the

is significant because it means that recommendations to make loans come up, on the judgement of the Management Committee, and are not handed down. The Management Committee in turn requires a full appraisal from the staff before coming to its own decision whether or not to recommend a loan to the Board of Directors.

An Audit Committee, composed of three members chosen on the grounds of their competence and appointed for terms of three years by the Board of Governors, is charged with verifying that the operations of the Bank have been conducted and its books kept in a proper manner.

The structure given here is that effective since 1 January 1973, corresponding to the Community of nine Member States. The original version of the Bank's Statute, drawn up as part of the Treaty of Rome and with six states in mind, put the number of Governors at 6, the Directors at 12 (each with an alternate) and the number of members of the Management Committee at 3 (the President and two Vice-Presidents).

Acting for the first time as Governors of the European Investment Bank, the Finance Ministers of the Six met together on 25 January 1958 in Brussels at the Banque Nationale de Belgique — Nationale Bank van België, under the chairmanship of Henri Liebaert, Governor for Belgium.

During the following 20 years the Board of Governors has included eminent figures from the nine Member Countries' Governments; among them have been, in earlier years, Valéry Giscard d'Estaing, the President of France, Helmut Schmidt, Chancellor of Germany, and Emilio Colombo, former Italian Prime Minister and today President of the European Parliament.

Changes in national Governments have of course meant that many Governors have held office for relatively limited periods; in this respect special mention is due of the contri-

bution made by Pierre Werner, Governor for Luxembourg, who remained on the Board from 1958 to 1974, providing a valuable continuity much appreciated by colleagues. His depth of experience and authority on European financial affairs has been of great benefit to the Bank.

The initial task of the Governors at the first meeting was to appoint the Board of Directors and here again there are some exceptional records of service; some of those chosen that day were to remain with the EIB and work for its development for most of the following 20 years: Alfred Müller-Armack, State Secretary of the Federal Ministry of Economic Affairs in Bonn, who played a major role in the negotiations towards the EEC as member and often leader of the German delegation, stayed as Director of the Bank until August 1977 — he died only seven months later; Raymond Denucé, Honorary Managing Director of the Crédit Communal de Belgique — Gemeentekrediet van België remained a Director until June 1976; Stefano Siglienti, President of IMI — Istituto Mobiliare Italiano and Chairman of the Associazione Bancaria Italiana, remained Director until his death in April 1971. The longest service of all has been rendered by Maurice Pérouse, Director-General, Caisse des Dépôts et Consignations, Paris; an Alternate during the first three years, he has been a Director ever since.

During 20 years the post on the Board of Directors which is reserved for a Commission nominee — the institutional link between the EIB and the Commission — has been filled by two men, the Directors-General for Economic and Financial Affairs, Franco Bobba (1958-67) and Ugo Mosca, since then.

The first meeting of the Board of Directors was held on 6 February 1958 with the task of proposing to the Governors the composition of the Bank's Management Committee: the President was to be Pietro Campilli, formerly President of the Committee of Ministers for the Mezzogiorno, the

	Member States from their own budgets. A 'Special Section' is set up by the Board of Governors to keep the account for such operations separately from those conducted by the Bank from its own resources.	1967	The EIB has come to be a front rank borrower on the capital markets; during the year it raises almost 200 million u.a.
	Financing operations approved this year total more than 100 million u.a.	1968	The 10th anniversary of the EIB is marked by a further increase in activities bringing the total for operations in the 10 years to 1 263 million u.a.
1964	First Yaoundé Convention, linking 17 African States and Madagascar to the EEC, comes into force on 1 June; it provides for the Bank to lend in these countries from its own resources and also to act as agent for the Community in handling certain operations financed from the European Development Fund.		The EIB moves from Brussels to Luxembourg following the decision of representatives of Member States concerning the provisional location of Community institutions.
1965	Financing approved during the year totals more than 150 million u.a.; since its creation the Bank has now approved 115 operations worth more than 600 million u.a.	1969	Second Yaoundé Convention is signed on 29 July; it comes into effect on 1 January 1971 providing for a further expansion of EIB lending in the 17 African States, Madagascar and later also Mauritius.

two Vice-Presidents, Hans Karl von Mangoldt-Reiboldt, President of the European Payments Union, and Claude Tixier, Director-General of Finance in Algeria. The last-mentioned was unable to be present until July and in the interim his functions were undertaken by Paul Delouvrier, Manager of Credit and Investment at the High Authority of the European Coal and Steel Community.

As the Management Committee has been referred to as the 'motor' of the Bank, it is tempting to say that the first Members were required to crank the starting handle: it certainly fell to them to bring it into life.

All had to be organised ... arrangement of temporary offices, kindly offered by the Banque Nationale de Belgique, recruitment of staff, then finding more suitable accommodation at a building in Mont des Arts, Brussels.

'We came to the Bank not knowing very much about what it could or would be but nonetheless with a feeling that here was beginning part of the new Europe which we wanted to see', remembers one of the first staff employed by the Bank. 'We were a small group united by the same enthusiasm.'

That enthusiasm is still part of the Bank's working atmosphere — one advantage, perhaps, of being a relatively small institution with well-defined aims and where working relationships are inevitably close — but in those early days it was a particular help. It had much to do with the fact that by the end of the year lending operations were being studied so that by March 1959 the first loans could be approved by the Board of Directors. The EIB had become operational.

The years ahead would see its name and work become steadily more familiar in Government, industrial and financial circles not only within the Community but in the world at large.

A list of key dates and facts in the Bank's existence is given in chronological order at the bottom of these pages. Here we confine ourselves to people who have helped to make the EIB what it is today; quite obviously to single out a few individuals is difficult and it may even be unjust to attempt to do so. Nonetheless, in almost every organisation, there is one figure who, by general consent, has made an exceptional contribution.

For the EIB this is Paride Formentini, who became the Bank's second President in the summer of 1959 following Pietro Campilli's resignation, after preparing the basic structure of the Bank, to become President of the Consiglio Nazionale dell'Economia e del Lavoro in Rome.

A former General Manager of the Banca d'Italia, President Formentini brought a vigorous personality and a high intellectual capacity to the office, which he occupied for almost 12 years. The Bank owes a special debt to his leadership for the position it holds today.

During his presidency the EIB grew at a steady rate (by end 1970, his last year in office, operations totalled over 1 800 million u.a.) and extended its activities to Greece and Turkey and to the African countries which had signed the first Yaoundé Convention.

He also had to preside over two more changes of address. In 1965 the EIB moved to a building at Boulevard de Waterloo in Brussels, but for three years only. In 1968 it came to Luxembourg under the terms of the decision taken by representatives of Member States on the provisional location of Community institutions, following the Treaty establishing a Single Council and a Single Commission of the European Communities. The imposing building which it now occupies, at 2 Place de Metz, had been since 1952 the office of the High Authority of the European Coal and Steel Community, most of whose services were transferred to Brussels, under the same Treaty.

1970 Since its first borrowings in 1961 the EIB has now raised more than 1 000 million u.a. on the financial markets.

1971 The Board of Governors, under chairmanship of Mr. Alex Möller, Governor for Germany, increases the Bank's capital: subscribed capital goes up to 1 500 million u.a.; the amount to be paid in rises to 300 million u.a.

1972 Financing operations during the year comfortably exceed 500 million u.a.

1973 Enlargement of the Community with the accession on 1 January of Denmark, Ireland and the United Kingdom. As Members of the EIB each contributes to Bank's subscribed capital which rises to 2 025 million u.a.

Second Financial Protocol with Turkey comes into effect on 30 June.

1974 The three new Member Countries account for a quarter of the 850 million u.a. lent within the Community this year.

1975 To permit continued development of the Bank's activities, the Board of Governors decides in July on a fresh capital increase: subscribed capital rises to 3 543.75 million u.a.

The Council of the European Communities decides to establish a European Regional Development Fund, with which the EIB will cooperate closely.

Financing outside the Community: the Lomé Convention is signed between the EEC and 46 African, Caribbean and Pacific countries (the number of signatories has since risen to 53) on 28 February and on 7 October the Community offers loans from the EIB as 'emergency aid' for Portugal.

EIB's operations during the 12 months exceed 1 000 million u.a.

Upon his retirement Paride Formentini was appointed the first Honorary President of the EIB. He died in June 1976, sadly missed by friends and former colleagues alike; two years before, the Bank had already mourned the death of its first President, Pietro Campilli.

Mention should also be made here of the service given by past Vice-Presidents of the Bank: Hans Karl von Mangoldt-Reiboldt, Vice-President from 1958 until 1964, died in 1971; Claude Tixier, who was Vice-President from 1958 until 1962; Ulrich Meyer-Cording, former Director-General of European Cooperation at the German Ministry of Economic Affairs, Vice-President of the EIB from 1964 to 1972; Sjoerd Boomstra, former Director for External Finance at the Netherlands Ministry of Finance, briefly Alternate then Director of the Bank from 1959 to 1970, Vice-President from 1970 to 1976; Luca Rosania, former Direttore Centrale at the Banca d'Italia, Vice-President of the Bank from 1970 to 1976.

The present Management Committee is composed of five members and has been chaired since 1970 by Yves Le Portz, who joined the Bank as Vice-President in 1962, after a distinguished career in French financial and economic administration including, from 1958 to 1962, the position of Director-General of Finance in Algeria.

The four Vice-Presidents are Horst-Otto Steffe (since 1972), former Manager of the EIB's Research Department and prior to that holding a number of senior positions at the Commission, concerned with economic and monetary policies; Sir Raymond Bell (since 1973), former Deputy Secretary at H. M. Treasury, London, and a member of the United Kingdom delegation during the negotiations on accession to the Community; Giorgio Bombassei Frascani de Vettor (since 1976), formerly the Permanent Representative of Italy to the European Communities; Maurits Esselens (since 1976), former Director-General of the Treasury at the Belgian Ministry of Finance.

Compared to the modest beginnings of the EIB, the Management Committee today is supported by about 400 staff and it must control borrowing and lending operations on almost a world scale. Last year alone financing operations totalled more than in the first 10 years of the Bank's existence.

The EIB is also preparing for yet another removal, but this time — and for the first time in its existence — to a building designed specifically for its own needs; it is sited on the Plateau du Kirchberg close to the offices of other Community institutions in Luxembourg, those of the European Parliament, the Commission and the Court of Justice.

1976 A Financial Protocol is signed between the EEC and Portugal in September providing for continued lending by the EIB, after the emergency aid, during the period 1978-1982.

In December the Board of Governors authorises the Bank to make loans in Yugoslavia for investment projects of interest to both that country and the Community.

1977 New Financial Protocols are signed between the Community and Greece and Turkey.

This year, or during 1976, 10 other Mediterranean countries (Algeria, Morocco, Tunisia, Malta, Egypt, Syria, Jordan, Lebanon, Israel, Cyprus) sign cooperation agreements with the Community involving development finance from the EIB.

At its March meeting in Rome, the European Council (the Heads of Governments of EEC Member States) calls upon the EIB to examine ways of further accelerating

activities in view of some of the Community's present economic problems: unemployment, the need for a higher level of investment and closer convergence between economies of Member Countries.

During the year the Bank's operations exceed 1 500 million u.a.

Governors of the European Investment Bank (1958—May 1978)

Belgium	Willy DE CLERCO, Ministre des Finances	January 1973 – June 1977
	André DEQUAE, Ministre des Finances	April 1961 – July 1965
	Gaston EYSKENS, Ministre des Finances	July 1965 – March 1966
	Gaston GEENS, Ministre des Finances	June 1977 –
	Robert HENRION, Ministre des Finances	March 1966 – June 1968
	Henri LIEBAERT, Ministre des Finances	January 1958 – June 1958
	Baron SNOY et d'OPPUERS, Ministre des Finances	June 1968 – January 1972
	Jean VAN HOUTTE, Ministre des Finances	June 1958 – April 1961
	André VLERICK, Ministre des Finances	January 1972 – January 1973
<hr/>		
Denmark	Anders ANDERSEN, Finansminister	December 1973 – February 1975
	Per HÆKKERUP, Økonomi- og Budgetminister	January 1973 – October 1973
	Knud HEINESEN, Finansminister	October 1973 – December 1973 February 1975 –
<hr/>		
Germany	Hans APEL, Bundesminister der Finanzen	May 1974 – February 1978
	Rolf DAHLGRÜN, Bundesminister der Finanzen	December 1962 – November 1966
	Franz ETZEL, Bundesminister der Finanzen	January 1958 – November 1961
	Hans MATTHÖFER, Bundesminister der Finanzen	February 1978 –
	Alex MÖLLER, Bundesminister der Finanzen	October 1969 – May 1971
	Karl SCHILLER, Bundesminister für Wirtschaft und Finanzen	May 1971 – July 1972
	Helmut SCHMIDT, Bundesminister der Finanzen	July 1972 – May 1974
	Heinz STARKE, Bundesminister der Finanzen	November 1961 – December 1962
	Franz-Josef STRAUSS, Bundesminister der Finanzen	December 1966 – October 1969
<hr/>		
France	Wilfrid BAUMGARTNER, Ministre des Finances et des Affaires Economiques	January 1960 – January 1962
	Robert BOULIN, Ministre délégué à l'Economie et aux Finances	March 1977 – April 1978
	Maurice COUVE de MURVILLE, Ministre de l'Economie et des Finances	June 1968 – July 1968
	Michel DEBRÉ, Ministre de l'Economie et des Finances	January 1966 – May 1968
	Michel DURAFOUR, Ministre délégué auprès du Premier Ministre, chargé de l'Economie et des Finances	August 1976 – March 1977
	Edgar FAURE, Ministre des Finances, des Affaires Economiques et du Plan	May 1958 – June 1958
	Jean-Pierre FOURCADE, Ministre de l'Economie et des Finances	May 1974 – August 1976
	Valéry GISCARD d'ESTAING, Ministre de l'Economie et des Finances	January 1962 – January 1966 June 1969 – May 1974

	René MONORY, Ministre de l'Economie	April 1978 –
	François-Xavier ORTOLI, Ministre de l'Economie et des Finances	July 1968 – June 1969
	Pierre PFLIMLIN, Ministre des Finances, des Affaires Economiques et du Plan	January 1958 – May 1958
	Antoine PINAY, Ministre des Finances et des Affaires Economiques	June 1958 – January 1960
Ireland	George COLLEY, Minister for Finance	January 1973 – March 1973 June 1977 –
	Richie RYAN, Minister for Finance	March 1973 – June 1977
Italy	Emilio COLOMBO, Ministro del Tesoro	June 1963 – August 1970 February 1972 – June 1972 March 1974 – July 1976
	Mario FERRARI AGGRADI, Ministro del Tesoro	August 1970 – February 1972
	Ugo LA MALFA, Ministro del Tesoro	July 1973 – March 1974
	Giovanni MALAGODI, Ministro del Tesoro	June 1972 – July 1973
	Giuseppe MEDICI, Ministro del Tesoro	January 1958 – February 1959
	Filippo Maria PANDOLFI, Ministro del Tesoro	March 1978 –
	Gaetano STAMMATI, Ministro del Tesoro	July 1976 – March 1978
	Fernando TAMBRONI, Ministro del Bilancio, Ministro del Tesoro a.i.	February 1959 – March 1960
	Paolo Emilio TAVIANI, Ministro del Tesoro	April 1960 – February 1962
	Roberto TREMELLONI, Ministro del Tesoro	February 1962 – June 1963
Luxembourg	Jacques POOS, Ministre des Finances	August 1976 –
	Raymond VOUEL, Vice-Président du Gouvernement, Ministre des Finances	June 1974 – August 1976
	Pierre WERNER, Ministre d'État, Président du Gouvernement, Ministre des Finances	January 1958 – June 1974
Netherlands	F. H. J. J. ANDRIESEN, Minister van Financiën	November 1977 –
	W. F. DUISENBERG, Minister van Financiën	May 1973 – November 1977
	H. J. HOFSTRA, Minister van Financiën	January 1958 – December 1958
	R. J. NELISSEN, Minister van Financiën	July 1971 – May 1973
	A. VONDELING, Minister van Financiën	May 1965 – December 1966
	H. J. WITTEVEEN, Minister van Financiën	August 1963 – May 1965 April 1967 – July 1971
	J. ZIJLSTRA, Minister van Financiën	January 1959 – August 1963 December 1966 – April 1967
United Kingdom	Anthony BARBER, Chancellor of the Exchequer	January 1973 – March 1974
	Denis HEALEY, Chancellor of the Exchequer	March 1974 –

Members of the Board of Directors (1958—May 1978)

*Directors
**Alternates

A	Michel ALBERT, Director, Directorate-General for Economic and Financial Affairs, Commission of the European Communities, Brussels	**June 1966 – June 1969
B	<p>Aldo BALDARI, Ispettore Generale del Tesoro, Ispettorato Generale per i Rapporti Finanziari con l'Estero (IRFE), Ministero del Tesoro – Rome</p> <p>Roger BARNES, Assistant Chief Cashier, Bank of England – London</p> <p>Alfred BECKER, Mitglied des Vorstands der Kreditanstalt für Wiederaufbau – Frankfurt</p> <p>Günther BERGAN, Ministerialrat, Bundesministerium für Wirtschaft – Bonn</p> <p>Friedrich BERNARD, Ministerialrat, Bundesministerium der Finanzen – Bonn</p> <p>François BLOCH-LAINÉ, Directeur Général de la Caisse des Dépôts et Consignations – Paris</p> <p>Franco BOBBA, Directeur Général des Affaires Economiques et Financières, Commission de la Communauté Economique Européenne – Brussels</p> <p>Sjoerd BOOMSTRA, Directeur van het Buitenlands Betalingsverkeer, Ministerie van Financiën – The Hague</p> <p>Roger BOYER, Administrateur de la Banque Française du Commerce Extérieur; Membre du Conseil National du Crédit – Paris</p> <p>Frédéric BOYER de la GIRODAY, Director, Directorate-General for Economic and Financial Affairs, Commission of the European Communities, Brussels</p> <p>Karl BREDAHL, Afdelingschef, finansministeriet – Copenhagen</p>	<p>**May 1963 – December 1972</p> <p>**July 1975 – July 1977</p> <p>*June 1973 –</p> <p>**January 1958 – July 1958</p> <p>**May 1962 – June 1973</p> <p>**January 1958 – June 1966 *June 1966 – September 1967</p> <p>*July 1958 – February 1967</p> <p>**January 1958 – September 1959 *September 1959 – September 1970</p> <p>**January 1958 – May 1968</p> <p>**January 1970 – June 1973 *June 1977 –</p>
C	<p>Michel CAMDESSUS, Chef du Service des Affaires Internationales Direction du Trésor, Ministère de l'Economie – Paris</p> <p>Alberto CAPANNA, Direttore Generale della Finsider – Rome</p> <p>Giorgio CAPPON, Presidente dell'Istituto Mobiliare Italiano – Rome</p> <p>Bernard CLAPPIER, Président du Crédit National – Paris</p>	<p>**June 1971 –</p> <p>**January 1958 – May 1968</p> <p>*February 1972 –</p> <p>*January 1973 – July 1974</p>
D	<p>Leo DE BLOCK, Directeur-generaal, Ministerie van Economische Zaken – The Hague</p> <p>Daniel DEGUEN, Chef de Service, Direction du Trésor, Ministère de l'Economie et des Finances – Paris</p> <p>Jacques de LAROSIERE de CHAMPFEU, Chef du Service des Affaires Internationales, Direction du Trésor, Ministère de l'Economie et des Finances – Paris</p> <p>André de LATTRE, Président du Crédit National – Paris</p> <p>Jean-Paul DELCOURT, Chef du Service du Financement du Commissariat Général du Plan – Paris</p> <p>Raymond DENUCE, Directeur Gérant Honoraire du Crédit Communal de Belgique – Brussels</p> <p>Giuseppe DI NARDI, Presidente della S.p.A. Navalmeccanica – Rome</p> <p>Roberto DUCCI, Ambasciatore, Ministero degli Affari Esteri – Rome</p>	<p>*January 1958 – September 1959</p> <p>*September 1967 – May 1971</p> <p>*June 1971 – November 1973</p> <p>*May 1962 – June 1966 *July 1974 –</p> <p>*January 1958 – October 1961</p> <p>*January 1958 – June 1976</p> <p>**January 1958 – May 1963 *May 1963 – May 1968</p> <p>*January 1958 – May 1968</p>

Walter DUDEK, Senator der Finanzen a. D. – Hamburg	**January 1958 – May 1968
Antoine DUPONT-FAUVILLE, Directeur, Crédit National – Paris	**April 1971 – October 1972
Louis DUQUESNE de la VINELLE, Director, Directorate-General for Economic and Financial Affairs, Commission of the European Economic Community, Brussels	**January 1958 – November 1960

E	Maurits ESSELENS, Directeur Général de la Trésorerie, Ministère des Finances – Brussels	**January 1974 – June 1976 *June 1976 – September 1976
	Pierre ESTEVA, Directeur de Cabinet, Ministère du Développement Industriel et de la Recherche Scientifique – Paris	**May 1968 – April 1971

F	Fritz FECHNER, Ministerialdirektor, Bundesministerium der Finanzen – Bonn	*October 1961 – June 1966
	Christopher FOGARTY, Deputy Secretary (Overseas Finance A) H. M. Treasury, – London	*January 1973 – January 1976
	René FRANCK, Commissaire au Gouvernement – Luxembourg	**January 1958 – November 1959
	Jacques FRIEDMANN, Chef du Service du Financement du Commissariat Général du Plan d'Équipement et de la Productivité – Paris	**March 1967 – June 1973
	Lionello FRONZONI, Direttore, Banca d'Italia – Rome	**May 1963 –

G	Paul GAUDY, Inspecteur Général, Ministère des Finances – Brussels	**September 1970 – December 1973
	Edward A. J. GEORGE, Deputy Chief Cashier, Bank of England – London	**August 1977 –
	Salvatore GUIDOTTI, Presidente della Società Meridionale Finanziaria – Naples	*May 1968 –
	Pierre GUILL, Président Directeur de la Caisse d'Épargne de l'Etat – Luxembourg	**November 1959 – January 1973 *January 1973 –

H	Jean-Yves HABERER, Directeur du Trésor, Ministère de l'Économie – Paris	*November 1973 –
	Wilhelm HANEMANN, Ministerialdirigent, Bundesministerium für Wirtschaft – Bonn	**January 1967 – June 1970
	Mary E. HEDLEY-MILLER, Under-Secretary, Finance (International Monetary), H. M. Treasury – London	**August 1977 –
	Erik HOFFMEYER, Formand for direktionen for Danmarks Nationalbank – Copenhagen	*January 1973 – June 1977
	Maurice HORGAN, Assistant Secretary, Ministry for Finance – Dublin	*November 1976 –

J	Norman JORDAN-MOSS, Deputy Secretary (Overseas Finance A) H. M. Treasury – London	*January 1976 –
----------	---	-----------------

K	Alfred KUBEL, Ministerpräsident des Landes Niedersachsen – Hannover	**May 1968 – June 1973
----------	---	------------------------

L	René LARRE, Conseiller Financier près l'Ambassade de France aux États-Unis – Washington	*January 1958 – October 1961
	J. Geoffrey LITTLER, Under-Secretary, Finance (International Monetary), H. M. Treasury – London	**January 1973 – July 1977
	I.J. A. LOOIJEN, Directeur Buitenlandse Financiële Betrekkingen, Ministerie van Financiën – The Hague	*December 1970 – December 1976
	Pierre LUCION, Chef de cabinet, Commission of the European Economic Community, Brussels	*January 1958 – July 1958

M	P. C. MAAS, President-Directeur van de Nationale Investeringsbank N. V. – The Hague	**January 1977 –
	Herbert MARTINI, Mitglied des Vorstands der Kreditanstalt für Wiederaufbau – Frankfurt	*January 1958 – June 1973
	Pierre MATHIJSEN, Director-General for Regional Policy, Commission of the European Communities, Brussels	**June 1977 –
	Jean-Pierre METTAS, Sous-Directeur, Direction du Trésor, Ministère de l'Economie et des Finances – Paris	**May 1968 – January 1971
	Ludovicus MEULEMANS, Inspecteur Général de l'Administration de la Trésorerie, Ministère des Finances – Brussels	*October 1976 –
	Gastone MICONI, Direttore Generale del Tesoro, Ministero del Tesoro – Rome	*October 1970 – October 1975
	Pierre MILLET, Director, Directorate-General for Internal Market, Commission of the European Economic Community, Brussels	**November 1960 – February 1962
	Horst MOLTRECHT, Ministerialdirigent, Bundesministerium für wirtschaftliche Zusammenarbeit – Bonn	**August 1977 –
	Ugo MORABITO, Ministro Plenipotenziario, Ministero degli Affari Esteri – Rome	**May 1969 – June 1973
	Rudolf MORAWITZ, Ministerialdirigent, Bundesministerium für Wirtschaft – Bonn	**June 1973 – August 1977 *August 1977 –
	Ugo MOSCA, Director-General of Economic and Financial Affairs, Commission of the European Communities, Brussels	*February 1967 –
	Anne E. MUELLER, Deputy Secretary, Department for Industry – London	*February 1978 –
	Alfred MÜLLER-ARMACK, Staatssekretär, Bundesministerium für Wirtschaft – Bonn	*January 1958 – August 1977
	Waldemar MÜLLER-ENDERS, Ministerialdirigent, Bundesministerium der Finanzen – Bonn	**June 1970 –
Sean F. MURRAY, Assistant Secretary, Department of Finance – Dublin	*January 1973 – October 1976	

N	John Edward NASH, Director, Directorate-General for Economic and Financial Affairs, Commission of the European Communities, Brussels	**June 1973 – December 1976
	David NENDICK, Assistant Chief Cashier, Bank of England – London	**January 1973 – July 1975
	Ludovico NUVOLONI, Direttore Generale del Tesoro, Ministero del Tesoro – Rome	*May 1968 – October 1970

P	Mario PENNACHIO, Consulente della Banca d'Italia, Consigliere Finanziario dell'Ambasciata d'Italia presso la Confederazione Elvetica – Paris	**January 1958 – May 1963
	Maurice PÉROUSE, Directeur Général de la Caisse des Dépôts et Consignations – Paris	**January 1958 – October 1961 *October 1961 –
	André POSTEL-VINAY, Directeur Général de la Caisse Centrale de Coopération Economique – Paris	**June 1966 – May 1968 *May 1968 – January 1973
	Alain PRATE, Director-General for Internal Market, Commission of the European Economic Community, Brussels	**February 1962 – June 1966
	Raymond PROSSER, Deputy Secretary, Department for Industry – London	*January 1973 – January 1978

R	Hans RANNOU, Ministerialdirektor, Bundesministerium der Finanzen – Bonn	*June 1966 – September 1970
	Rupert RAW, Former Adviser to the Governor of the Bank of England – London	*January 1973 –
	Jean RIPERT, Commissaire général adjoint du Plan d'Equpeement et de la Productivité – Paris	**January 1963 – March 1967

Yves ROLAND-BILLECART, Directeur Général adjoint de la Caisse Centrale de Coopération Economique – Paris **January 1973 –
Felice RUGGIERO, Direttore Generale del Tesoro, Ministero del Tesoro – Rome *October 1977 –

S

Jean SALTES, Président Directeur Général du Crédit National – Paris *February 1964 – May 1968
Pasquale SARACENO, Direttore Centrale dell'Istituto per la Ricostruzione Industriale – Rome *January 1958 – May 1963
Jean R. SADRIN, Directeur des Finances Extérieures, Ministère des Finances et des Affaires Economiques – Paris *October 1961 – May 1962
Pierre-Paul SCHWEITZER, Sous-Gouverneur de la Banque de France – Paris *January 1958 – February 1964
Stefano SIGLIENTI, Presidente dell'Istituto Mobiliare Italiano, Presidente dell'Associazione Bancaria Italiana – Rome *January 1958 – April 1971
Hans SKRIBANOWITZ, Directeur Général, Haute Autorité de la Communauté Européenne du Charbon et de l'Acier – Luxembourg *January 1958 – November 1961
Savino SPINOSI, Ispettore Generale, Ispettorato Generale per i Rapporti Finanziari con l'Estero(IRFE), Ministero del Tesoro – Rome **January 1973 –

T

Girolamo TROTTA, Ambasciatore, Ministero degli Affari Esteri – Rome **May 1968 – May 1969

V

B. F. van ITTERSUM, Directeur Buitenlandse Financiële Betrekkingen, Ministerie van Financiën – The Hague **September 1976 – December 1976
*January 1977 –
Ferdinando VENTRIGLIA, Direttore Generale del Tesoro, Ministero del Tesoro – Rome *October 1975 – September 1977
Ernst vom HOFE, Ministerialdirigent, Bundesministerium für Wirtschaft – Bonn **March 1958 – January 1967
Joachim von SPINDLER, Ministerialdirektor, Bundesministerium der Finanzen – Bonn *January 1958 – October 1961
Otto Willem VOS, Directeur Financiëringen en Coördinatie Oorlogsschade, Ministerie van Financiën – The Hague **September 1959 – September 1970
*September 1970 – December 1970

W

Hans-Herbert WEBER, Ministerialdirektor, Bundesministerium der Finanzen – Bonn *September 1970 –

Members of the Audit Committee (1958 — May 1978)

Karl BERNARD, Ehemaliger Präsident des Zentralbankrates der Bank deutscher Länder – Frankfurt	January 1958 – September 1970
Jørgen BREDSORFF, Rigsrevisor, rigsrevisionen – Copenhagen	July 1974 –
René BRESSON, Président de Chambre Honoraire à la Cour des Comptes, Ancien Président de la Commission de Vérification des Comptes des Entreprises Publiques – Paris	January 1958 – May 1969
Corneille BRÜCK, Directeur de l'Inspection Générale des Finances – Luxembourg	June 1977 –
Hans-Georg DAHLGRÜN, Präsident a. D. der Landeszentralbank in Rheinland-Pfalz – Speyer	September 1970 – June 1974
Adriaan M. DE JONG, Oud-directeur-secretaris en waarnemend-president van De Nederlandsche Bank – Amsterdam	January 1958 – June 1969
Michael JACOB, Secretary and Director of Audit, Office of the Comptroller and Auditor-General – Dublin	June 1975 – March 1977
Roger LÉONARD, Premier Président honoraire de la Cour des Comptes – Paris	May 1969 – June 1975
Patrick L. McDONNELL, Secretary and Director of Audit, Office of the Comptroller and Auditor-General – Dublin	March 1977 –
Émile RAUS, Président honoraire du Conseil d'Etat, Directeur Général honoraire de l'Administration des Postes et Télécommunications – Luxembourg	June 1969 – June 1977

Members of the Management Committee (1958 — May 1978)

Presidents	Pietro CAMPILLI	February 1958 – May 1959
	Paride FORMENTINI	June 1959 – September 1970
	Yves LE PORTZ	September 1970 –

Vice-Presidents	G. Raymond BELL	January 1973 –
	Giorgio BOMBASSEI FRASCANI de VETTOR	June 1976 –
	Sjoerd BOOMSTRA	September 1970 – September 1976
	Maurits ESSELENS	October 1976 –
	Yves LE PORTZ	July 1962 – September 1970
	Ulrich MEYER-CORDING	May 1964 – April 1972
	Luca ROSANIA	October 1970 – June 1976
	Horst-Otto STEFFE	April 1972 –
	Claude TIXIER (Paul DELOUVRIER, Interim Vice-President February – June 1958)	February 1958 – July 1962
	Hans Karl von MANGOLDT-REIBOLDT	February 1958 – May 1964

Further information may be obtained from the

EUROPEAN INVESTMENT BANK
2, place de Metz — Boîte postale 2005 — Luxembourg
Tel. 43 50 11 — Telex 35 30 bankeu lu

or from its other offices

Office for Operations in Italy
Via Sardegna, 38 — I-00187 Rome
Tel. 48 36 51 — Telex 6 21 30 bankeuro

Representative Office in Brussels
Rue de la Loi, 227 — B-1040 Brussels
Tel. 735 21 38 — Telex 2 17 21 bankeu b

which also have available the following publications:

Statute and other provisions governing the EIB
1977; 32 p. (DA, DE, EN, FR, IT, NL)

Annual Report
since 1958
(DE, EN, FR, IT, NL and from 1972: DA)

EIB-Information
quarterly
8 p. (DA, DE, EN, FR, IT, NL)

European Investment Bank 1958-1978
1978; 84 p. (DA, DE, EN, FR, IT, NL)

Loans and Guarantees in the Member Countries of the European Economic Community
1977; 20 p. (DA, DE, EN, FR, IT, NL)

European Investment Bank Operations under the Lomé Convention
1976; 20 p. (DA, DE, EN, FR, IT, NL)

Investment in the Community and its Financing
Research Department
1972: 28 p. (DA, DE, IT, NL — out of print: EN, FR)
1973: 40 p. (EN, FR — out of print: DA, DE, IT, NL)
1974: 48 p. (EN, IT — out of print: DE, FR)
1975: 52 p. (DE, EN, FR, IT)
1976: 56 p. (DE, EN, FR, IT)

Activities of the European Investment Bank in Turkey (1965-1974)
Research Department
1975; 50 p. (DA, EN, FR, TR — out of print: DE, IT, NL)

The European Investment Bank wishes to thank those project promoters who have kindly provided photographs used in this publication.

Printed by: Saarbrücker Zeitung Verlag und Druckerei GmbH, Saarbrücken