

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS



**Commission report to the Council
and to Parliament on the borrowing
and lending activities
of the Community in 1984**

No 24 July 1985

'EUROPEAN ECONOMY' appears four times a year, in March, July, September and November. The November issue contains the Commission's proposal for the annual report on the economic situation in the Community. This report, which the Council adopts in the fourth quarter of each year, establishes the economic policy guidelines to be followed by the Member States in the year that follows. The November issue also contains the Commission's annual economic review, the background analysis to the proposed annual report. In March and September, 'European Economy' gives a review of the current economic situation in the Community, together with reports and studies on problems of current interest for economic policy. The July issue presents a report on the Community's borrowing and lending activities in the preceding year.

Two supplements accompany the main periodical:

- Series A — 'Economic trends' appears monthly except in August and describes with the aid of tables and graphs the most recent trends of industrial production, consumer prices, unemployment, the balance of trade, exchange rates, and other indicators. This Supplement also presents the Commission staff's macroeconomic forecasts and Commission communications to the Council on economic policy.
- Series B — 'Business and consumer survey results' gives the main results (orders, stocks, production outlook, etc.) of opinion surveys of industrial chief executives in the Community, and other business cycle indicators. It also appears monthly, with the exception of August.

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Abbreviations and symbols used

Countries

B	Belgium
DK	Denmark
D	Federal Republic of Germany
GR	Greece
F	France
IRL	Ireland
I	Italy
L	Luxembourg
NL	The Netherlands
UK	United Kingdom
EC	Total of the Member States of the European Community
EC 9	Community excluding Greece

Currencies

BFR	Belgian franc
DKR	Danish krone
DM	German mark
DR	Greek drachma
FF	French franc
IRL	Irish pound (punt)
LIT	Italian lira
LFR	Luxembourg franc
HFL	Dutch guilder
UKL	Pound sterling
ECU	European currency unit
USD	US dollar
SFR	Swiss franc
Yen	Japanese yen
CAD	Canadian dollar
ÖS	Austrian schilling

Other abbreviations

ACP	African, Caribbean and Pacific countries
ECSC	European Coal and Steel Community
EDF	European Development Fund
EIB	European Investment Bank
EMCF	European Monetary Cooperation Fund
EMS	European Monetary System
ERDF	European Regional Development Fund
Euratom	European Atomic Energy Community
Eurostat	Statistical Office of the European Communities
GDP (GNP)	Gross domestic (national) product
GFCF	Gross fixed capital formation
mio	Million
NCI	New Community Instrument
OCTs	Overseas Countries and Territories
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
SMEs	Small and medium-sized enterprises
SOEC	Statistical Office of the European Communities
toe	Tonnes of oil equivalent

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Methodological comments

I. The ECU

Definition

The ECU is a 'basket-type' currency unit made up of specific amounts of Member States' currencies, determined mainly by reference to the size of each Member State's economy.

In accordance with the Resolution of the European Council of 5 December 1978 on the establishment of the European Monetary System, and in particular Article 2.3 thereof, which provides that the composition of the ECU be periodically examined, the Council on 15 December 1984 revised its composition.¹ Taking account of the underlying economic criteria, the revision includes the drachma in the ECU, in accordance with the Act of Accession of Greece.

From 17 September 1984, the amounts making up the ECU are the following: BFR 3,71, LFR 0,14, HFL 0,256, DKR 0,219, DM 0,719, LIT 140, FF 1,31, UKL 0,0878, IRL 0,00871, DR 1,15.

II. Value of the ECU at 31 December 1984

BFR/LFR (convertible)	44,7168
BFR/LFR (financial)	44,8763
DM	2,23176
HFL	2,51853
UKL	0,609846
DKR	7,98805
FF	6,83069
LIT	1 371,1
IRL	0,715023
DR	91,0428
USD	0,708946
SFR	1,83830
Yen	178,052

III. Balance between borrowing and lending

This report is not an accounting document concerned with depicting the financial balance over time between borrowing and lending for all the instruments examined. That purpose is served by specific documents such as the EIB annual report (together with its balance sheet and details of activities under the special section), the ECSC financial report and, as far as the NCI and Euratom are concerned, Part II of the preliminary draft general budget of the European Communities.

Generally speaking, the imbalance in this report between lending and borrowing is due to the following main factors:

- (i) loans contracted during a particular year may give rise to payments, and thus entail borrowing, only in subsequent years;
- (ii) conversely, funds may need to be borrowed in a particular year in order to pay out loans contracted in previous years;
- (iii) movements in the cash position may produce a temporary increase or reduction in the funds available out of borrowings;
- (iv) lending and borrowing operations give rise to costs, premiums and discounts before settlement;
- (v) the EIB and ECSC have sources of revenue which go into their cash holdings.

In addition, some of the discrepancies between the figures given in the different accounting documents are due to the special methodological features of certain instruments, including:

- (i) the dates on which operations are recorded;
- (ii) the periods for which interim sub-totals are calculated;
- (iii) the dates on which conversion into ECU takes place and therefore the conversion rates applied.

¹ Council Regulation (EEC) No 2626/84 of 15.9.1974: OJ L 247, 16.9.1984.

Foreword

This is the fifth comprehensive report drawn up by the Commission to provide the Council and Parliament with information on the Community's borrowing and lending activities. It covers the year 1984.

It was drawn up to meet the wishes expressed by Parliament on various occasions, and in particular in its resolution on improving political control over the Communities' borrowing and lending activities.²

The report reviews all the borrowing and lending activities of the Community institutions, including those of the ECSC and the EIB, thereby fulfilling the Commission's obligation to inform the Council and Parliament each year about:

- (i) the activities of Euratom, in accordance with Article 4 of the Council Decision of 29 March 1977;³
- (ii) the activities of the NCI, in accordance with Article 6 of the Council Decision of 16 October 1978 (NCI I),⁴ Article 6 of the Council Decision of 15 March 1982 (NCI II),⁵ and Article 7 of the Council Decision of 19 April 1983 (NCI III);⁶
- (iii) the Community aid granted by way of exception for the reconstruction of the regions affected by the Italian

earthquake in November 1980, in accordance with Article 7 of the Council Decision of 20 January 1981;⁷

(iv) the Community aid granted by way of exception for the reconstruction of the regions affected by the Greek earthquakes in February/March 1981, in accordance with Article 7 of the Council Decision of 14 December 1981.⁸

Like the previous reports, this report, which covers the 1984 financial year, provides a complete picture of the borrowing and lending activities of the Community instruments within the Community. It reviews not only the activities of Euratom and the NCI, but also those of the ECSC and summarizes those of the EIB.

It also includes loans granted by the Community in third countries from the proceeds of borrowing on capital markets. These loans concern the ACP States, the OCTs, and the Mediterranean countries linked to the Community through agreements establishing different forms of economic and/or financial cooperation (Maghreb and Mashreq countries, Israel, Cyprus, Malta, Spain, Portugal, Turkey and Yugoslavia).

The ECSC's financial report and the EIB's annual report will, of course, be sent to Parliament and the Council as before.

² Doc. PE 67134 of 5.3.1981; OJ C 287, 9.11.1981.

³ Decision 77/270/Euratom: OJ L 88, 6.4.1977.

⁴ Decision 78/870/EEC: OJ L 298, 25.10.1978.

⁵ Decision 82/169/EEC: OJ L 78, 24.3.1982.

⁶ Decision 83/200/EEC: OJ L 112, 28.4.1983.

⁷ Decision 81/19/EEC: OJ L 37, 10.2.1981.

⁸ Decision 81/1013/EEC: OJ L 367, 23.12.1981.

1. Review of Community lending policy in recent years

Community lending policy has evolved over the years, thus ensuring its adjustment to a changing economic and financial environment. Apart from the institutional changes, such as the creation of Euratom or the NCI, moves were made to diversify the lending system; here we shall mention two examples only:

(i) the development of global loans which has made it possible to finance small and medium-sized investments in industry and infrastructure which meet the Community's regional and energy policy objectives;

(ii) the diversification of the lending formulae offered by the EIB which in 1984 was to result in the grant, in limited amount, of variable rate loans.

1.1 The scale of Community loans

Community loans as a whole expanded sharply from 1975 to 1984, increasing from 1 722,4 to 7 206,4 million ECU. The buoyancy of 1975 and 1976 was connected with the

first enlargement, which led to a development of the EIB's regional assistance and the expansion of the ECSC's activities, while the vigorous activity of 1978 to 1980 was in response to the call by the Rome European Council in March 1977 to step up financing activities which was to lead to the expansion of the EIB's activities and the creation of the NCI.

After falling back in 1981, lending activity picked up again in 1982 as a result of several institutional and economic factors, notably the accession of Greece and the increase in influence of the NCI connected with its extension to SME projects.

Nevertheless, this expansion must not mask the modest impact of the loans on various macroeconomic aggregates, though this impact is far from negligible for certain countries (Ireland) or regions (Mezzogiorno) or in certain sectors (energy).

The table below shows, first, the effect of loans, taking all instruments together, on GDP and GFCF in 1984 and secondly, on the basis of the statistical data now available by branch, the average effect from 1975 to 1981 of loans—excluding reconstruction loans—on GFCF excluding housing and non-market services, and the effect of loans for energy and to the productive sector on the GFCF of the branches: energy-generating products and industrial products.

Table 1

Effect of loans on GDP and GFCF

	1984		Average 1975-81 ¹		
	Total loans/GDP	Total loans/total GFCF	Total loans excluding TT/GFCF excluding housing and non-market services ²	Energy loans/energy GFCF ³	Productive sector loans/industry GFCF
B	0,13	0,8	1,1	11,7	0,9
DK	0,47	2,7	0,8	6,6	1,6
D	0,05	0,3	0,3	1,7	0,6
GR	0,83	4,2	—	—	—
F	0,24	1,2	0,6	2,6	1,0
IRL	0,79	3,6	7,7	27,3	8,5
I	0,70	3,9	2,5	7,8	3,9
L	2,11	9,2	4,6	—	14,5
NL	negl.	negl.	0,1	0,3	0,5
UK	0,19	1,1	1,8	4,4	2,7
EC 10	0,26	1,4			
EC 9			1,0	3,9	1,7

¹ Excluding Greece, and excluding Denmark in 1981.

² TT: earthquakes.

³ The effect of loans must be qualified by the fact that they include infrastructure projects not included in the GFCF of the energy sector.

1.2 The objectives

1.2.1 Regional development

Almost two-thirds of EIB and NCI loans in the Community from 1979 to 1984, i.e. almost 15 640 million ECU, were used to assist the development of the poorest regions, mainly in Italy (50,9%), the United Kingdom (16,1%), Ireland (11,4%), France (10,4%) and Greece (8,8%).

Examination of the assistance given to three priority regions—Greece, Ireland and the Italian Mezzogiorno—shows that in the past the bulk of regional assistance went to infrastructure projects (of which approximately half went into telecommunications).

The share of the productive sector has, on the whole, tended to decline since 1978, accounting for almost a quarter, on average, of regional assistance, while energy loans have been expanding, in line with the priority conferred on them at Community level.

An examination of regional assistance given to the Community as a whole confirms the importance of transport and above all telecommunications infrastructure (almost three-quarters of loans) but also of energy production and transmission, water supply, irrigation and water purification. For the Community as a whole, the productive sector's share has climbed progressively since 1981 because of the expansion of global loans for SMEs in regions in receipt of aids for regional development.

The financial impact of regional loans is far from negligible: in Greece, since her accession, they have accounted for some 4,5% of total GFCF; in Ireland, 7,4% from 1979 to 1984; and some 5,7% (1977 to 1980) of GFCF excluding construction and non-market services in the Mezzogiorno.

1.2.2 Infrastructure

Although it has dropped back since 1978, transport and communications still retains a significant position since it accounts for approximately a quarter of all infrastructure loans. Over 65% of loans went to road infrastructure.

Water engineering projects have been substantially increased, accounting for almost one-third of loans.

Telecommunications seems to have declined somewhat since 1978, to the advantage of water engineering and miscellaneous infrastructure projects, often connected with energy. Its share is in the region of 30%. Most operations, generally

for the extension of telephone and telex networks, have helped the regions to make up lost ground.

Although the bulk of infrastructure projects is governed by the regional objective, almost 1 300 million ECU in loans has nevertheless gone since 1978 to infrastructure projects of Community interest. These loans have helped to improve links between Community countries (motorways, rail links, telecommunications) or, especially in the last two years, have been used to assist investment in environmental protection.

1.2.3 Energy

This has been one of the main areas of Community assistance since 1978. The development of internal resources has absorbed some two-thirds of the assistance which the various Community instruments have devoted to energy. Nuclear energy has been the chief beneficiary; the rest is divided almost equally between loans for more conventional sources of energy associated with hydrocarbons and the extraction of solid fuels and assistance for the building of thermal, hydroelectric and more recently geothermal power stations. With a view to diversifying imports, Community loans have also contributed to energy transmission, primarily through the construction of gas and oil pipelines.

Lastly, the drive to use energy efficiently, which in recent years has accounted for some 20% of all EIB/NCI loans responding to the energy objective, must not be underestimated. Apart from conversion to coal and the production of new types of energy, loans for this purpose have permitted energy saving in industry (notably in refineries and cement works) and in building (mainly in the form of district heating and solar panel installations). Many of the loans have been channelled into small-scale equipment projects and investment in industry, generally in the form of global loans.

1.2.4 The productive sector

The breakdown of lending to the productive sector in the last 10 years by the various Community instruments is substantially influenced by the ECSC's sectoral orientation: almost half of all loans went to the steel industry, the extractive industries and the production and first-stage processing of metals. Some 46% of loans to the productive sector come under the ECSC and three-quarters went to the steel industry.

If ECSC conversion loans only and EIB and NCI loans are considered, the share of these industries is no more than some 17%. The automobile, transport equipment, food-stuffs, chemicals and building materials industries by contrast account for over 40% of all loans.

ECSC conversion loans differ from those associated with the instrument's traditional orientation since the iron and steel, metal goods and mechanical engineering industries have since 1978 accounted for only a little over 20% of all conversion loans.

EIB and NCI loans are more diversified. Individual loans are heavily concentrated in the automobile and transport equipment, metal goods and mechanical engineering, and food industries. Two industries which traditionally receive assistance, chemicals and the extractive industries, have dropped back in relative terms.

The sharp increase in the number of enterprises financed out of global loans (EIB-NCI) was accompanied by a wide diversification among industries. Two branches, metal goods and mechanical engineering, and foodstuffs, received 10% or more of all assistance with over 3 400 credits and almost 1 030 million ECU out of a total of 9 100 credits and almost 2 900 million ECU. The motor industry's share of global loans is far smaller; the relatively traditional industries take a greater share.

1.3 Attractiveness of Community loans

Apart from possible interest subsidies (ECSC, earthquake reconstruction, EMS from 1979 to 1983), a variety of factors make Community loans attractive:

(i) The excellent credit rating enjoyed by Community bodies under their four labels on the capital markets, which enables them to borrow on the best terms, and their non-profit-making nature which means that the intermediation cost is low.

This is an advantage to borrowers who, for a variety of reasons, and notably size, do not have access to the capital markets and to those who, even though they do have access, may find it advantageous to diversify by borrowing through the Community.

(ii) Even more advantageous interest rates may result from the machinery for guaranteeing against exchange risks which some Member States have introduced at their own cost.

(iii) Lastly, for certain countries or borrowers, indebtedness to the Community may be attractive because it is a potential source of stable and regular financing, independent of the uncertainties of the markets and enabling borrowing to be diversified.

The Community's lending activity in recent years has, within the quantitative limits imposed on it, satisfied its assigned

objectives while demonstrating its ability to adapt to the economic and financial environment.

Its future will clearly depend on the evolution of the demand for loans, a prime area for the interaction of a variety of factors outside Community control, but also on the Community's future efforts to promote and extend common policies.

2. Investment in the Community

2.1 An uneven recovery

In 1984, gross fixed capital formation in the Community totalled 582 500 million ECU at current prices and purchasing power parities, an increase of 7.8% on 1983; it represents 18.7% of the Community's gross domestic product at market prices. In 1983 the nominal variation in capital spending was due exclusively to the rise in the index for prices of fixed capital goods and actually concealed a slight fall in volume, whereas the increase observed in 1984 reflects a volume growth of 2.1%.

After declining or remaining stationary for three years in succession, investment started to pick up noticeably in 1983 with the beginnings of a recovery in the third quarter gaining strength in the closing months of the year, and taking a firm hold in 1984, particularly in the second half of the year.

In 1984, exports and investment were the most buoyant components of final demand. Until mid-1983, the growth which was beginning stemmed primarily from private consumption, but after that date investment was to become the main engine of expansion, with the vigorous growth of exports underpinning its recovery by stimulating investment in the exporting industries. The effects of this recovery nevertheless varied in scale from country to country.

In Ireland and Luxembourg investment continued to decline, in the first case because of the cut-back in public investment in building and construction and in the second case because the expansion of industrial investment was curbed by the financial problems of the steel industry.

In France the decline in housing investment was particularly severe because financial saving became more attractive while industrialists cut back their plans in the face of the sluggishness of domestic demand. As a result, a very poor outturn was recorded.

In Greece the appreciable fall in the building of private housing goes some way towards explaining the decline in investment.

Table 2**Investment in the Community***(annual growth rate in volume terms)*

	1983/82			1984/83		
	Total	Construction	Plant and machinery	Total	Construction	Plant and machinery
Belgium	-6,4	-4,4	-9,7	4,9	0,9	12,0
Denmark	3,2	3,6	2,8	12,4	11,0	14,3
Germany	3,1	0,9	6,1	1,3	1,5	1,0
Greece	-1,4	5,4	-8,7	-1,7	-5,5	3,0
France	-2,1	-2,6	-1,9	-1,7	-5,4	0,2
Ireland	-7,7	-9,6	-5,6	-1,4	-5,5	3,0
Italy	-5,2	-1,9	-9,1	1,9	0,8	3,3
Luxembourg	-7,5	-7,1	-8,4	-1,4	-3,3	2,6
Netherlands	1,1	-0,7	4,5	3,6	0,7	8,6
UK	4,0	4,3	3,7	6,9	7,7	5,9
EC 10	-0,1	0,2	-0,5	2,1	1,4	2,8

	Aggregate investment ratio (as % of GDP)		Public investment as a proportion of total investment (%)	
	1983	1984	1983	1984
Belgium	15,8	16,2	19,1	16,9
Denmark	16,3	17,5	13,9	11,9
Germany	20,8	20,5	12,7	12,2
Greece	20,5	19,9	15,9	19,4
France	19,6	18,9	15,5	15,6
Ireland	22,7	21,9	19,4	19,3
Italy	18,0	17,9	23,9	24,9
Luxembourg	23,8	23,0	27,6	26,5
Netherlands	18,2	18,3	15,0	14,6
UK	16,4	17,3	11,7	11,7
EC 10	18,8	18,7	15,6	15,6

Source: Commission estimate.

2.2 The locomotor role of industrial investment

The improvement observed is essentially due to investment in plant and machinery which has grown in volume terms by 2,8%. The increase reflects the upturn in industrial investment, attributable to three different factors:

(i) the improvement in the financial situation of companies due to the combined effect of wage moderation and the improvement in the terms of trade: this was reflected in the

recovery of profit margins, improved liquidity and better profit prospects as evidenced by the greater confidence of managements shown in the 1983-84 surveys. According to the most recent surveys, the upturn in investment in European industry is likely to continue and gather strength in 1985;

(ii) the ageing of the stock of fixed capital in the Community in recent years which created the need for replacement with more advanced technology;

(iii) the increased use of productive capacity in numerous branches of industry.

The improvement in plant and machinery investment was particularly significant in Belgium, Denmark, the Netherlands and the United Kingdom. The satisfactory performance in the United Kingdom, primarily due to more favourable profitability prospects, took place against a background less depressed than that prevailing in most of the other Member States, because, since 1982, the growth of fixed investment there has averaged over 5% a year in volume terms. Results were disappointing in Germany, because of strikes, notably in the metal-working and printing industries, and in France.

Measures to promote the dynamism of enterprises and to boost the effectiveness of their investment were initiated or proposed in 1984.

Thus the Commission presented tax harmonization measures designed to improve the environment for companies and their competitiveness: the period for the carry-back of losses to previous years was limited to two years and the possibility was introduced of a zero capital duty. In order to improve the operation of the internal market, the Commission also recommended various measures designed to increase competition in the main transport and credit services and to open up new public equipment contracts.

Lastly, in addition to measures aimed at making the Community's legal environment more favourable to the formation of groups of enterprises engaged in projects of common interest, the Commission proposed the reduction and simplification of customs formalities and the harmonization of technical standards.

Several countries also initiated programmes to alleviate taxation: these generally provided for a reduction in company taxation, surtax and social security contributions, and measures to assist small or new firms.

2.3 The modest recovery of investment in construction

The growth in GFCF in construction, although showing a relative improvement on 1983, has proved modest: 1.4% in volume terms.

Housing investment expanded rapidly only in Denmark and the United Kingdom. In the latter country, the timetable for investment programmes was probably modified and accelerated in order to benefit from certain temporary tax advantages on the point of being withdrawn.

In Germany, despite investment subsidies, results were disappointing, especially in the second half of 1984.

Everywhere else, investment in construction was virtually static (increase of under 1% in volume) or down, and close to collapse in France and Greece.

All in all the construction sector has therefore remained depressed, under the combined effect of the high level of real interest rate and cuts in public investment.

Despite a slight acceleration in 1984, when its nominal growth rate reached 7.6% compared with 6.5% in 1983, general government GFCF was limited. It reflects the moves initiated in 1982 to improve budget balances by limiting and restructuring public expenditure.

In comparison with 1983, public investment stabilized or even recovered slightly in Denmark, the Netherlands and Ireland. The vigorous growth observed in Greece did not, however, prevent a drop in that country's total GFCF.

3. Developments and changes of emphasis in lending policy in 1984

3.1 The New Community Instrument (NCI): the second tranche of NCI III

On 19 April 1983, the Council adopted a decision empowering the Commission to contract NCI loans up to a limit of 3 000 million ECU (NCI III). Two months later, on 13 June 1983, it decided to open an initial tranche of 1 500 million ECU.

In view of the fact that at mid-December 1983, loans signed under this initial tranche totalled 400 million ECU, that the number of projects approved and under examination exceeded 600 million ECU and that as a result the applications declared eligible by the Commission were close on 1 000 million ECU or two-thirds of the tranche, the Commission on 26 January 1984 was to present the Council with a proposal authorizing a new 1 400 million ECU tranche of borrowing.

The field of application adopted for this new tranche was to be identical with that of the former one. The most that can be said is that the Commission, anxious to define its field of action more clearly, indicated a more definite order of priority. Article 3 of what was to become Council Decision

84/383/EEC of 23 July 1984,⁹ after consultation with Parliament, mentions first of all investment projects, mainly those of small and medium-sized undertakings, in industry and directly allied services. Confirmation of this priority does not, however, rule out the possibilities, already existing under the initial tranche, of financing the investment projects of large industrial enterprises if they are the result of cooperation between enterprises of different Member States and use advanced technologies.

In the energy sector, special attention is maintained for projects for the rational use of energy and in infrastructure for projects associated with the development of productive activities.

At the end of 1984, loans signed under this second tranche stood at 302.3 million ECU, and projects approved by the EIB at some 650 million ECU, in total representing almost 1 000 million ECU in applications declared eligible, or 70% of the tranche.

3.2 Euratom

The Council Decision of 15 March 1982 (82/170/Euratom), which increased to 2 000 million ECU the total amount of loans that may be contracted, stipulates that, when the total value of the transactions effected reaches 1 800 million ECU, the Commission is to inform the Council, which, acting unanimously, will decide on the fixing of a new amount.

Since the level reached on 31 October was 1 777 million ECU, the Commission sent to the Council in December¹⁰ a proposal raising from 2 000 million ECU to 3 000 million ECU the total amount of loans it is empowered to contract.

3.3 European Coal and Steel Community (ECSC)

In the course of the year, the Commission laid down the procedures for applying the new operating principles for ECSC conversion loans (Article 56 of the ECSC Treaty) drawn up in July 1983.¹¹ It adapted to the measures for restructuring the ECSC industries the social clause whereby the recipient of a conversion loan undertakes to give priority in recruitment to former ECSC workers in exchange for an

interest subsidy. The clause was relaxed for the ECSC areas hardest-hit by the crisis in the industry but tightened up for the other areas.

3.4 European Investment Bank (EIB)

3.4.1 Finding endorsed by the Board of Governors: background and objectives

On 4 June the EIB Board of Governors endorsed the Board of Director's findings relating to some aspects of EIB lending policy; these include the ceiling on EIB financing viewed in the light of other forms of Community financing (cf. point 3.6 below), its lending in the industrial sector, environmental protection, international competitive tendering for the supply of goods and services for projects being financed by it and recourse for a trial period to floating-rate borrowing and lending.

It would be useful to recall the background to some of these findings and the objectives to which they correspond:

Industry and advanced technology

Some new factors now determine the comparative advantage enjoyed by advanced industrial economies: the size of the internal market, human capital, technological progress.

Investment in high-technology sectors and the introduction elsewhere of the most efficient technologies available are of prime importance if businesses are to become more competitive.

The future of European industry in the medium and in the long term will depend on its ability to manufacture and disseminate advanced technology products and to develop new production processes.

The Community must therefore find appropriate ways of promoting investment with a high-technology content, the financing of which poses special problems. It was with this in mind that the EIB Board of Governors endorsed the findings of its Board of Directors.

Environmental protection

The major importance attaching to the concern felt in the matter of environmental protection is now apparent. The fact that problems of environmental pollution transcend national frontiers means that they can be adequately dealt with only through joint action.

⁹ OJ L 208, 3.8.1984.

¹⁰ Doc. COM(84) 691 final of 7.12.1984.

¹¹ OJ C 191, 15.7.1983.

The Commission put forward proposals for measures to strengthen and gradually to harmonize the national rules and policies in force. Through the regulations and directives it adopted, it set in place the legal and normative framework essential to joint action. Witness, for example, the recent adoption by the Council, on 28 June, of the directive on the combating of air pollution from industrial plants. The Commission also set its sights on a policy of prevention, the practical effect of which would be to devise more efficient technologies to combat pollution. In this connection, it made available financial assistance for demonstration projects aimed at developing new technologies which cause little or no pollution in industry. In addition to ensuring strict application of the national and Community rules in force, the Community and the EIB will provide appropriate financial incentives in a bid to make promoters more alive to the importance of certain items of anti-pollution equipment.

Competitive tendering

By ensuring that goods and services are supplied on the best possible terms, competitive tendering reinforces the unity of the internal market and enhances the economic effectiveness of investment while encouraging the growth of dynamic firms.

By way of Directives 71/305 and 77/62 (the latter being supplemented by Directive 80/767), which concern public-works contracts and public-supply contracts respectively, the Commission has attempted to harmonize and make more transparent the procedures for awarding public contracts.

In practice, however, only a small proportion of public contracts is open to competitive tendering. The directives in question do not apply to contracts awarded by public-law undertakings providing transport services or active in the production, supply and transportation of drinking water and energy or in the field of telecommunications. The Commission would like to see the number of such exceptions reduced. An encouraging development here is the Council Recommendation of 12 November 1984 concerning the first phase of opening up access to public telecommunications contracts, the purpose of which is to ensure that the telecommunications administrations provide opportunities for undertakings from other Member States to tender for certain terminals and equipment contracts, to the tune of at least 10% in value of their annual orders.

Together with the legal measures being taken in this field, promoters must be made more aware of the need for competitive tendering. In the case of the EIB, this can be done on the basis of Article 20(5) of its Statute, which states that it may make loans conditional on international invitations to tender being arranged.

3.4.2 EIB operations under the third Lomé Convention

Under the third Lomé Convention, signed on 8 December 1984, the EIB may make available out of its own resources to the ACP countries and to the Overseas Countries and Territories loans amounting to not more than 1 120 million ECU.

It has also been instructed to manage on behalf of the Community an amount of 615 million ECU from the resources of the European Development Fund that has been allocated as assistance in the form of risk capital (600 million ECU for the ACP countries and 15 million ECU for the Overseas Countries and Territories).

Projects and programmes involving productive investments in industry, tourism and mining and in the related fields of energy generation, transport and telecommunications are financed first and foremost by way of EIB loans out of own resources and risk capital. Special importance is also attached to relaunching, upgrading, rehabilitating or restructuring projects which are economically viable but temporarily idle or not generating a return, as well as to maintaining equipment and securing the continued existence of undertakings. Much more so than in the past, cooperation should focus on providing assistance for the starting up or rehabilitation of such undertakings.

3.4.3 Continuation of financial cooperation with Spain and Portugal

The financial cooperation with Spain and the pre-accession aid for Portugal were extended for the period from 1 July 1983 to 30 June 1984, the respective amounts involved being 100 million ECU and 75 million ECU. Following decisions taken by the Council on 18 June and 17 September, the EIB Board of Governors authorized it to continue both arrangements for the period from 1 July 1984 to 31 December 1985, the maximum amounts involved being 250 million ECU in the form of loans for Spain and 150 million ECU for Portugal.

3.5 Innovation and risk capital: Community policy initiatives and limitations

Against the background of changes in the international division of labour, the introduction and spread of innovation are essential if the European economy is to become more competitive and is to adapt its production structures. In the field of advanced technologies, the Community must set about ridding itself of a nascent sense of inferiority *vis-à-vis*

the United States and Japan, as witnessed in its flagging performance on international markets in computers, micro-electronics and information-technology equipment.

The Commission was very quick to recognize the constraints that SMEs in particular face when it comes to financing innovative investment. The constraints are two-fold and stem from:

- (i) the actual characteristics of this type of investment: high risk, delay in return and need for a large market;
- (ii) the characteristics of SMEs: under-capitalization, difficulties in gaining access to the capital market, and inadequate guarantees.

The Commission has thus taken steps not only to foster innovation but also to rectify the dearth of equity capital in the case of SMEs. These have included two original initiatives:

- (i) the proposal for a European Innovation Loan;
- (ii) promotion of a European agency specializing in risk capital.

3.5.1 Financing of innovation

On 7 June 1983 the Commission proposed an original financing formula that combined an incentive to finance innovation and the injection of equity capital: the European Innovation Loan.

Such loans, which would benefit from an interest moratorium for the first few years, were to be financed out of resources from borrowing (special NCI tranche of 100 million ECU) and out of budget resources (guarantee and financing of the moratorium).

They could be granted to a business via a financial intermediary only if the latter, at the same time and at its own risk, granted to the business an equivalent amount either as own funds or as finance with characteristics close to those of the European Innovation Loan. They could also be granted to a financial intermediary if it used the proceeds to provide capital for innovative SMEs and if it provided a similar amount in the form of a shareholding or in equivalent form.

Parliament had strongly supported the proposal. However, the Council's deliberations, which began in the autumn of 1983 and centred essentially on the proposal's budgetary impact, had not produced any agreement by June 1984 in spite of an attempt to secure a compromise that would have

minimized the cost to the budget. The Commission has been attempting since to find ways and means of using the 100 million ECU remaining from NCI III.

3.5.2 Initiative to promote risk capital: plan to establish a European agency

In spite of a generally satisfactory saving capacity in most Member States, the financial positions of businesses, while differing from one Member State to another, present a heavily lopsided picture, with equity capital representing an extremely small proportion of total resources as compared with borrowed funds.

This undercapitalization of European businesses, the degree of which also varies between Member States, is a reflection of the inadequate flows of savings being channelled to them. The reasons are manifold: the 'crowding-out' effect of budget deficits, unsatisfactory functioning of stock markets and the absence of adequate links between them at European level, tax treatment of shares, high liquidity of savings and poor profitability of businesses, etc.

The Commission has expressed concern that not enough savings are being injected into businesses in the form of risk capital. In its communications on financial integration and on tax and financial measures in favour of investment, it proposed that normative, structural and tax measures be taken to improve the way in which capital markets operate and to promote the creation of a European market for risk capital. Its proposal for a 'European Innovation Loan' and the impetus it has given to the establishment of a European Venture Capital Association (EVCA) are designed with this same aim in mind.

In 1984, as financial and industrial circles in Europe began to take an interest in the matter, it was the prime mover behind a specific initiative in favour of risk capital.

Since savings have so far been mobilized as borrowings on international bond markets and via the international banking system, and since existing financial institutions providing risk capital normally confine their activities to a particular country, the Commission has attempted to promote the establishment of a European Industrial Finance Company (EIFC).

This company, to be set up as a kind of prototype outside the Community's institutional framework, would be an additional source of equity capital, fostering projects in the European interest or aimed at European cooperation, such as transnational industrial projects, notably involving SMEs, or high-technology infrastructure projects.

The company, which will operate in accordance with market principles, will deal, essentially through the acquisition of temporary or minority shareholdings.

With a capital initially subscribed by the founding members, it would be capable of borrowing on capital markets. By providing risk capital and know-how alike, such a company should be in a position to promote the development, and keep track of, transnational projects while at the same time fostering growth of the market, which is small compared with that in the United States.

3.6 Community coordination of borrowing and lending operations

There is a manifest need for proper coordination both in raising funds and in granting loans if the Community's different financial instruments, whether they come under the EIB or the Commission, are to function effectively.

On the borrowing side, coordination of the Commission's and the EIB's activities results not only from the decision-making procedures set in place but also from joint meetings, some of which are given over to a regular examination of their expected public and private borrowing programmes and thus make it possible to coordinate the size and timing of issues to be floated by them on the various capital markets.

A similar need for coordination must govern lending operations. Three points should be noted here:

(i) Coordination of the various sources of Community financing is necessary especially as their expansion may increase the number of cases in which there is an overlapping of financing from different sources for a particular investment project. The findings endorsed by the EIB Board of Governors and referred to at point 3.4.1 above concern among other things the question of overlapping, which until then had been resolved in pragmatic fashion. The arrangements agreed between the EIB and the Commission involve the imposition of ceilings on Community assistance equal to 50 % of total project costs in the case of loans, whether granted under one or more instruments, and 70 % in cases where a loan is twinned with a grant. Subject to justification being provided, higher levels of Community financing might be authorized for infrastructure projects in assisted regions and for other priority projects (mainly cooperation projects between firms from different Member States or projects to combat pollution) if their implementation would otherwise be jeopardized or seriously delayed.

(ii) The granting of global loans for certain industries or products going through a difficult period, and hence subject

to strict control at Community level (e.g. State aids), is closely coordinated with the EIB. Efforts are at present under way to reinforce this approach for all Community financial instruments. In the case of larger-scale projects, coordination should be further stepped up in the case of industries beset by difficulties, in order to tailor financing to the adjustment efforts being made by Member States.

(iii) On the more specific matter of coordination between EIB and NCI loans, the fact that investments by SMEs now enjoy access to NCI lending has resulted in a geographical division of responsibilities. While the EIB provides assistance in areas qualifying for regional aids, the NCI specializes in granting loans for productive investments outside such areas.

4. Borrowing

4.1 Situation on capital markets in 1984

4.1.1 General

The pronounced recovery in activity, notably in the volume of bond issues, and the slight easing of interest rates that were discernible in 1983 continued in 1984. Gross international bond issues totalled 124 000 million ECU, up 86 % on 1983. In net figures, i.e. less redemptions, the increase was even more marked. In comparison, private international placings rose only slightly (10 %)¹² while the volume of new international syndicated loans and credits remained virtually unchanged and was overtaken, for the first time, by the total volume of international bond issues.

These developments can be put down to the preferences shown by investors and to the cautious approach on the part of credit institutions engaging in lending. As in the previous year, the latter were very wary of lending to certain countries and regions in difficulties or in the process of rescheduling their debts, for which syndicated credits are virtually the only source of private international finance. In 1984, however, debt-rescheduling exercises were, in many cases, brought to a successful conclusion and sources of finance were once again open to certain debtor countries. The success enjoyed by bond issues was attributable to buoyant demand from the public, which, anticipating an easing of interest rates and a fall-off in inflation, was keen to take advantage of the still favourable conditions for investors.

¹² This does not tell the whole story since only some of the international private placings made are included in the statistics.

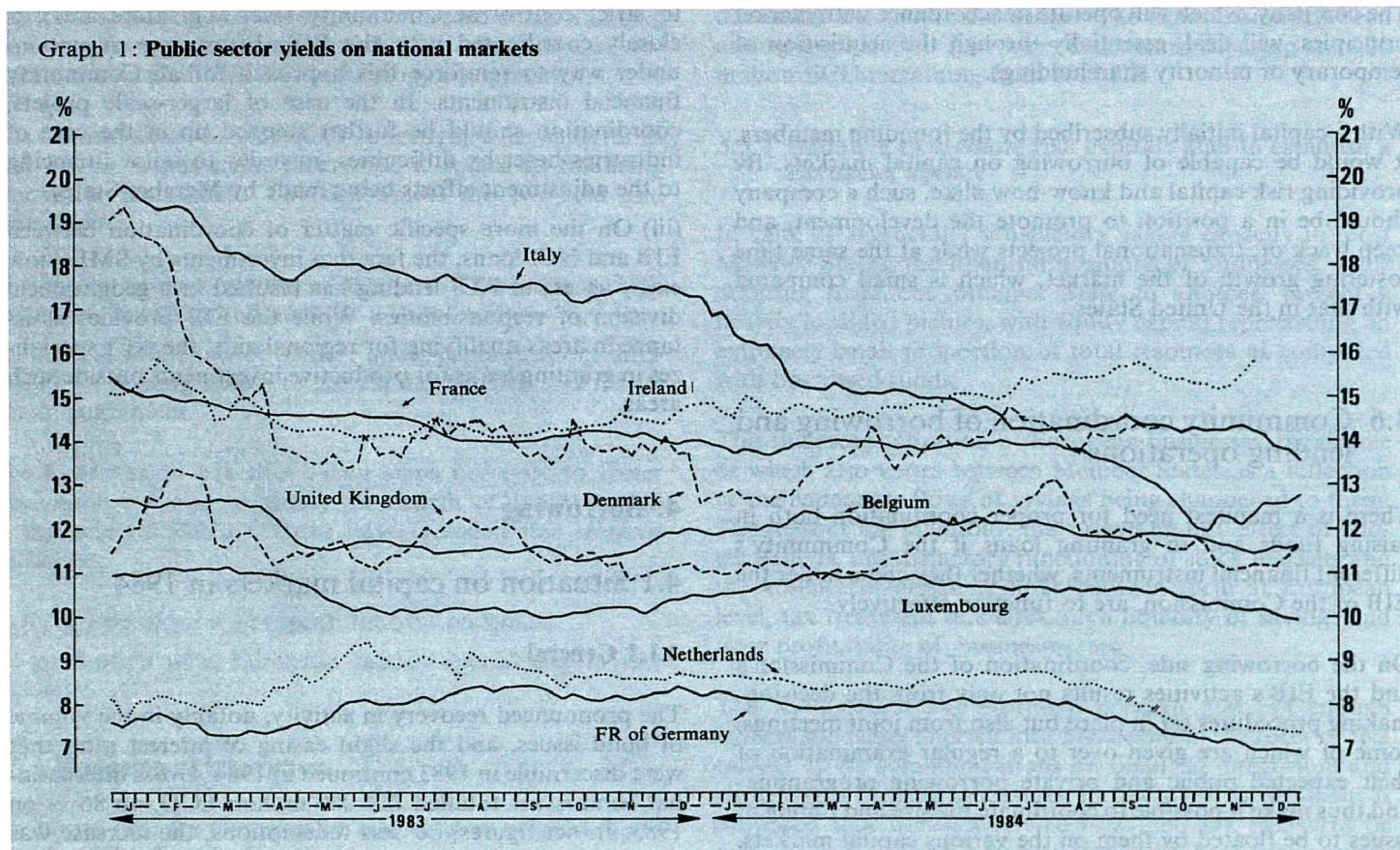


Table 3

Volume of international capital markets, 1983-84

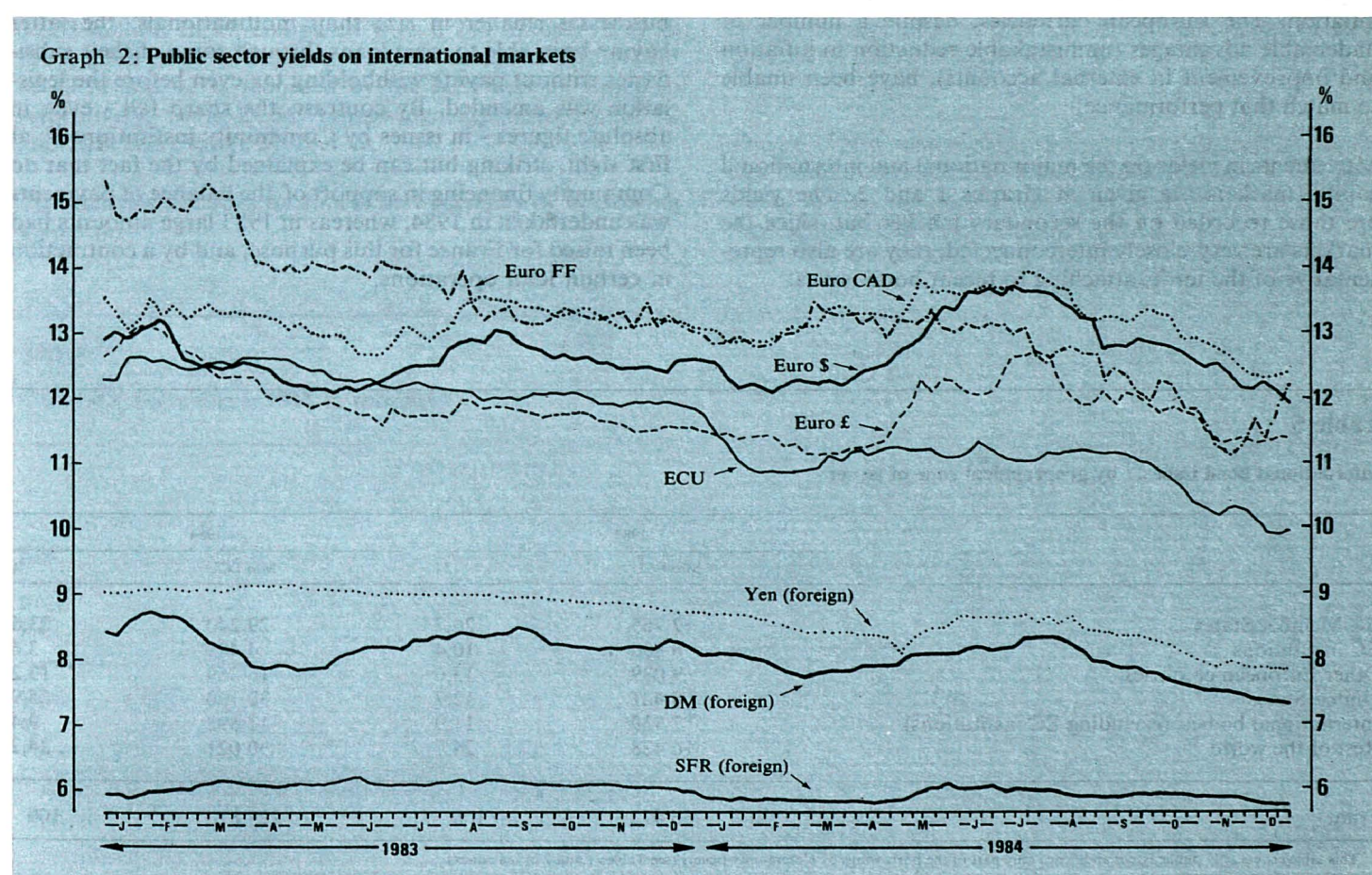
	1983	1984	% change
<i>(million ECU)</i>			
International bond issues			
Eurobonds (international syndicates)	50 822	101 361	+ 99,4
Conventional foreign bonds	15 650	22 452	+ 43,5
Total (gross)	66 472	123 813	+ 86,3
Total (net, i.e. less redemptions)	53 423	110 001	+ 105,9
Private placings recorded (gross)	12 612	13 858	+ 9,9
International syndicated credits and loans (gross)	67 062	68 172	+ 1,7

Source: Commission departments.

Table 4**International bond issues, by currency**

	USD	DM	SFR	Yen	UKL	ECU	Other
<i>1983</i>							
In Mio ECU	41 742	6 406	5 614	3 735	3 162	1 930	3 883
As % of total	62,8	9,6	8,4	5,6	4,8	2,9	5,9
<i>1984</i>							
In Mio ECU	88 348	7 189	5 878	6 420	6 984	3 240	5 754
As % of total	71,4	5,8	4,7	5,2	5,6	2,6	4,7

Source: Commission departments.



4.1.2 Currencies of borrowing and interest rates

While international syndicated credits are denominated almost exclusively in US dollars, the breakdown of international bond issues is more varied. Nevertheless, the dollar again increased its share of new international bond issues in 1984, to over 70 %. This performance was matched, although from a much lower starting position, only by sterling issues, as a number of currencies traditionally used for international issues experienced a distinct fall-off in activity (DM, SFR). Bond issues denominated in ECU made healthy advances as evidenced among other things by their breakthrough into the US market in the shape of the 200 million ECU loan floated by the EEC at the end of the year. In relative terms, however, their share fell a little (to 2,6 %).

The success of dollar-denominated issues is presumably tied up with the dollar's very robust performance on the exchanges brought about by the extremely high level of real interest rates, and this in spite of growing payments and budget deficits. The public appears to have had considerable confidence in the US currency, buttressed as it has been for a number of years by vigorous economic growth coupled with low inflation. The European currencies, despite a number of undeniable advantages (unmistakable reduction in inflation and improvement in external accounts), have been unable to match that performance.

Movements in yields on the major national and international capital markets are given in Graphs 1 and 2. The yields are those recorded on the secondary market but, since the markets are very closely interconnected, they are also representative of the terms attaching to recent bond issues.

The rates offered on international markets especially, but also on national markets, were heavily influenced by interest rates in the United States, which can be regarded as being very high given the low rate of domestic inflation, the curtailed growth in monetary aggregates and the dollar's sound performance on the exchanges. Although interest rates at the end of the year were lower than at the beginning, the decline was not a steady one. Indeed, the trend was distinctly upwards at times (especially towards the middle of the summer). These movements were quite closely reflected in the rates on all major European markets. It was only in Italy, where the capital market is, however, very partitioned off from markets elsewhere that rates followed a fairly steady downward path.

4.2 Community borrowing in 1984

The buoyant growth of the market as a whole benefited borrowers everywhere, but it was in the United States that they took particular advantage of the abundant supply of capital. For them, the abolition of withholding tax may have given a fillip to international issues, particularly by businesses smaller in size than multinationals, the latter having been able to issue loans through some of their subsidiaries without paying withholding tax even before the legislation was amended. By contrast, the sharp fall - even in absolute figures - in issues by Community institutions is, at first sight, striking but can be explained by the fact that no Community financing in support of the balance of payments was undertaken in 1984, whereas in 1983 large amounts had been raised for France for this purpose, and by a contraction in certain loan operations.

Table 5

International bond issues,¹ by geographical zone of issuer

	1983		1984	
	Mio ECU	%	Mio ECU	%
EC Member States	17 765	26,7	29 240	23,6
EC institutions	6 880	10,4	4 481	3,6
Other European countries	9 039	13,6	16 359	13,2
United States	8 421	12,7	32 120	25,9
International bodies, (excluding EC institutions)	7 939	11,9	11 592	9,4
Rest of the world	16 428	24,7	30 021	24,2
Total	66 472	100	123 813	100

¹ This table covers only public issues and hence only part of the borrowings by Community issuers (see Tables 1 and 2 in the annex).

Table 6

Trend of borrowing by Community institutions

Year ¹						(million ECU)
	ECSC	EIB ²	Euratom	NCI	Total	
1975	731	814			1 545	
1976	956	732			1 688	
1977	729	1 030	99		1 858	
1978	981	1 863	72		2 916	
1979	837	2 437	153	178	3 605	
1980	1 004	2 384	181	305	3 874	
1981	325	2 243	373	339	3 280	
1982	712	3 146	363	773	4 994	
1983	750	3 508	369	1 617	6 244	
1984	822	4 050	214	967	6 053	

¹ Up to 1982, the series are for borrowings signed during the year under all the instruments. The 1983 figures for the ECSC, Euratom and the NCI represent borrowings collected during the year. As a result of this change in method, a 200 million dollar borrowing under the NCI was counted both in 1982 and 1983.

² The EIB also raises funds by selling participations in EIB loans to third parties; the limited amounts involved (662 million ECU between 1973 and 1984, of which 22 million ECU in 1984) are not included in the figures given. In 1984, it also issued floating-rate notes (commercial paper) totalling 189,1 million ECU and short-term notes worth 100 million ECU, bringing total borrowings collected in 1984 to 4 360,9 million ECU.

Total borrowings by Community organizations in 1984 was 6 053 million ECU, compared with 6 244 million ECU in 1983, a fall of 3 %. This was due essentially to the declines of 40 % and 42 % recorded by the NCI and by Euratom respectively, while ECSC borrowings expanded by 9,7 % and EIB borrowings by 15,4 %.

The analysis of issues by source and currency of borrowing shows that:

(i) Issues denominated in Member States' currencies expanded significantly, accounting for 68,6 % of borrowings, compared with only 55 % in 1983.

The ECU now ranks second in the list of Community currencies behind the DM and before the HFL. The amount raised in ECU more than doubled between 1983 and 1984, representing 16,6 % of total borrowing.

Table 7

Community borrowing in 1984, by currency

	Community currencies										Other currencies					Subtotal	Total
	DM	HFL	UKL	FF	LFR	BFR	LIT	ECU	Subtotal	USD	SFR	Yen	CAD	ÖS			
	EIB	632,3	479,4	284,9	174,9	27,1	153,2	108,3	455,0	2 315,1	1 066,0	322,6	346,0	—	—		
Euratom	—	28,6	—	—	19,0	89,4	—	—	137,0	—	49,0	28,1	—	—	77,1	214,1	
ECSC	458,0	16,9	10,7	12,7	48,7	19,5	—	190,0	756,5	—	66,0	—	—	—	66,0	822,5	
NCI	138,9	166,9	223,8	—	—	55,9	—	360,0	945,5	21,2	—	—	—	—	21,2	966,7	
Total	1 229,2	691,8	519,4	187,6	94,8	318,0	108,3	1 005,0¹	4 154,1	1 087,2	437,6	374,1	—	—	1 898,9	6 053,0	
%	20,3	11,4	8,6	3,1	1,6	5,2	1,8	16,6	68,6	18,0	7,2	6,2	—	—	31,4	100	

¹ The reason for the discrepancy between this figure and that given in the box (750 million ECU) is two-fold:

- The figure of 750 million ECU mentioned in the box relates solely to operations on international markets; to this should be added an amount of 200 million ECU issued by the Commission under the NCI on the US domestic markets.
- The figure of 750 million ECU stems from the fact that borrowings are entered in the accounts at their payment dates; since the EIB records its operations by issue date and not by payment date, an amount of 130 million ECU representing a loan recorded in January 1985 but issued in December 1984 should be added and an amount of 75 million ECU representing a loan recorded in January 1984 deducted.

In December 1984 the Commission launched its first public ECU issue (200 million ECU at 9,875 % with a maturity date of 1 December 1996) on the US market. The proceeds will be used to finance loans granted under the NCI.

This issue, the first launched on the US public market and not denominated in dollars, bears testimony both to the Community's excellent credit rating and to the burgeoning success of the ECU on financial markets (cf. box dealing with developments on the ECU market).

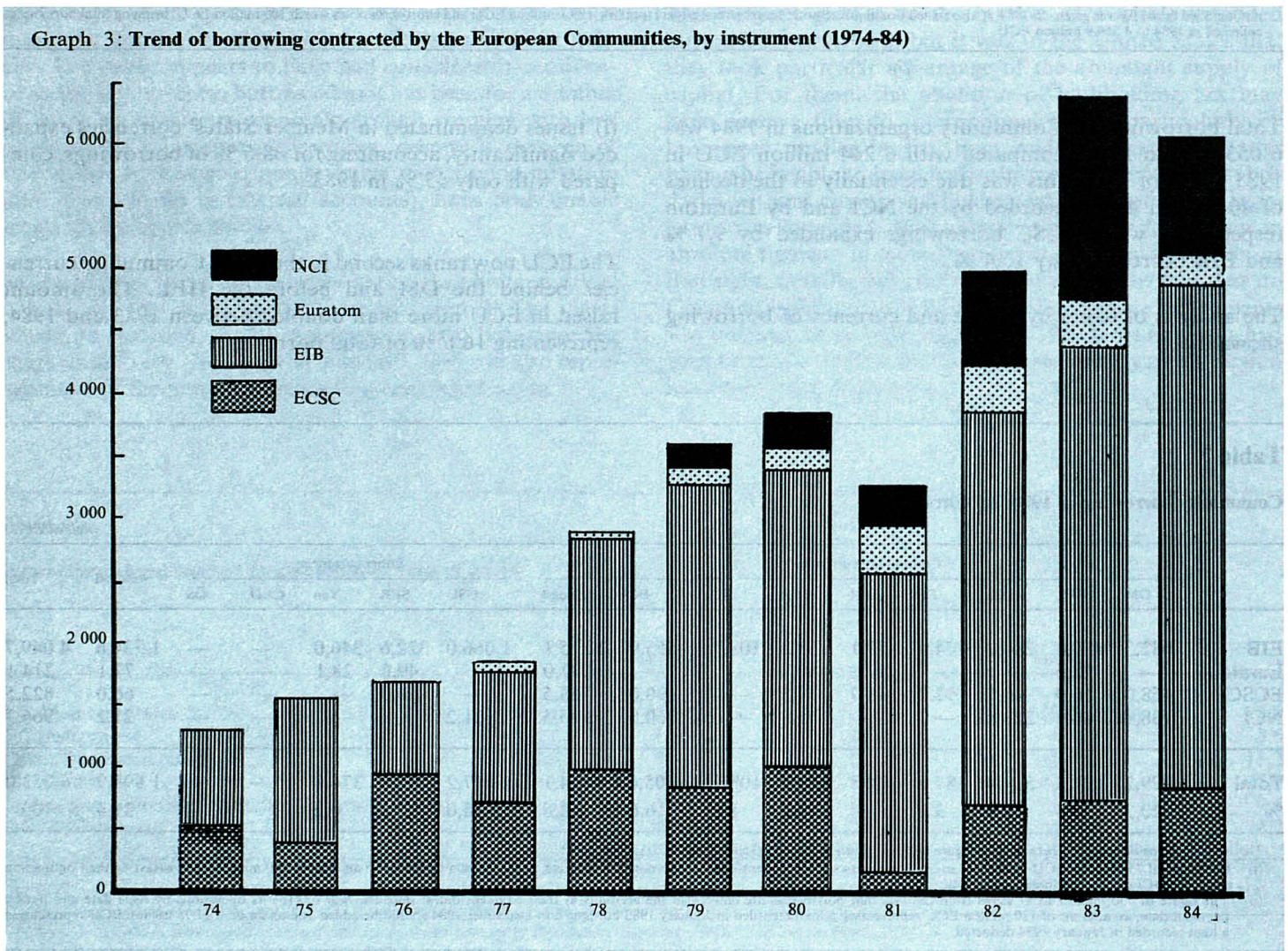
(ii) Borrowing in non-Community currencies represents 31,4 % of the total. Although registering a decline (down

28,6 %), dollar issues still account for a predominant and growing share of borrowing in non-Community currencies. Despite a fall in SFR issues, the relative share accounted for by that currency increased.

By contrast, the decline in the amount raised in yen (down 44,7 %) was accompanied by a contraction in that currency's share.

(iii) As in 1983, a sizeable proportion (some 30 %) of the funds borrowed by Community instruments was raised in the form of private placings.

Graph 3: Trend of borrowing contracted by the European Communities, by instrument (1974-84)



Use of the ECU on financial markets

The growing importance of the ECU on the international financial scene and the increasing recourse by the Community institutions to ECU issues merit a separate discussion from the general matters dealt with in this report, with particular regard to the size of the ECU market and the role played by the Community institutions.

Size of the market

The amount of ECU issues placed on the international market has expanded rapidly, from 190 million ECU in 1981 to 722 million ECU in 1982, 1 930 million ECU in 1983, 3 244 million ECU in 1984 and 1 390 million ECU in the first quarter of 1985. The ECU is now the sixth-ranked currency on the international market.¹³

Since repayments of these issues have not yet begun, the total borrowing of 7 476 million ECU can be regarded as an amount outstanding.

To this could be added the 3 480 million ECU loan floated on the Italian domestic market by the Repubblica Italiana and the

200 million ECU loan floated on the US domestic market by the EEC.

Role of the Community institutions on the market

Community institutions have made increasing calls on this expanding market: 162 million ECU in 1982, 505 million ECU in 1983, 750 million ECU in 1984 and 405 million ECU in the first quarter of 1985. The share of the market accounted for by these borrowings has remained remarkably stable, at around 25 %.

Some recent Community loans have been issued with a very specific objective in mind, namely, to gain access for the ECU to markets with hitherto little or no experience of it, such as those in the United States, Switzerland, the Netherlands, Denmark and even Arab countries, or on which such operations were not permitted under exchange regulations (e.g. the markets in France and Italy).

With the exception of the loan floated in New York, those issues do not represent operations on a country's domestic market but are normal international issues to which residents of the countries concerned may subscribe in the same way as international dealers.

Alongside the Luxembourg market, the financial centres of Rome-Milan, Copenhagen, London, Amsterdam and Paris within the Community and New York outside it now list at least one ECU issue.

¹³ In 1984, the ECU ranked fourth on the European markets, after the USD, the DM and the UKL, and sixth on the wider international market, which accommodates a greater volume of foreign issues, especially on the Swiss and Japanese markets.

5. Lending in the Community

5.1 General

The total value of loans granted in 1984 was 7 206 million ECU, a nominal increase of 9 %, a slower growth rate compared to the two previous years, which saw a sharp expansion of lending.

ECSC activities increased by 6,1 % (despite the decline in industrial lending under Article 54) owing to the very sharp growth in conversion loans under Article 56 (up by 77,4 %). Global loans, which accounted for 92 % of all conversion loans, more than tripled compared with 1983 following the July 1983 increase from 3 % to 5 % in the interest subsidy granted in respect of them.

EIB lending increased by 17,8 % in nominal terms. By contrast, Euratom financing fell by almost half and NCI loans marked time following two years of rapid growth.

Table 8
Trend of lending in the Community ¹

Year	<i>(million ECU)</i>					
	ECSC	EIB	Euratom	NCI	Total	Annual growth rate %
1975	804,9	917,5			1 722,4	40
1976	989,0	1 065,4 ²			2 054,4	19
1977	709,0	1 390,9	96,9		2 196,8	7
1978	797,7	1 966,5	70,3		2 834,5	29
1979	675,8	2 281,2	151,6	277,0	3 385,6	19
1980	1 030,7	2 753,2 ²	181,3	197,6	4 162,8	23
1981	387,6	2 805,9 ^{2,3}	364,3	539,8 ³	4 097,6	-1
1982	740,6	3 453,2 ³	361,8	791,0 ³	5 346,6	30
1983	778,1	4 255,7 ^{2,3}	366,4	1 211,8 ²	6 612,0	24
1984	825,5	5 013,1 ³	186,0	1 181,8 ³	7 206,4	9

¹ Balance-of-payments loans are not included in this table.

² Including loan guarantees: 1976: 118,1 million ECU;
1980: 14,2 million ECU;
1981: 282,1 million ECU;
1983: 97,6 million ECU.

³ Including the loan for reconstruction in areas stricken by the earthquakes in Italy in November 1980 and in Greece in February/March 1981.

5.2 Sectoral breakdown

The most striking feature of the sectoral breakdown in 1984 is the increase recorded by the productive sector (47,1 %); its share of total lending reached 40 %. This phenomenon was general to all the instruments concerned, albeit to a varying extent.

Lending to the ECSC productive sector increased by 91 %. Even if two loans totalling 138,9 million ECU for the Carajas iron ore project in Brazil are excluded, the increase is still 53,5 %. It was due to the very sharp growth in conversion loans and, to a lesser extent, to the increase in lending to the steel industry and for investment projects designed to promote consumption of Community coal.

Lending to the productive sector from NCI resources increased by 62,5 % and from EIB own resources by 25 %; individual EIB loans showed a sharp increase.

A total of 120 global loans amounting 1 922,5 million ECU were granted to 48 intermediary institutions from the EIB and the NCI.

Sub-loans allocated in 1984 from global loans already operative (1 431,6 million ECU) increased by 46 % compared with 1983. A total of 4 624 sub-loans from ongoing global loans were used for various purposes (including the efficient use of energy) in industry, predominantly in the following sectors: metalworking and mechanical engineering, food chemicals, textiles and leather, printing and construction materials.

Sub-loans from ECSC global loans increased from 70 to 227 million ECU. In addition to loans granted for conversion, which more than tripled, global loans totalling some 46 million ECU were allocated for financing projects to promote the consumption of Community coal.

Lending for infrastructure projects virtually marked time (+4,6%), while its share in total lending fell slightly, mainly as a result of the fall in NCI loans, which went increasingly to the productive sector.

EIB/NCI loans for transport and telecommunications showed an increase, while assistance for water engineering projects, infrastructure of different kinds and industrial zones fell. Global loans for infrastructure and energy projects totalled 334,9 million ECU and the 634 sub-loans 342,3 million ECU. ECSC lending to finance low-cost housing increased sharply (by 82%).

Lending to the energy sector showed an appreciable fall (17,3%), which affected all the instruments except the EIB.

Graph. 4: Trend of lending in the Community, by instrument (1974-84)

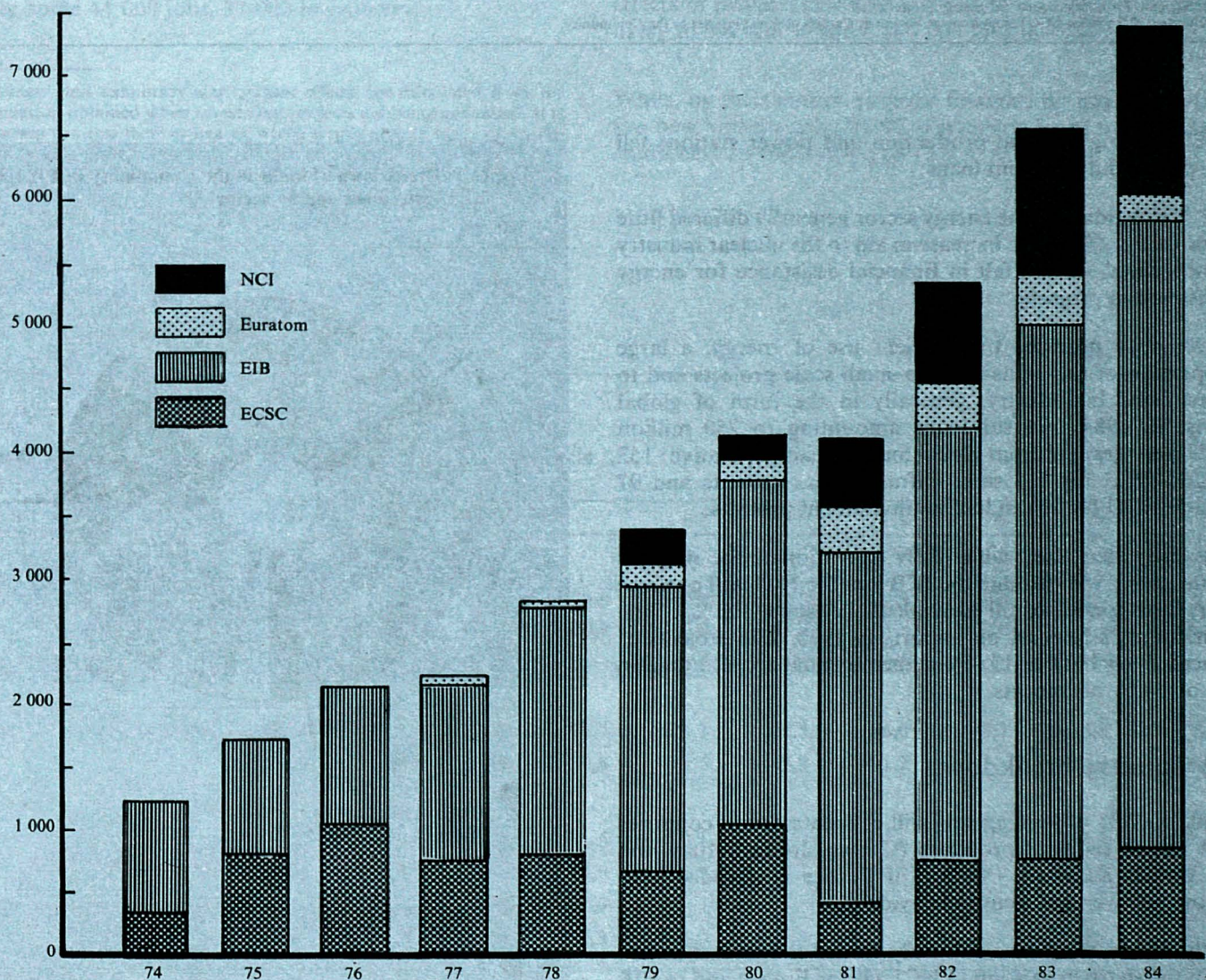


Table 9
Lending in the Community in 1983 and 1984, by sector and by instrument

Sector	ECSC		EIB		Euratom		NIC		Total		As %	
	1983	1984	1983	1984	1983	1984	1983	1984	1983	1984	1983	1984
	Productive sector	372,3	710,2 ³	1 076,2	1 345,2			489,1	794,6	1 937,6	2 850,0	29
of which: SMEs ¹	(70,3)	(272,7)	(707,7)	(812,4)			(485,3)	(775,2)	(1 263,3)	(1 860,3)	(19)	(26)
Infrastructure	20,2	36,7	1 777,0	2 114,1			443,7	193,2	2 240,9	2 344,0	34	32
Energy	385,6	78,6	1 402,5	1 553,8	366,4	186,0	279,0	194,0	2 433,5	2 012,4	37	28
of which: global loans ²			(275,1)	(311,3)			(67,8)	(23,6)				
Total	778,1	825,5³	4 255,7	5 013,1	366,4	186,0	1 211,8	1 181,8	6 612,0	7 206,4	100	100

¹ Global loans to finance small and medium-sized enterprises.

² Global loans for infrastructure and energy projects.

³ Including 138,9 million ECU for an iron-ore project at Carajas of direct interest to the Community.

ECSC lending for coal production and power stations fell sharply, as did Euratom loans.

EIB/NIC lending to the energy sector generally differed little from that in 1983. The increase in aid to the nuclear industry compensated for the fall in financial assistance for energy transmission projects.

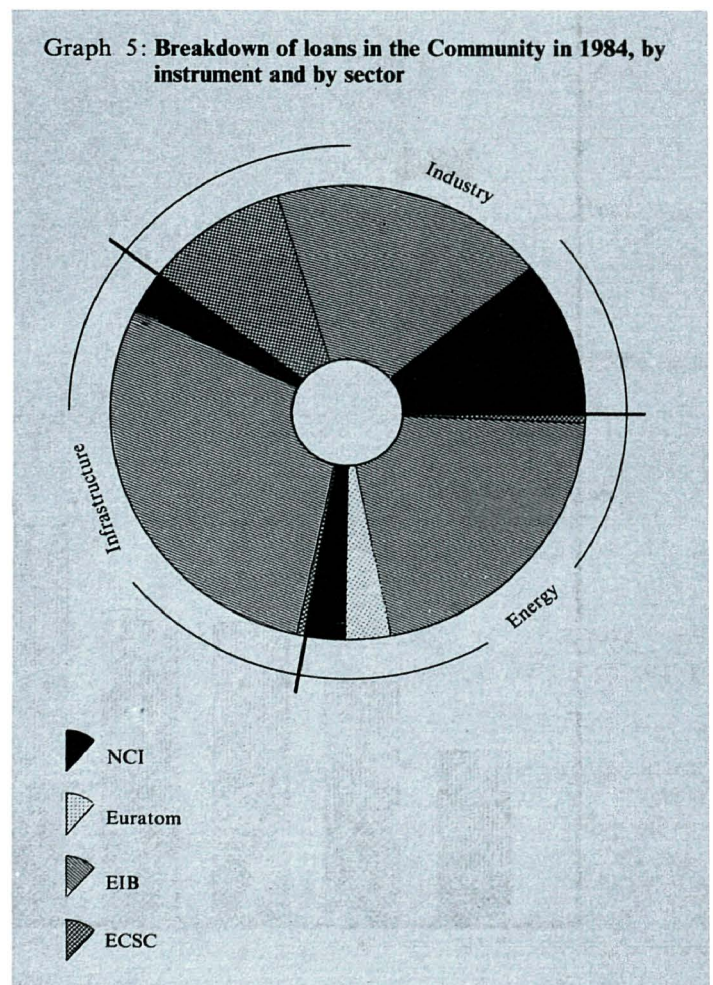
In order to promote the efficient use of energy, a large proportion of the loans went to small-scale projects and to investments in industry, generally in the form of global loans. In 1984, 294 sub-loans amounting to 250 million ECU were granted from global loans already operative: 153 million ECU for 133 small infrastructure projects and 97 million ECU for 161 industrial investment projects.

It is estimated that, when fully operational, the projects financed in 1984 through the EIB and the NCI will produce 12 million tonnes of oil equivalent, i.e. some 3,6 % of the Community's forecast oil imports in 1990. The projects financed from 1977 to 1984 together account for 112 million toe or 34 % of imports.

5.3 Country breakdown

While 65,7 % of lending was still concentrated in countries with major regional problems (Greece, Ireland, Italy and the United Kingdom - 86,5 % if France is included), the following divergent trends are evident:

(i) the shares of France and Italy tended to increase in line with the sharp expansion in NCI aid for France and in EIB aid for Italy;

Graph 5: Breakdown of loans in the Community in 1984, by instrument and by sector


(ii) the shares of Greece and Ireland showed an appreciable fall, reflecting the fall in EIB and NCI assistance.

The tendency for regional loans from these two instruments to diminish became more marked in 1984. They accounted for some 3 300 million ECU or 53 % of the total. A number of factors, in particular the emergence of other priorities, explain this situation.

The breakdown of all the regional development projects in 1984 confirms the leading part played by infrastructure projects (53,2 % of the total), but shows a fall in energy projects and an increase in the productive sector.

According to estimates,¹⁴ the investments projects financed by the EIB and the NCI should together help to create directly some 44 000 jobs, 37 000 in industry.

Some 94 % of the jobs created in industry stem from small and medium-scale industrial ventures financed through global loans.

In addition to jobs directly created, the safeguarding of existing jobs through industrial modernization should be noted. The modernization projects carried out in 1984, primarily under the global loans system, involved firms employing in all some 600 000 workers.

Finally, account should be taken of the direct and indirect temporary effects that projects had on employment while they were being carried out. These have been particularly significant in recent years owing to the volume of investment in the energy and infrastructure sectors. The employment effects of projects financed by the EIB and NCI in 1984 are likely to amount to some 180 000 jobs in 1984 and 1985.

¹⁴ Permanent and temporary employment effects are calculated from the information obtained when investment projects are being appraised. It is important to stress these estimates, which simply give an order of magnitude as they are subject to a wide margin of error.

While, by their nature, projects financed by Euratom create few new jobs directly, ECSC conversion loans made in 1984 could help to provide up to 12 150 extra jobs.

Table 10

Geographical breakdown of lending in the Community in 1983 and 1984

	<i>(million ECU)</i>										
Countries	B	DK	D	GR	F	IRL	I	L	NL	UK	Total
1983											
Amount	36,4	365,1	301,6	450,0	1 370,6	308,4	2 732,2	0,03	39,5	1 008,2	6 612,0
%	0,5	5,6	4,6	6,8	20,7	4,6	41,3	—	0,6	15,3	100
1984											
Amount	133,0	327,8	411,2	344,9	1 472,7	174,1	3 101,5	86,0	0,7	1 015,6	7 206,4 ¹
%	1,9	4,6	5,8	4,9	20,8	2,5	43,9	1,2	—	14,4	100
of which :											
ECSC	5,4	3,2	276,9	0,1	181,5	0,1	66,0	69,6	0,7	83,1	825,5 ¹
EIB	32,5	190,0	134,3	275,5	814,0	124,0	2 538,2	16,4	—	888,2	5 013,1
Euratom	95,1				90,9						186,0
NCI		134,6		69,3	386,3	50,0	497,3			44,3	1 181,8

¹ Including 138.9 million ECU for ECSC loans outside the Community.

6. Lending in the Community, by instrument

6.1 New Community Instrument (NCI)

6.1.1 General analysis of utilization

The table below shows the lending position as at 31 December 1984, specifying the borrowing authorization and ceiling:

- (i) NCI I has been fully allocated;
- (ii) NCI II will have been fully allocated shortly;

(iii) 82.4 % of the first tranche of NCI III has been committed; 195.4 million ECU of additional loans have already been approved and are still to be signed;

(iv) 21.6 % of the second tranche of NCI III has been used; loans already approved but not signed amount to 647.7 million ECU.

At 31 December 1984, loans signed under the three borrowing authorizations totalled 3 520 million ECU.

In view of the rapid rate at which loans were signed under the first and second tranches of NCI III (authorized in June 1983 and July 1984 respectively), the Commission will put forward new proposals for a NCI IV during the course of

Table 11

NCI utilization

	NCI I	NCI II	NCI III 1st tranche	NCI III 2nd tranche	Reconstruction	
					Italy	Greece
Ceiling	1 000	1 000	1 500	1 400	1 000	80
loans signed	995	988,5	1 236	302,3	858,4 ²	80
Balance	— ¹	11,5	264	1 097,7	141,6	—

¹ The level of utilization is determined, for ordinary NCI operations, by converting loans actually paid out into 'borrowing equivalent'. The date of conversion is that of the corresponding borrowing; the total cost of each borrowing is allocated between the various NCI tranches in proportion to the amounts paid out. NCI I has been fully allocated, the adjustment on the basis of the borrowings being the outstanding balance of 5 million ECU.

² Loans granted from EIB own resources (261,1 million ECU) and from NCI resources (597,3 million ECU); aggregate ceiling for the two instruments.

1985. The loans signed and approved under the first tranche already account for 95.4 % of the authorized ceiling, while those signed and approved under the second tranche represent almost 69 % of the ceiling for that tranche.

Following two years of rapid growth, lending from NCI resources showed relatively little change in 1984 at 1 181,8 million ECU (compared with 1 211,8 in 1983).

In accordance with the NCI III guidelines, more than two thirds of loans in 1984 (794,6 million ECU) went to the productive sector (compared with 40 % in 1983), mainly in the form of global loans to small and medium-sized industrial firms outside regional aid areas (771,6 million ECU in 1984). Of the 2 593 sub-loans allocated to SMEs from global loans in 1984 (totalling 685,2 million ECU), almost 50 % went to firms employing fewer than 50 workers and almost 90 % to firms employing fewer than 200 workers.

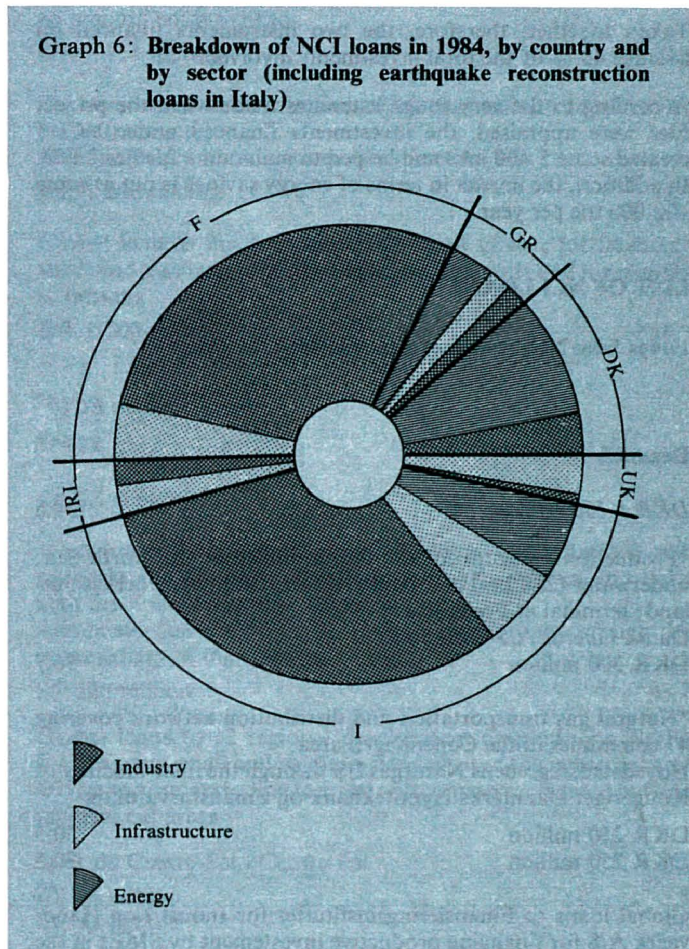
Other loans therefore played a lesser part. In the energy sector, they were used mainly for domestic production (particularly of hydrocarbons) and, to a lesser extent, for gas and oil pipelines. They totalled 194 million ECU.

In the infrastructure sector, loans were allocated to water engineering projects (37 %), telecommunications (31 %); transport: roads and railways (17 %) and other infrastructure schemes (15 %). Two global loans totalling 23,6 million ECU were granted in Italy for small-scale energy infrastructure schemes.

Finally, 14,6 million ECU was granted to Italy towards the reconstruction of the railway network in the earthquake areas. 51,8 million ECU was granted for the same purpose from the EIB's own resources, which taking into account earlier loans, brings the total amount of subsidized loans committed for this reconstruction work to 858,4 million ECU.

Table 6 in the annex provides a breakdown of NCI loans by country and sector.

Graph 6: Breakdown of NCI loans in 1984, by country and by sector (including earthquake reconstruction loans in Italy)



6.1.2 Country-by-country review

With the exception of France, where lending more than doubled owing to great demand for global loans for financing SMEs, and Denmark, loans from NCI resources fell in all countries. Thus, Italy's share fell from 55 % in 1983 to only 42 % in 1984.

In Denmark, loans totalling 134,6 million ECU went primarily (73 %) to the exploitation, transportation and distribution of North Sea oil and gas resources. Two global loans were granted for financing industrial investment projects by SMEs. During the year, 122 sub-loans totalling 38,8 million ECU were granted from global loans already operative.

In Greece, loans totalled 69,3 million ECU and went to the energy sector (50,5 % of the total) for the working of a

lignite mine and the construction of an electricity-generating plant fired by lignite, to the extension and modernization of telephone and telex networks and to the development of agro-industry and farming under a global loan. 28,5 million ECU was allocated to 86 infrastructure schemes from a global loan concluded in 1983.

In France, most of the assistance (88,7 %) took the form of 30 global loans to SMEs granted through three national institutions and 12 regional development corporations and totalling 342,6 million ECU. From the global loans already operative, 1 722 small and medium-sized firms located mainly in the Rhône-Alpes, Île de France, Provence-Côte d'Azur, Franche-Comté and Centre regions were granted sub-loans totalling 287,3 million ECU.

A loan was also granted in the telecommunications field for setting up a major satellite network using advanced technologies and designed to provide telematic services throughout metropolitan France and links with the French overseas *départements*. NCI loans in France totalled 386,3 million ECU.

The three loans granted to Ireland totalled 50 million ECU for the improvement of the road network, water supplies and the treatment of waste water and forestry and afforestation projects.

In Italy, lending totalled 497,3 million ECU. 24 % of those loans (117,3 million ECU) were devoted to energy objectives: diversification of natural gas imports (61,3 million ECU) and efficient use of energy (56,2 million ECU), particularly through the installation of solar panels in residential and tertiary sector buildings.

However, three-quarters of the assistance granted went to productive investment projects carried out by SMEs under 12 global loans (365,4 million ECU).

From the global loans already operative, 658 small and medium-sized firms, mainly industrial firms located outside the less developed areas in the centre and north of the country were granted sub-loans amounting to 344,7 million ECU.

In addition, a loan of 14,6 million ECU was granted for the repair of the railway network under the programme of subsidized reconstruction loans.

In the United Kingdom, in addition to assistance for the collection and treatment of waste water in the Midlands, two global loans were granted for investments by SMEs. The loans granted totalled 44,3 million ECU. 14,4 million ECU were allocated from global loans already operative for 91 small and medium-sized firms.

Review of NCI I

The New Community Instrument came into being on 16 October 1978 when the Council adopted Decision 78/870/EEC,¹⁵ empowering the Commission to contract loans not exceeding the equivalent of 1 000 million ECU.

Activated in three successive tranches of 500, 400 and 100 million ECU, the total amount of authorized borrowing had to be re-lent in the infrastructure and energy fields, and in the case of the last tranche, had to be allocated to the construction of advance factories and housing forming part of regional economic and industrial development projects. NCI I had been fully allocated by 31 December 1984.¹⁶

The loans signed, totalling 995 million ECU, were intended for infrastructure projects (54,1 %), the energy field (45,3 %) and industry (0,6 %). In the latter case, the project in question was designed to achieve energy savings in the car industry in Italy.

The following infrastructure schemes were financed:

- (i) water engineering projects in Ireland, Italy and the United Kingdom;
- (ii) road and motorway improvements in Denmark, France, Ireland and Italy;
- (iii) housing construction in Italy;
- (iv) the modernization and extension of the Irish and Italian telephone networks.

The loans in the energy sector were intended mainly for the development of domestic production, for example:

- (i) the production of oil and natural gas in France, Ireland and Italy;
- (ii) the construction of coal-fired power stations and the conversion of existing power stations to coal (Ireland, Italy);
- (iii) the construction of hydroelectric and geothermal power stations.

14,5 % of the lending was allocated to the transmission of energy in Italy, in particular to the construction of the Algeria-Italy gasline.

The breakdown of loans by country shows that Italy was the main beneficiary (48,3 % of the total) followed by Ireland (24 %) and the United Kingdom (14 %). France and Denmark received 7 % and 6,7 % respectively.

The loans granted under NCI I financed almost 13 % of the total cost of the projects involved (some 7 740 million ECU). However, this percentage varied from one Member State to another, amounting to 17 % of the total cost of projects in Denmark, 14,6 % in Ireland but only 5,9 % in France.

All the projects were the subject of EIB/NCI co-financing, the EIB having helped to finance some 30 % of their cost from its own resources.

Taken together, therefore, the two instruments financed on average 43 % of the total investments involved.

According to the very rough estimates made when the project files were appraised, the investments financed under NCI I created some 5 400 jobs and helped to maintain a further 2 000. In addition, the impact in terms of energy savings is put at some 400 000 toe per year.

LIST OF NCI LOANS

Loans from NCI resources signed in 1984, by country

million ECU¹⁷

Denmark

DKR 1 100 million 134,6

*Production platform for the Gorm oilfield in the North Sea; underwater (220 km) and land (110 km) oilpipeline across Jutland; terminal at Fredericia
Dansk Olieror A/S-Doras
DKR 300 million 36,7

*Natural gas transportation and distribution network covering 47 communes in the Copenhagen area
Hovedstadsregionens Naturgas I/S through the inter-mediary of Kongeriget Danmarks Hypotekbank og Finansforvaltning
DKR 250 million 30,5
DKR 250 million 30,5

Global loans to Finansieringsinstituttet for Industri og Handvaerk A/S for financing productive investment by SMEs in the industrial, craft and service sectors
DKR 100 million 12,2
DKR 200 million 24,7

Greece

DR 6 325,6 million 69,3

*Electricity-generating plant at Amynteon (2 x 300 MW) using lignite from the nearby mine (western Macedonia)
Public Power Corporation contract denominated in ECU for an amount equivalent to
DR 1 474,6 million 16,0

¹⁵ OJ L 298, 25.10.1978.

¹⁶ The method of determining the level of utilization based on the conversion of loans into 'borrowing equivalent' is explained at point 6.1 above.

¹⁷ The national currency/ECU conversion rates used were those obtaining on the last day of the quarter preceding that in which the loan contract was signed.

* NCI projects for which loans were granted from the EIB's own resources during the year.

*Working of an open-cast mine at Amynteon to supply lignite to a nearby electricity-generating plant (western Macedonia)
Public Power Corporation contract denominated in ECU for an amount equivalent to

DR 1 751 million 19,0

*Extension and modernization of telephone and telex networks and infrastructure

Hellenic Telecommunications Organization SA

DR 1 600 million 18,0

Global loan to the Agricultural Bank of Greece for financing small and medium-scale agro-industrial projects and investment in farming

DR 1 500 million 16,3

France

FF 2 650 million

*Construction and launching of satellites, earth stations and networks for providing improved telematic services and links with the French overseas *départements*

Administration des Postes et Télécommunications through the intermediary of the CNT

FF 300 million 43,7

Global loans to 12 regional development corporations (SDR) for financing small and medium-sized firms in the industrial and service sectors, excluding tourism and commerce, located outside regional aid areas

SDR du Centre-Est - Centre-Est

FF 40 million 5,8

FF 40 million 5,8

SDR de Champagne-Ardenne - Champex

FF 15 million 2,2

FF 15 million 2,2

SDR du Sud-Ouest - Expanso

FF 10 million 1,5

FF 10 million 1,5

SDR de Lorraine - LORDEX

FF 10 million 1,5

FF 10 million 1,5

SDR de Méditerranée

FF 15 million 2,2

FF 15 million 2,2

SDR du Nord - Pas-de-Calais

FF 10 million 1,5

FF 10 million 1,5

SDR de Normandie

FF 20 million 2,9

FF 20 million 2,9

SDR de Picardie

FF 25 million 3,6

FF 25 million 3,6

SDR d'Alsace - Sade

FF 30 million 4,4

FF 30 million 4,4

SDR du Sud-Est

FF 40 million 5,8

FF 40 million 5,8

SDR de l'Ouest - Sodero

FF 10 million 1,5

FF 10 million 1,5

SDR du Centre et du Centre-Ouest - Sodecco

FF 10 million 1,5

FF 10 million 1,5

Global loans to Crédit National for financing productive investment by SMEs

FF 350 million 51,0

FF 430 million 62,7

Global loans to CEPME for financing productive investment by SMEs

FF 400 million 58,3

FF 330 million 48,1

FF 270 million 39,4

Global loan to the Caisse Centrale de Crédit Coopératif for financing productive investment by SMEs and related services

FF 100 million 14,6

Ireland

IRL 36,2 million 50,0

*Improvements to various roads

Irish Government (Department of Finance)

IRL 11 million 15,1

* NCI projects for which loans were granted from the EIB's own resources during the year.

* NCI projects for which loans were granted from the EIB's own resources during the year.

*Improvements to the water supply and treatment of waste water Irish Government (Department of Finance)		Global loans to Interbanca for financing productive investment by SMEs outside less developed areas in the centre and north of the country	
IRL 11,2 million	15,5	LIT 30 000 million	21,9
*Afforestation over an area of 15 800 ha, forest roads, tourist and technical facilities Forestry section of the Department for Fisheries and Forests through the intermediary of the Irish Government (Department of Finance)		LIT 20 000 million	14,4
IRL 14 million	19,4	LIT 25 000 million	18,0
Italy		Global loan to Efibanca for financing productive investment by SMEs outside less developed areas in the centre and north of the country	
LIT 687 500 million	497,3	LIT 20 000 million	14,6
Algeria-Italy gasline, 100 km section between Paliano and Civita Castellana (Latium) SNAM SpA through the intermediary of the ENI		Global loans to BNL for financing productive investment by SMEs outside less developed areas in the centre and north of the country	
LIT 55 000 million	39,7	LIT 25 000 million	18,2
Conversion of the Rome network to natural gas and extension of the distribution networks for communes in the Rome area (Latium) ITALGAS SpA through the intermediary of - BNL-SAFOP		Global loans to Mediocredito Centrale for financing productive investment by SMEs outside less developed areas in the centre and north of the country	
LIT 10 000 million	7,2	LIT 70 000 million	50,5
- Centrobanca		LIT 80 000 million	57,6
LIT 10 000 million	7,2	Global loans to Centrobanca for financing productive investment by SMEs outside less developed areas in the centre and north of the country	
- Efibanca		LIT 35 000 million	25,
LIT 10 000 million	7,2	LIT 30 000 million	21,6
Repair of the rail network damaged during the November 1980 earthquakes (Campania and Basilicata) Azienda Autonoma delle Ferrovie Dello Stato (FS)		Global loan to Artigiancassa for financing schemes promoted by craft undertakings outside less developed areas in the centre and north of the country	
LIT 20 000 million ¹⁸	14,6	LIT 20 000 million	14,4
Installation of solar panels for producing domestic hot water in residential or tertiary sector buildings ENEL		Global loans to IMI for financing productive investment by SMEs, particularly investments involving the dissemination of innovation and new technologies, outside less developed areas in the centre and north of the country	
- in the Mezzogiorno		LIT 70 000 million	51,0
LIT 5 000 million	3,6	LIT 80 000 million	57,7
LIT 10 000 million	7,2	Global loans to BNL for financing, in the centre and the north of the country, investment projects designed to cut energy consumption and to promote the use of alternative sources in the building industry	
- in the centre and north of the country		LIT 25 000 million	18,2
LIT 15 000 million	10,8	Global loans to Venefondario for financing, in the centre and north of the country, small and medium-scale schemes to promote the efficient use of energy in the following sectors:	
LIT 10 000 million	7,2		

¹⁸ Subsidized loan - 'earthquake reconstruction'.

* NCI projects for which loans were granted from the EIB's own resources during the year.

- infrastructures		Severn Trent Water Authority	
LIT 7 500 million	5,4	UKL 20 million	33,7
- industry and building			
LIT 5 000 million	3,6	Global loan to the Bank of Scotland for financing productive investment by SMEs in non-assisted areas	
United Kingdom		UKL 2 million	3,5
<i>UKL 26 million</i>	44,3	Global loan to the Royal Bank of Scotland Group PLC for financing productive investment by SMEs in non-assisted areas	
Collection system and treatment plant for waste water in the Birmingham area ; regulating of the river Tame (West Midlands)		UKL 4 million	7,0

6.2 European Investment Bank (EIB)

In 1984 the EIB made loans from its own resources totalling 5 633,8 million ECU; loans within the Community accounted for 5 013,1 million ECU and loans outside the Community for 620,7 million ECU.

The loans were highly concentrated in the member countries with the greatest structural problems: 58,6 % of the total went on investment projects in Italy, Greece and Ireland and 33,9 % on projects in France and the United Kingdom.

Table 9 in the annex gives a breakdown by country and sector of EIB financing in the Community.

Nearly 62 % of the loans helped to finance regional development projects, mainly in regions accorded priority under Community regional policy: the Mezzogiorno (1 543,1 million ECU), Greece (275,5 million ECU) and Ireland (124 million ECU). Loans were also granted for projects in France (498 million ECU), the United Kingdom (455,2 million ECU) and a small proportion in Denmark. The loans were mainly for transport and telecommunications infrastructure (1 133,2 million ECU) and for productive investment in industry, agriculture and services (1 110,2 million ECU, of which 686 million ECU was in the form of global loans); projects involving water engineering and various other types of infrastructure and those involving energy infrastructure together accounted for less than one third of the total.

Financing for projects helping to attain the Community's energy objectives was used for developing indigenous resources (1 100 million ECU, of which 719,2 million ECU was for nuclear energy), for the efficient use of energy (706,6 million ECU) and for diversifying imports (191,1 million ECU).

Loans for roads facilitating intra-Community communications totalled 274,3 million ECU and those for environmental protection purposes 118,7 million ECU, most of them being for projects to reduce pollution from built-up areas adjacent to the Mediterranean.

Lending for projects in the productive sector totalled 1 345,2 million ECU: 812,4 million ECU went into global loans for the financing of small and medium-sized ventures and 462,3 million ECU into individual loans for larger-scale investment projects, most of which were in industries connected with motor vehicles and aerospace, while in Italy loans totalling 270,6 million ECU helped to finance investment carried out on a cooperative basis between firms

from different Community countries or investment in the development and introduction of advanced technology.

From global loan credit on tap in 1984, 2 655 allocations totalling 1 058,4 million ECU were made for small and medium-sized ventures in industry, tourism, agriculture and fishing (2 024 allocations totalling 744,6 million ECU), for small-scale infrastructure projects and investment in the efficient use of energy (631 allocations totalling 313,8 million ECU).

6.3 Euratom

In 1984 the Commission continued its lending activities through Euratom under the 1982 Council Decision raising the ceiling on lending to 2 000 million ECU, to finance investment in the industrial production of nuclear-generated electricity and industrial fuel-cycle installations. It paid out six loans totalling 186 million ECU for investment projects undertaken by the following three firms:

- (i) Belgelectric Finance BV, Amsterdam
(for the Ebes Doel and Intercom Tihange projects);
- (ii) Electricité de France, Paris
(for the Flamanville project);
- (iii) Nersa, Paris
(for the Creys-Malville project).

All these major projects are being co-financed by Euratom and the EIB; the EIB, in its capacity as Euratom agent, signed these loan contracts jointly with the Commission of the European Communities. In 1984, however, no EIB loan was signed for the Tihange power station.

Between the inception of Euratom lending activities and 31 December 1984, the Commission paid out loans totalling 1 777 million ECU.

The balance available under the ceiling stands at some 223 million ECU.

6.4 European Coal and Steel Community (ECSC)

The total amount of loans paid out by the ECSC in 1984 was 6,1 % higher than in 1983, amounting to 825,5 million ECU (778,1 million ECU in 1983).

Overall, the decline in industrial loans granted under Article 54 was more than offset by the increase in conversion loans and loans for low-cost housing.

Industrial loans under Article 54 were down 12,5 %, amounting to only 541,3 million ECU. However, this overall decline masks differing trends in different sectors.

Loans to the steel industry increased, rising from 222.2 million ECU to 268,5 million ECU. This amount was divided between 12 loans in three Member States (five loans in Germany, five in France and two in Luxembourg).

By contrast, the financing of coal production was well down. Only one loan (12,7 million ECU) was granted, to a German firm. The only significant increase was in investment to promote the use of Community coal (45,9 million ECU).

The financing of thermal power stations also decreased. Three loans totalling 65,8 million ECU were granted in 1984.

Lastly, under the second paragraph of Article 54, the ECSC provided 9,5 million ECU for a project in France and two loans totalling 138,9 million ECU for the Carajas iron ore project in Brazil.

Conversion loans rose sharply, by 77,4 %, from 139,5 million ECU to 247,5 million ECU. Global loans, amounting to 226,8 million ECU, were more than three times higher than in 1983 and accounted for 92 % of the total for conversion loans.

This increase, largely due to the raising of the interest subsidy granted on them from 3 % to 5 %, should be maintained in 1985.

In 1984 the ECSC paid out a total of 36,7 million ECU to finance low-cost housing for employees in the coal and steel industries: 19,8 million ECU was granted from own funds at an interest rate of 1 % a year and 16,9 million ECU from borrowings at the market interest rate.

The total amount is well up on the 20,2 million ECU paid out in 1983 (of which 9,9 million ECU was from own funds and 10,3 million ECU from borrowed funds). Over 5 100 low-cost dwellings were financed in this way, bringing the number of low-cost dwellings financed by the ECSC since 1954 to more than 187 000.

6.5 Interest subsidies

Only two interest-subsidy mechanisms for lending within the Community were used in 1984:

(i) ECSC subsidies (on ECSC loans);

(ii) subsidies related to the special aid for the Italian and Greek areas hit by earthquakes in November 1980 and February/March 1981.

The system of EMS interest subsidies was set up on 3 August 1979 for a five-year period and expired at the end of 1983. In 1983 the Commission proposed extending it for two more years¹⁹ although the Council has not yet acted on this proposal.

ERDF subsidies on EIB loans in ERDF regions have been used only once, in 1979. Article 19(2) of the new ERDF Regulation No 1787/84 of 19 June 1984²⁰ provides that, in order to favour aid to investment by small and medium-sized undertakings in industry or the craft or service sector, Member States which so wish and the Commission shall endeavour to set aside an appropriate proportion of the ERDF's total endowment for assistance in the form of interest-rate subsidies on loans for small and medium-sized undertakings.

6.5.1 Interest subsidies for reconstruction in earthquake-stricken areas

These interest subsidies are governed by Council Decisions 81/19/EEC of 20 January 1981 in the case of Italy and 81/1013/EEC of 14 December 1981 for Greece. They are paid annually on the loan interest dates, in non-discounted form, a rate of 3 % per annum being applied to the capital still outstanding; the loans and subsidies have a maximum life of 12 years.

The first subsidized loans for Italy were signed in 1981, so that the first interest subsidies were paid on the 1982 interest dates. The single loan for Greece was signed in 1982 and interest subsidies were paid for the first time in 1983. Tables 15 and 16 list all the loans signed by the end of the financial year, with the amount of each interest subsidy paid in 1984.

In 1984 the six subsidized loans for reconstruction in the areas of Campania and Basilicata in Italy totalled 66,4 million ECU, of which 14,6 million ECU was granted under the NCI and 51.8 million ECU by the EIB.

One NCI loan helped to finance the reconstruction of the railway network; the five EIB loans were for electricity, telephones, the development of industrial estates, the reconstruction of a car component factory near Naples and the

¹⁹ OJ C 163, 22.6.1983.

²⁰ OJ L 169, 28.6.1984.

rehabilitation of the means of production of small and medium-sized firms in industry and the hotel trade under a global loan.

By the end of 1984, the loans signed for Italy totalled 858,4 million ECU out of the 1 000 million ECU authorized. The entire 80 million ECU authorized for Greece was taken up by a single operation.

For the two countries together, 72 % of the total of 938 million ECU in loans signed was financed from NCI resources.

As regards the use to which this total was put:

(i) 54 % was for economic infrastructure (roads, railways, telephones, electricity, water supply, industrial estates);

(ii) 42 % was for social infrastructure (housing, schools and public buildings);

(iii) 4 % was for the rehabilitation of the means of production.

As a result of the loans signed since 1981, interest subsidies worth 24 million ECU were paid out in 1984, their distribution being similar to that of the loans themselves.

6.5.2 ECSC interest subsidies

The interest subsidies granted by the Commission on ECSC loans in 1984 were used to finance the following investments:

(i) conversion projects financed under Article 56 of the Treaty;

(ii) investments to maintain and/or increase coal-mining capacity, financed under the first paragraph of Article 54 of the Treaty;

(iii) investments to increase consumption of Community coal, financed under the second paragraph of Article 54 of the Treaty.

Table 12 sets out the amounts of interest subsidies paid in 1984.

Table 12

ECSC interest subsidies paid in 1984

	<i>(million ECU)</i>									
	B	DK	D	F	IRL	I	L	NL	UK	Total
Art. 54	—	—	5,77	—	—	—	—	—	0,48	6,24
Art. 56	0,66	0,83	20,03	0,14	—	2,21	—	—	10,15	34,02
Total	0,66	0,83	25,80	0,14	—	2,21	—	—	10,63	40,26

7. Lending outside the Community

7.1 General

The EIB has been granting loans outside the Community since 1963. In 1984 it granted loans in 22 African, Caribbean and Pacific States (ACP) under the second Lomé Convention and in one Overseas Territory. In the countries in the Mediterranean region, it provided loans in the applicant countries Spain and Portugal and in seven countries under agreements concluded between them and the Community.

The loans to projects fostering the economic and social advancement of those countries are granted from the re-

sources of the EIB, the EDF and the general budget of the Communities.

In 1984 EIB loans from own resources amounted to 620,7 million ECU, up 45,3 % on 1983, with 541,6 million ECU going to the Mediterranean countries and 79,1 million ECU to the African, Caribbean and Pacific States (and the Overseas Countries and Territories) pursuant to the second Lomé Convention.

Operations in the ACP States and in the Overseas Countries and Territories from EDF resources amounted to 261,5 million ECU, comprising 179,9 million ECU in special loans granted by the Commission with the EIB responsible for their recovery and 81,6 million ECU in risk capital financing granted by the EIB. In the Mediterranean region, the EIB granted 6 million ECU in loans from budgetary resources.

7.2 Loans to Mediterranean countries

Financing from the EIB's own resources in the Mediterranean region totalled 541,6 million ECU, with loans amounting to 220 million ECU in Spain and Portugal, 126,3 million ECU in Yugoslavia and 195,3 million ECU in the Maghreb and Mashreq countries and Israel.

In the applicant countries, some 40 % of the loans went to small and medium-sized firms in industry and tourism, more than one-third to infrastructures, mainly railways and roads, and about one-quarter to the development of indigenous energy resources.

7.2.1 Loans to Spain and Portugal

In Spain, eight loans totalling 140 million ECU were granted within the framework of pre-accession cooperation, with 50 million ECU representing the balance of the pre-accession cooperation agreements which expired at the end of June 1984 and 90 million ECU being committed from the 250 million ECU provided for under the renewed agreements running from July 1984 to the end of 1985. Two individual loans, each of 20 million ECU, helped to finance the development of energy resources, i.e. hydroelectricity production (mixed-type pumped storage facility in the Pyrenees, at Moralets) and exploitation of the country's first off-shore gas-field, off the coast of Biscay.

Six global loans (100 million ECU) were granted to:

- (i) small and medium-sized firms in industry and tourism (45 million ECU for regional development and 25 million ECU for the modernization of firms in more industrialized areas); 131 allocations were made totalling 45 million ECU;
- (ii) local authorities in less-favoured regions so as to improve their infrastructure, particularly roads and water supplies: 372 small and medium-sized infrastructure projects totalling 15 million ECU were financed through allocations made from ongoing global loans.

In Portugal, loans amounted to 80 million ECU, with 30 million ECU representing the balance of pre-accession financial aid and 50 million ECU being provided under its extension until December 1985.

A loan was granted for the construction of a thermal power station and hydroelectric complex at São Miguel, the main island in the Azores. 50 million ECU will help to finance the improvement of road and rail links to and from Oporto in the form of the Oporto-Vila Real road and a new rail bridge over the Douro. Two global loans will help to finance the modernization and expansion of small and medium-

sized firms. Out of ongoing global loans, 32 allocations were made totalling 16,6 million ECU.

7.2.2 Loans to other Mediterranean countries

In Yugoslavia, two loans totalling 126,3 million ECU were granted for the improvement of internal communications. The first (66,3 million ECU) helped to finance the modernization of the railway network and the second (60 million ECU) work on the trans-Yugoslavia motorway. This latter loan was granted outside the framework of the Protocol by special authorization of the Board of Governors, in accordance with Article 18 of the Statute of the EIB, because of the benefit to the Community of having a fast road link between Greece and the other Member States

In Morocco, loans amounting to 54 million ECU were granted for the hydroelectric power station forming part of the integrated Ait-Chouarit complex, east of Marakesh, and for small and medium-sized agricultural and agri-industrial investment projects.

In Tunisia, loans totalling 10,5 million ECU helped to finance improvements in the capacity to stock agricultural produce and small and medium-sized ventures in agriculture and the agri-foodstuffs industry.

In Egypt, loans totalling 62,5 million ECU helped to finance the linking of the Shoubrah el Kheima power station to the national grid and the construction of a plaster works and a brick factory using local products, particularly desert clay.

In Jordan, loans amounting to 11,5 million ECU were made to improve water supplies in two densely populated towns in the south and to finance small local infrastructure projects in less-developed areas.

In Syria, loans were made to help finance irrigation and drainage networks in the lower Euphrates valley and the construction of the motorway between Damascus and the Jordanian frontier (38,3 million ECU).

Lastly, in Israel, 15 small and medium-sized industrial firms were assisted under a global loan of 20 million ECU.

7.3 Loans to African, Caribbean and Pacific States and Overseas Countries and Territories

Projects were financed in 22 countries (18 in Africa, 3 in the Caribbean and 1 in the Pacific) and in one Overseas Territory. The EIB granted eight loans from its own resources in

the African and the Caribbean States (75,1 million ECU and 4 million ECU respectively); assistance was also provided in 25 cases in the form of risk capital, from the resources of the European Development Fund (81,6 million ECU).

Since the entry into force of the second Lomé Convention and up to the end of 1984, the EIB has thus granted 623,5 million ECU to the ACP countries and Overseas Countries and Territories, with 409,7 million ECU being provided from its own resources and 213,8 million ECU in the form of risk capital.

In 1984, lending from the EIB's own resources related to:

(i) industrial investment for latex and alumina processing factories and for small and medium-sized enterprises (28,4 million ECU);

(ii) energy equipment for exploiting an oilfield and installing gas turbines (26,1 million ECU);

(iii) water treatment and distribution installations for two large West African cities (24,6 million ECU).

With the exception of a loan to help finance the exploitation of an oilfield in Benin, the loans were granted at a maximum rate of 8 %, which includes an interest subsidy from resources of the European Development Fund.

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Table 1

Community borrowings in 1984

No	Type	Life (years)	Coupon %	Currency and amount (million)	Million ECU ¹
(a) NCI					
1	Private placing	10	8,75	HFL 200	79,41
2	Private placing	9	11,5	BFR 1 500	33,54
3	Private placing	8	8	DM 200	89,62
4	Public issue	10	11,375	UKL 50	81,98
5	Private placing	10	12,1	BFR 1 000	22,36
6	Public issue	7	10,5	ECU 60	60,00
7	Public issue	10	8,75	HFL 200	79,41
8	Public issue	7	11,25	ECU 50	50,00
9	Public issue	6	11,375	UKL 50	81,98
10	Private placing	4	12	UKL 25	40,99
11	Public issue	12	7,5	DM 100	44,81
12	Public issue	6	10,125	ECU 50	50,00
13	Private placing	5	6,875	DM 10	4,50
14	Private placing	15	7,875	HFL 20,4	8,09
15	Public issue	12	9,875	ECU 200	200
16	Private placing	20	11,5	UKL 11,5	18,86
17	Private placing	0,25	9 7/16	USD 15	21,16
Total					966,71
(b) Euratom					
18	Private placing	7	11,00	LFR 250	5,59
19	Private placing	15	9,00	HFL 72	28,58
20	Private placing	12	12,25	BFR 1 000	22,36
21	Public issue	10	6,25	SFR 90	48,95
22	Public issue	8	12,00	BFR 3 000	67,08
23	Public issue	12	10,25	LFR 600	13,41
24	Private placing	11	7,7	Yen 5 000	28,08
Total					214,05

¹ The conversion rates used were those obtaining on 31 December 1984.

Table 1 (continued)
Community borrowings in 1984

No	Type	Life (years)	Coupon %		Currency and amount (million)	Million ECU ¹
(c) ECSC						
25	Private placing	5	8,44	DM	50	22,4
26	Private placing	7	12,75	LFR	151,5	3,39
27	Private placing	5	7,75	DM	18,6	8,33
28	Private placing	15	8,75	HFL	22	8,74
29	Public issue	10	6	ECU	60	60
30	Private placing	8	8,27	DM	50	22,41
31	Private placing	5	5,875	SFR	14	7,62
32	Private placing	10	11,375	UKL	4,5	7,38
33	Private placing	10	8,25	DM	25	11,20
34	Private placing	5	8	DM	7	3,14
35	Private placing	5	8,15	DM	68,6	30,74
36	Private placing	8	8,125	DM	100	44,81
37	Private placing	10	8,45	DM	60	26,89
38	Private placing	5	8,125	DM	37	16,58
39	Private placing	7	6,00	SFR	12	6,53
40	Public issue	10	10,5	LFR	1 000	22,36
41	Private placing	10	12	LFR	85	1,90
42	Private placing	15	9,25	HFL	12,7	5,04
43	Private placing	10	8,125			
			8,40	DM	41	18,37
44	Private placing	5	13,125	UKL	2	3,28
45	Private placing	6	5,375			
			6,375	SFR	75,425	41,02
46	Private placing	4	12			
			12,25	LFR	250	5,59
47	Private placing	10	12,1	BFR	870	19,46
48	Private placing	3	11,75			
			12	LFR	90	2,01
49	Public issue	5	10,75	ECU	40	80,00
		10	11,25	ECU	40	
50	Private placing	3	5,25	SFR	20	10,88
51	Private placing	5	7,5	DM	45,6	20,43
52	Public issue	10	11,25	ECU	50	50,00
53	Private placing	5	7	DM	69	30,92
54	Private placing	8	12,00	FF	87	12,73
55	Private placing	15	7,875	HFL	7,930	3,15
57	Private placing	4	6,65	DM	3,5	1,57
57	Private placing	10	11,875	LFR	600	13,42
58	Private placing	5	7	DM	37	16,58
59	Private placing	10	7,5	DM	56	25,09
60	Private placing	2	6,4	DM	3,952	1,77
61	Private placing	2	6,225	DM	50	22,40
62	Private placing	2	6,1	DM	20	8,96
63	Private placing	2	6,39	DM	30	13,44
64	Private placing	2	6,25	DM	114,83	51,45
65	Private placing	8	7	DM	100	44,81
66	Private placing	10	7,35	DM	35	15,68
Total						822,47
Total NCI + Euratom + ECSC						2 003,23

¹ The conversion rates used were those obtaining on 31 December 1984.

Table 2

EIB borrowings in 1984

	Life (years)	Coupon	Subscription currency	Amount (million)	Million ECU ¹
Public issues					
	7	11,625	USD	73	88,231
	15	11,625	USD	77	93,066
	12	11,250	ECU	50	50,000
	8	10,750	UKL	50	87,627
	10	8,000	DM	250	110,743
	12	6,000	SFR	100	55,430
	10	10,500	LFR	1 000	21,693
	7	11,750	BFR	3 500	75,927
	10	10,625	ECU	100	100,000
	7	14,000	LIT	150 000	108,255
	6	12,500	USD	100	116,302
	10	12,875	USD	100	116,302
	10	7,300	Yen	20 000	103,623
	10	8,000	DM	250	112,195
	10	8,750	HFL	300	119,414
	10	13,700	FF	1 200	174,890
	10	6,250	SFR	100	54,039
	8	11,125	ECU	75	75,000
	10	8,250	DM	200	89,445
	10	7,700	Yen	20 000	104,975
	12	13,000	USD	200	248,791
	10	7,875	DM	300	134,168
	20	10,375	UKL	100	168,369
	10	5,875	SFR	120	64,985
	6	10,750	ECU	50	50,000
	10	11,250	ECU	50	50,000
	15	12,625	USD	200	270,661
	15	7,750	HFL	300	119,076
	10	7,250	DM	300	134,256
	9	10,125	ECU	130	130,000
					3 227,460

Table 2 (continued)
EIB borrowings in 1984

Number of operations	Life (years)	Coupon	Subscription currency	Amount (million)	Million ECU ¹
Private placings					
4	7-15	7,860 - 8,550	DM	115,0	51,438
2	10	11,250	UKL	16,496	28,910
52	10-15	7,750 - 8,750	HFL	607,5	240,933
2	12-15	11,625 - 12,000	BFR	3 500	77,243
1	7	11,000	LFR	250	5,423
8	5-15	11,250 - 13,200	USD	110	132,688
3	4-8	5,500 - 5,875	SFR	270	148,129
2	7-10	7,600 - 8,000	Yen	26 000	137,441
74					822,210

Short-term operations

Commercial paper	10	Variable	USD	140,0	189,085
Short-term bills			ECU	100,0	100,0
Grand total					4 338,755

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

Table 3
Borrowings by the European Communities (amounts outstanding at end of each year)¹

Year	ECSC	EIB	Euratom	NCI	Total borrowings for structural purposes	EEC ³	Total
1975	2 391	3 926	—	—	6 317	—	6 317
1976	3 478	4 732	—	—	8 210	1 161	9 371
1977	3 955	5 421	99	—	9 475	1 500	10 975
1978	4 416	6 715	172	—	11 303	1 361	12 664
1979	4 675	8 541	323	178	13 717	965	14 682
1980	5 406	10 604	502	491	17 003	1 016	18 019
1981	5 884	13 482	902	894	21 162	1 062	22 224
1982	6 178	16 570	1 272	1 747 ⁴	25 767	591	26 358
1983	6 539	20 749	1 680	3 269 ⁴	32 237	4 610	36 847
1984	7 119	25 007	1 892	4 432 ⁴	38 450	4 932	43 382

¹ The conversion rates used were those obtaining on 31 December of each year; as the majority of borrowings are denominated in national currencies, the difference between two year-ends reflects, on the one hand, changes in the valuation of the existing stock and, on the other, the net volume of borrowings during the year.

² Original amount of borrowings, plus or minus repayments of the principal, cancellations, annulments, and exchange rate adjustments.

³ 'Balance of payments' borrowings.

⁴ Including borrowings for reconstruction loans for the earthquake-stricken areas for Italy and Greece.

Table 4

Breakdown of loans in the Community in 1984 by instrument, sector and countries

(million ECU)

Country	NCI			Euratom		EIB				ECSC				Total				
	Pro- ductive sector	Infra- struc- ture	Energy	Total	Energy	Total	Pro- ductive sector	Infra- struc- ture	Energy	Total	Pro- ductive sector	Infra- struc- ture	Energy	Total	Pro- ductive sector	Infra- struc- ture	Energy	Total
Belgium	—	—	—	—	95,1	95,1	—	—	32,5	32,5	4,4	1,0	—	5,4	4,4	1,0	127,6	133,0
Denmark	36,9	—	97,7	134,6	—	—	4,9	65,3	119,8	190,0	3,1	0,1	—	3,2	44,9	65,4	217,5	327,8
FR of Germany	—	—	—	—	—	—	—	—	134,3	134,3	254,0	10,2	12,7	276,9	254,0	10,2	147,0	411,2
Greece	16,3	18,0	35,0	69,3	—	—	61,0	125,9	88,6	275,5	—	0,1	—	0,1	77,3	144,0	123,6	344,9
France	342,5	43,8	—	386,3	90,9	90,9	160,4	537,9	115,7	814,0	111,7	3,9	65,9	181,5	614,6	585,6	272,51	472,7
Ireland	19,4	30,6	—	50,0	—	—	64,0	60,0	—	124,0	—	0,1	—	0,1	83,4	90,7	—	174,1
Italy	369,0	67,0	61,3	497,3	—	—	999,4	1 053,5	485,3	2 538,2	47,3	18,7	—	66,0	1 415,7	1 139,2	546,63	101,5
Luxembourg	—	—	—	—	—	—	—	16,4	—	16,4	69,4	0,2	—	69,6	69,4	16,6	—	86,0
Netherlands	—	—	—	—	—	—	—	—	—	—	—	0,7	—	0,7	—	0,7	—	0,7
United Kingdom	10,5	33,8	—	44,3	—	—	55,6	255,1	577,5	888,2	81,4	1,7	—	83,1	147,5	290,6	577,51	1015,6
Total	794,6	193,2	194,0	1 181,8	186,0	186,0	1 345,2	2 114,1	1 553,8	5 013,1	710,2 ⁽¹⁾	36,7	78,6	825,5 ⁽¹⁾	2 850,1	2 344,0	2 012,37	206,4 ⁽¹⁾
% sector	67,2	16,4	16,4	100	100	100	26,8	42,2	31,0	100	86,0	4,5	9,5	100	39,6	32,5	27,9	100
% institution			16,4			2,6			69,6				11,4				100	

¹ Including 138,9 million ECU of ECSC loans outside the Community.

Table 5

Trend in lending operations in the Community, by sector

(million ECU)¹

Year	Productive sector	Infrastructure	Energy	Total
1975	758,7	469,9	488,8	1 722,4
1976	1 163,5	429,9	556,4	2 149,8
1977	938,8	607,7	693,2	2 239,7
1978	745,4	1 000,0	1 089,1	2 834,5
1979	756,4	1 055,8	1 574,3	3 386,5
1980	1 277,9	1 204,7	1 680,2	4 162,8
1981	788,0	1 390,2	1 928,5	4 106,5
1982	1 726,7	1 817,4	1 802,5	5 346,6
1983	1 940,4	2 240,8	2 431,0	6 612,0
1984	2 850,1	2 344,0	2 012,3	7 206,4

¹ The conversion rates used were those obtaining on 31 December of the year in question in the case of ECSC loans and those obtaining on the last working day of the quarter before the contract was signed in the case of EIB, NCI and Euratom loans.

Table 6
NCI loans, 1979-84

(million ECU)¹

Country	1979			1980			1981		
	Infra-structure	Energy	Total	Infra-structure	Energy	Total	Infra-structure	Energy	Total
Belgium	—	—	—	—	—	—	—	—	—
Denmark	—	—	—	—	18,1	18,1	—	—	—
FR of Germany	—	—	—	—	—	—	—	—	—
Greece ²	—	—	—	—	—	—	—	—	—
France	—	—	—	—	—	—	40,3	—	40,3
Ireland	62,0	24,7	86,7	27,3	14,4	41,7	8,1	9,2	17,3
Italy ³	39,6	45,4	85,0	62,3	75,5	137,8	363,9	84,4	448,3
Luxembourg	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—
United Kingdom	25,9	79,4	105,3	—	—	—	33,9	—	33,9
Total	127,50	149,50	277,00	89,60	108,00	197,60	446,20	93,60	539,80
%	46,0	54,0	100	45,3	54,7	100	82,7	17,3	100

Country	1982				1983				1984			
	Infra-structure	Energy	Productive sector	Total	Infra-structure	Energy	Productive sector	Total	Infra-structure	Energy	Productive sector	Total
Belgium	—	—	—	—	—	—	—	—	—	—	—	—
Denmark	48,6	47,4	—	96,0	—	83,2	22,2	105,4	—	97,9	36,9	134,6
FR of Germany	—	—	—	—	—	—	—	—	—	—	—	—
Greece ²	124,9	—	—	124,9	50,3	35,0	—	85,3	18,0	35,0	16,3	69,3
France	—	—	37,6	37,6	36,4	44,3	105,5	186,2	43,8	—	342,5	386,3
Ireland	45,3	37,8	—	83,1	18,8	46,8	3,8	69,4	30,6	—	19,4	50,0
Italy ³	210,7	15,1	223,7	449,5	338,2	37,7	289,5	665,4	67,0	61,3	369,0	497,3
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	—	—	—	—	—	32,0	68,1	100,1	33,8	—	10,5	44,3
Total	429,50	100,30	261,30	791,10	443,7	279,0	489,1	1 211,8	193,2	194,0	794,6	1 181,8
%	54,3	12,7	33,0	100	36,7	23,0	40,3	100	16,4	16,4	67,2	100

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

² Including 'earthquake' operations in 1982.

³ Including 'earthquake' operations in 1981, 1982, 1983 and 1984.

Table 7

ECSC loans paid out, 1975-84

(million ECU)¹

Country	1975				1976				1977				1978			
	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total
Belgium	40,3	1,8	—	42,1	34,6	2,7	—	37,3	15,0	0,9	—	15,9	—	1,9	—	1,9
Denmark	22,6	0,4	—	23,0	—	—	—	—	—	0,5	—	0,5	13,1	0,1	—	13,2
FR of Germany	119,3	7,9	23,7	150,9	166,7	9,7	10,5	186,9	28,0	5,8	81,7	115,5	111,6	5,6	21,8	139,0
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	112,2	4,9	—	117,1	101,9	4,3	27,0	133,2	125,2	0,9	48,4	174,5	89,9	2,8	34,4	127,1
Ireland	—	0,2	—	0,2	0,6	0,1	—	0,7	—	0,2	—	0,2	—	—	—	—
Italy	175,8	0,8	—	176,6	146,8	0,9	—	147,7	170,9	2,7	—	173,6	123,8	2,6	—	126,4
Luxembourg	0,6	0,5	—	1,1	—	0,1	—	0,1	—	0,5	—	0,5	73,5	0,5	—	74,0
Netherlands	29,5	0,9	—	30,4	38,2	0,4	—	38,6	—	0,5	—	0,5	42,0	0,8	—	42,8
United Kingdom	125,2	1,1	137,2	263,5	376,9	0,0	142,4	519,3	173,6	—	86,7	260,3	29,0	3,0	241,3	273,3
Non-EEC	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	625,6	18,5	160,9	804,9	865,7	18,2	179,9	1 063,8	512,7	12,0	216,8	741,5	482,9	17,3	297,5	797,7

Country	1979				1980				1981				1982			
	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total
Belgium	—	0,4	—	0,4	—	—	29,2	29,2	—	0,5	—	0,5	17,0	1,0	—	18,0
Denmark	—	0,3	—	0,3	4,3	—	—	4,3	—	—	—	—	1,7	0,1	—	1,8
FR of Germany	122,0	6,1	21,0	149,1	98,5	0,8	29,8	129,1	53,2	5,9	33,2	92,3	89,3	5,0	90,4	184,7
Greece	—	—	—	—	—	—	—	—	—	—	—	—	10,9	0,4	—	11,3
France	99,5	3,2	28,7	131,4	237,5	0,5	37,4	275,4	85,1	2,3	24,0	111,4	10,6	3,7	54,8	69,1
Ireland	13,9	—	—	13,9	1,0	0,1	—	1,1	11,0	—	—	11,0	—	0,1	—	0,1
Italy	94,2	7,4	—	101,6	138,6	4,4	—	143,0	96,2	5,3	—	101,5	62,7	2,4	—	65,1
Luxembourg	19,5	0,1	—	19,6	68,6	—	—	68,6	—	0,1	—	0,1	5,2	0,3	—	5,5
Netherlands	—	0,5	—	0,5	4,6	0,3	—	4,9	—	0,5	—	0,5	43,7	0,4	—	44,1
United Kingdom	26,4	3,6	229,0	259,0	140,0	1,7	226,8	368,5	70,2	0,1	—	70,3	112,4	4,7	152,0	269,1
Non-EEC	—	—	—	—	6,6	—	—	6,6	—	—	—	—	71,8	—	—	71,8
Total	375,5	21,6	278,7	675,8	699,7	7,8	323,2	1 030,7	315,7	14,7	57,2	387,6	425,3	18,1	297,2	740,6

Country	1983				1984			
	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total
Belgium	3,0	0,9	—	3,9	4,4	1,0	—	5,4
Denmark	—	0,0	—	0,0	3,1	0,1	—	3,2
FR of Germany	74,5	2,2	72,7	149,4	254,0	10,2	12,7	276,9
Greece	—	0,4	—	0,4	—	0,1	—	0,1
France	127,0	2,1	148,7	277,8	111,7	3,9	65,9	181,5
Ireland	4,2	0,2	—	4,4	—	0,1	—	0,1
Italy	19,4	12,8	—	32,2	47,3	18,7	—	66,0
Luxembourg	—	0,0	—	0,0	69,4	0,2	—	69,6
Netherlands	39,4	0,1	—	39,4	—	0,7	—	0,7
United Kingdom	104,8	1,5	164,2	270,5	81,4	1,7	—	83,1
Non-EEC	—	—	—	—	138,9	—	—	138,9
Total	372,3	20,2	385,6	778,1	710,2	36,7	78,6	825,5

¹ The conversion rates used were those obtaining on 31 December of each year.

Table 8

Euratom loans, 1977-84, energy sector

Country	<i>(million ECU)¹</i>							
	1977	1978	1979	1980	1981	1982	1983	1984
Belgium	—	—	50,5	82,2	225,2	72,9	32,5	95,1
Denmark	—	—	—	—	—	—	—	—
FR of Germany	77	34,4	—	—	—	—	—	—
Greece	—	—	—	—	—	—	—	—
France	19,9	—	67,9	99,1	98,8	258,9	198,6	90,9
Ireland	—	—	—	—	—	—	—	—
Italy	—	35,8	34	—	33,6	30,0	89,0	—
Luxembourg	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—
United Kingdom	—	—	—	—	—	—	46,3	—
Total	96,9	70,2	152,4	181,3	357,6	361,8	366,4	186,0

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

Table 9
Loans from EIB own resources in the Community, 1975-84

(million ECU)¹

Country	1975				1976				1977				1978			
	Productive sector ²	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total
Belgium	—	—	10.8	10.8	17.9	—	—	17.9	—	—	—	—	—	—	62.2	62.2
Denmark	11.6	—	6.1	17.7	9.1	—	—	9.1	12.8	7.1	12.8	32.7	12.4	51.4	42.5	106.3
FR of Germany	—	—	—	—	9.2	—	101.6	110.8	—	—	28.4	28.4	2.3	—	43.2	45.5
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	8.2	128.9	20.9	158.0	—	60.1	—	60.1	19.6	119.5	157.4	296.5	23.6	237.6	98.1	359.3
Ireland	7.7	30.0	—	37.7	29.9	24.2	3.3	57.4	18.3	61.4	—	79.7	14.8	72.6	30.0	117.4
Italy	52.9	208.2	97.7	358.8	126.7	195.1	40.2	362.0	197.1	189.3	39.3	425.7	142.2	374.0	328.9	845.1
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	30.4	30.4	—	—	—	—	—	—	—	—
United Kingdom	57.8	84.3	192.4	334.5	94.1	132.3	191.2	417.6	167.9	218.4	92.8	479.1	67.3	247.0	116.4	430.7
Non-EEC	—	—	—	—	—	—	—	—	—	—	48.8 ³	48.8	—	—	—	—
Total	138.2	451.4	327.9	917.5	286.9	411.7	366.7	1 065.4	415.7	595.7	379.5	1 390.9	262.6	982.6	721.3	1 966.5

Country	1979				1980				1981				1982			
	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total
Belgium	8.7	—	49.7	58.4	6.2	—	147.0	153.2	12.3	—	170.2	182.5	5.5	—	55.0	60.5
Denmark	5.4	3.9	6.3	15.6	9.6	25.1	46.4	81.1	13.3	10.6	119.0	142.9	9.8	99.2	100.3	209.3
FR of Germany	4.0	—	43.8	47.8	—	—	14.2	14.2	—	—	292.0	292.0	—	—	20.8	20.8
Greece	—	—	—	—	—	—	—	—	61.2	82.5	—	143.7	138.7	144.1	50.8	333.6
France	1.7	122.1	98.9	222.7	1.7	63.4	213.9	279.0	—	67.7	159.0	226.7	39.8	72.7	311.7	424.3
Ireland	49.2	124.4	79.3	252.9	177.2	114.0	43.1	334.3	81.9	113.7	129.7	325.3	113.8	145.0	66.6	325.4
Italy	244.6	356.3	304.5	905.4	223.8	578.5	350.2	1 152.5	277.7	524.8	448.8	1 251.3	652.6	686.5	249.6	1 588.7
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	64.0	299.9	375.1	739.0	166.8	329.6	191.6	688.0	25.8	193.0	—	218.8	79.9	222.3	188.3	490.6
Non-EEC	—	—	39.4 ⁴	39.4	—	—	50.9	50.9 ⁴	—	—	22.8	22.8 ⁵	—	—	—	—
Total	377.6	906.6	997.0	2 281.2	585.3	1 110.6	1 057.3	2 753.2	472.2	992.3	1 341.5	2 805.9	1 040.1	1 369.9	1 043.2	3 453.2

Country	1983				1984			
	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total
Belgium	—	—	—	—	—	—	32.5	32.5
Denmark	20.5	28.9	210.3	259.7	4.9	65.3	119.8	190.0
FR of Germany	22.9	—	129.3	152.2	—	—	134.3	134.3
Greece	63.2	193.3	107.8	364.3	61.0	125.9	88.6	275.5
France	152.8	345.7	209.4	707.9	160.4	537.9	115.7	814.0
Ireland	13.9	201.4	19.3	234.6	64.0	60.0	—	124.0
Italy	749.5	737.8	458.4	1 945.7	999.4	1 053.5	485.3	2 538.2
Luxembourg	—	—	—	—	—	16.4	—	16.4
Netherlands	—	—	—	—	—	—	—	—
United Kingdom	53.4	269.9	268.0	591.3	55.6	255.1	577.5	888.2
Non-EEC	—	—	—	—	—	—	—	—
Total	1 076.2	1 777.0	1 402.5	4 255.7	1 345.2	2 114.1	1 553.8	5 013.1

¹ The conversion rates used were those obtaining on the last working day of the quarter before the contract was signed.

² Industry, agriculture and services.

³ Norway.

⁴ Austria and Tunisia.

⁵ Tunisia.

Table 10**List of NCI LOANS in 1984**

	Denmark	Greece	France	Ireland	Italy	United Kingdom	Total	%
A. Infrastructure								
1. Water engineering projects: Ireland				15,5				
2. Road network: Ireland				15,1				
3. Telecommunications: Greece		18,0						
4. Water engineering projects: United Kingdom						33,8		
5. Telecommunications: France			43,7					
6. Global loan: energy conservation—buildings: Italy (centre, north)					18,2			
7. Solar panels: Italy (centre, north)					10,8			
8. Solar panels: Italy (Mezzogiorno)					3,6			
9. Solar panels: Italy					14,4			
10. Global loan: efficient use of energy—Italy (centre, north) Special aid for November'80 earthquake damage (Basilicata and Campania)					5,4			
11. Railways: Italy					14,6			
Total infrastructure	—	18,0	43,7	30,6	67,0	33,8	193,2	16,4
B. Energy								
12. Power station: Amynteon (Western Macedonia)		16,0						
13. Lignite mine Amynteon		19,0						
14. Oil pipeline: North Sea-Frederica	36,7							
— Transportation and distribution of natural gas (Copenhagen)								
15. A	30,5							
16. B	30,5							
17. Gas pipeline Algeria-Italy					39,7			
18. Conversion to natural gas of Rome network					21,6			
Total energy	97,7	35,0	—	—	61,3	—	194,0	16,4
C. Industry								
19. Global loan: Efficient use of energy in industry					3,6			
20. Global loan SMEs (centre, north)					50,5			
21. Global loan SMEs (centre, north) (dissemination of innovation, new technologies)					51,0			
22. Global loan SMEs (centre, north)					25,3			
23. Global loan SMEs			51,0					
24. Global loan SMEs (centre, north)					18,2			
25. Global loan SMEs						3,5		
26. Global loan SMEs						7,0		
27. Global loan SMEs (centre, north)					21,9			

28. Global loan SMEs (centre, north)									14,4
29. Global loan SMEs (centre, north)									14,6
30. Global loan SMEs	12,2								
31. Global loan to SDRs for SMEs, industry and services, non assisted areas					34,2				
32. Global loan to SDRs for SMEs industry and services					34,2				
33. Global loan SMEs					58,3				
34. Global loan SMEs					48,1				
35. Global loan SMEs					39,4				
36. Global loan SMEs, craft firms, centre, north								14,5	
37. Global loan SMEs, industry and allied services					14,6				
38. Global loan SMEs					62,7				
39. Global loan SMEs, industry and allied services	24,7								
40. Global loan small and medium-size agri-industrial ventures and farms projects		16,3							
41. Global loan SMEs, centre, north									18,0
42. Global loan SMEs, centre, north									21,6
43. Global loan SMEs, centre, north									57,6
44. Global loan SMEs (innovation, new technologies)									57,7
45. Afforestation, tourist and technical facilities, Ireland						19,4			
Total industry	36,9	16,3	342,5	19,4	369,0	10,5	794,6	67,2	
Total NCI loans	134,6	69,3	386,3	50,0	497,3	44,3	1 181,8	100	
of which: NCI I	—	—	—	15,5	—	—	15,5	—	
%	—	—	—	31,0	—	—	1,3	—	
NCI II	—	35	—	34,5	—	—	69,5	—	
%	—	50,5	—	69,0	—	—	5,9	—	
NCI III 1	109,9	18	279,9	—	327,8	44,3	779,9	—	
%	81,6	26,0	72,5	—	65,9	100	66,0	—	
NCI III 2	24,7	16,3	106,4	—	154,9	—	302,4	—	
%	18,4	23,5	27,5	—	31,2	—	25,6	—	
NCI (Reconstruction)	—	—	—	—	14,6	—	14,6	—	
%	—	—	—	—	2,9	—	1,2	—	

Table 11**List of Euratom loans in 1984**

Date	Recipient	Country	million ECU
7.3.1984	Belgelectric finance	Belgium	5,6
13.3.1984	Nersa	France	28,6
16.4.1984	Belgelectric finance	Belgium	22,4
16.7.1984	Nersa	France	48,9
25.7.1984	Belgelectric finance	Belgium	67,1
10.10.1984	EDF	France	13,4
Total			186,0

Table 12**ECSC loans by sector, 1980-84**

Years	<i>(million ECU)</i>								
	Total ECSC loans	Coal industry (Art. 54 §1)	Steel industry (Art. 54 §1)	Thermal power stations (Art. 54 §2)	Conversion (Art. 56)	Workers' housing (Art. 54)	Iron-ore mines (Art. 54 §2)	Other (Art. 54 §2)	
1980	1 030,7	233,2	424,0	90,0	266,1	7,9	—	9,6	
1981	387,6	30,6	223,6	26,6	86,0	14,7	—	6,1	
1982	740,6	256,3	139,8	40,9	162,8	18,0	71,8	51,0	
1983	778,1	257,2	222,2	128,4	139,5	20,2	—	10,6	
1984	825,5	12,7	268,5	65,8	247,5	36,7	148,4	45,9	
1984 — 1983	%	+ 6,1	— 95,1	+ 20,8	— 48,8	+ 77,4	+ 81,7	—	+ 433

Table 13

EIB loans outside the Community from borrowings, 1976-84

	(million ECU) ¹								
Country	1976	1977	1978	1979	1980	1981	1982	1983	1984
ACP States and OCT	52	67	91	73	124	158	122	90	79,1
<i>Northern Mediterranean</i>	90	85	80	186	215	129	252	257	346,3
Spain	—	—	—	—	—	40	105	105	140
Portugal	90	60	35	46	70	79	80	85	80
Yugoslavia	—	25	25	—	—	—	67	67	126,3
Greece	—	—	20	104	101	—	—	—	—
Turkey	—	—	—	36	44	10	—	—	—
<i>Maghreb</i>	—	—	—	50	25	52	—	36	63
Algeria	—	—	—	—	20	10	—	—	—
Morocco	—	—	—	26	—	30	—	36	54
Tunisia	—	—	—	24	5	12	—	—	9
<i>Mashreq</i>	—	—	3	109	7	15	28	44	112,3
Egypt	—	—	—	65	—	—	28	25	62,5
Jordan	—	—	—	11	4	3	—	14	11,5
Lebanon	—	—	3	17	3	12	—	5	—
Syria	—	—	—	16	—	—	—	—	38,3
<i>Other</i>	—	—	—	3	—	42	8	—	20
Cyprus	—	—	—	—	—	12	8	—	—
Malta	—	—	—	3	—	—	—	—	—
Israel	—	—	—	—	—	30	—	—	20
Total Mediterranean	90	85	83	348	247	238	288	337	541,6
Total	142	152	174	421	371	396	410	427	620,7

¹ The conversion rates were those obtaining on the last working day of the quarter before the contract was signed.

Table 14
Interest subsidies paid out in the Community by the various Community mechanisms, 1977-84

(million ECU)

Year	Non-discounted systems ¹			Discounted systems ²		
	ECSC		'Earthquake reconstruction'	EMS	ERDE	
	Article 54 (restructuring)	Article 56 (reconversion)				
1977	1,3	2,7	—	—	—	—
1978	9,8	16,5	—	—	—	—
1979	10,4	8,0	—	200,0	—	12,1
1980	25,7	33,4	—	197,0	—	—
1981	7,6	6,3	—	193,2	—	—
1982	10,5	19,3	3,0	209,8	—	—
1983	4,0	7,1	14,4	200,0	—	—
1984	6,2	34,0	24,4	—	—	—

¹ Interest subsidies spread over time and charged to the funds set aside for this purpose in the annual budgets.

² Interest subsidies paid by the Commission after discounting to a present value, and charged to the budget as a single sum in the initial year.

Table 15

'Earthquake reconstruction' loans carrying interest subsidies, 1984 financial year: Italy

(million ECU)

Borrower	Project	Total loans contracted end 1984	Interest subs. paid from 1984 approp.
<i>NCI loans</i>			
ANAS (Azienda Nazionale Autonoma delle Strade)	Road and motorway infrastructure: I	30,8	1,135
FS (Azienda Autonoma delle Ferrovie dello Stato)	Railway network: — I A	28,4	1,045
	— I B	21,9	0,692
	— I C	14,6	0,265
	— II A	15,0	0,409
CASSA (Cassa per le opere straordinarie di pubblico interesse nell'Italia meridionale)	Water supply network: I	26,1	0,844
CASSA	Repair of Pugliese aqueduct: I	56,5	1,770
Italian Government	Industrial estates	65,7	0,980
Italian Government	Repair and reconstruction of schools	55,7	2,049
Italian Government	Basic infrastructure for areas to be used for housing	155,2	4,938
Italian Government	Reconstruction of public property	74,9	0,580
Italian Government	Barracks/aid centre, Persano	32,8	0,195
Italian Government	Repair of university buildings	19,7	0,168
NCI Total		593,3	15,070
<i>EIB loans</i>			
SIP (Società Italiana per l'Esercizio Telef. p.A)	Telephone network: A	11,9	0,409
	B	8,0	0,229
	C	7,6	0,249
	II	2,4	—
Italian Government	Industrial estates: II A	21,6	0,409
ENEL (Ente Nazionale per l'Energia elettrica, Roma)	Electricity grid: A	11,9	0,266
	B	7,6	0,185
	C	10,8	—
CASSA	Water-supply network: II	11,5	0,404
	III	30,4	0,960
	IV	9,8	0,297
CASSA	Repair of Pugliese aqueduct: II	56,7	0,742
ANAS	Road and motorway infrastructure: II A	7,5	0,228
	II B	29,2	0,870
Isveimer (Istituto per lo sviluppo Economico dell'Italia Meridionale, Napoli)	Reconstitution of the means of production (industry and hotel trade): A	2,6	0,087
	B	4,8	0,028
Isveimer	Motor vehicle component factory: A	14,6	0,441
	B	5,0	—
IRI (Istituto per la Ricostruzione Industriale)	Aircraft engine component factory	7,2	—
EIB total		261,1	6,619
Total Italy		858,4	21,689

Table 16
'Earthquake reconstruction' loan carrying interest subsidy, 1984: Greece

<i>(million ECU)</i>			
Borrower	Project	Loan signed	Interest subs. paid from 1984 appropri.
<i>NCI Loan</i>			
Greek Government	1981 reconstruction: — economic infrastructure	21,1	0,710
	— social infrastructure	58,9	1,981
Total Greece		80,0	2,691

Table 17
Subsidized loans for reconstruction in earthquake-stricken areas in 1984 (by country, instrument and sector)

	Loans signed					Interest subsidies paid in 1984	
	Init. sitn 1984	1984 operations	Situation at end of 1984				
	mio ECU	mio ECU	Number	mio ECU	%	mio ECU	%
<i>By recipient country:</i>							
Italy	792,0	66,4	32	858,4	91,5	21,689	89,0
Greece	80,0	—	1	80,0	8,5	2,691	11,0
	872,0	66,4	33	938,4	100,0	24,380	100,0
<i>By origin of resources lent:</i>							
NCI	662,7	14,6	14	677,3	72,2	17,761	72,9
EIB	209,3	51,8	19	261,1	27,8	6,619	27,1
	872,0	66,4	33	938,4	100,0	24,380	100,0
<i>By sector of use:</i>							
Economic infrastructure	457,6	49,4		507,0	54,0	13,913	57,1
Social infrastructure	397,2	—		397,2	42,3	9,911	40,6
Reconstitution of means of production	17,2	17,0		34,2	3,7	0,556	2,3
	872,0	66,4		938,4	100,0	24,380	100,0

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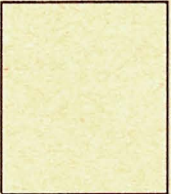
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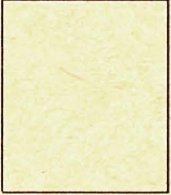
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