

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 1985

No 28 May 1986

European Economy appears four times a year, in March, May, July 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 to come. The July issue contains the Commission's annual economic review, the background analysis to the proposed annual report. In March *European Economy* presents reports and studies on problems of current interest for economic policy. The May 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 of opinion surveys of industrial chief executives (orders, stocks, production outlook, etc.) and of consumers (economic and financial situation and outlook, etc.) in the Community, and other business cycle indicators. It also appears monthly, with the exception of August.

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Commission report to the Council and to Parliament on the borrowing and lending activities of the Community in 1985

1. The Commission has the honour to present to the Council and to Parliament this report on the borrowing and lending activities of the Community in 1985. The report is divided into two main parts: the first part deals with the borrowing activities and the second part with the lending activities. The report is based on the data provided by the Member States and the Commission's own records.

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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
EUR 10	Total of the Member States of the European Community in 1985
EUR 9	Community excluding Greece

Currencies

BFR	Belgian franc
DKR	Danish krone
DM	Deutschmark
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 having signed the Lomé Convention
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
LDCs	Less-developed countries
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	Tonne of oil equivalent

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Methodological comments

The ECU

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.

Since 17 September 1984 when the last periodic revision of the composition of the ECU took place and when the drachma was included, the amounts have been 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.

A joint declaration accompanying the Acts of Accession of Spain and Portugal provides that the peseta and the escudo may be included in the ECU at the request of the new Member States on the occasion of the first five-year review of the weighting of the currencies within the ECU.

Value of the ECU at 31 December

BFR/LFR (convertible)	44,645
BFR/LFR (financial)	45,000
DM	2,18386
HFL	2,46133
UKL	0,615334
DKR	7,95672
FF	6,70474
LIT	1 489,94
IRL	0,714055
DR	131,2
USD	0,887927
SFR	1,84023
YEN	178,207

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, Euratom and balance-of-payments facilities are concerned, Part II of the preliminary draft general budget of the European Communities, together with its Statistical annex II.

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.

Foreword

This is the sixth 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 1985.

It was drawn up to meet the wishes expressed by Parliament on various occasions, and in particular in its resolution on improving political monitoring of the Community's borrowing and lending activities.¹

The report reviews all the borrowing and lending activities for structural purposes (i.e. excluding those intended to support the balance of payments of Member States) of the Community institutions, including those of the ECSC and the EIB. It thus fulfils 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;²
- (ii) the activities of the NCI, in accordance with Article 6 of the Council Decision of 16 October 1978 (NCI I),³ Article 6 of the Council Decision of 15 March 1982 (NCI II),⁴ and Article 7 of the Council Decision of 19 April 1983 (NCI III);⁵

¹ Doc. PE 67134 of 5.3.1981; OJ C 287, 9.11.1981.

² Decision 77/270/Euratom: OJ L 88, 6.4.1977.

³ Decision 78/870/EEC: OJ L 298, 25.10.1978.

⁴ Decision 82/169/EEC: OJ L 78, 24.3.1982.

⁵ Decision 83/200/EEC: OJ L 112, 28.4.1983.

(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;⁶

(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 1981.⁷

Like the previous reports, this report, which covers the 1985 financial year, provides a complete picture of the borrowing and lending activities for structural purposes of the Community instruments within the European Community. It reviews not only the activities of Euratom and the NCI, but also those of the ECSC and, in brief, 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.

⁶ Decision 81/19/EEC: OJ L 37, 10.2.1981.

⁷ Decision 81/1013/EEC: OJ L 367, 23.12.1981.

1. The consolidation of Community lending policy in 1985

The year 1985 was a consolidation phase in the development of Community lending. There were two main aspects to that consolidation:

- (i) a financial aspect which took the form of an increase in the resources allocated to Community lending policy — an increase which was justified both by the accession on 1 January 1986 of Spain and Portugal, whose potential demand for Community financing is substantial, and by the constraints on Community budgetary resources;
- (ii) further moves towards integration, both of the Community instruments used and of the measures to be financed — moves targeted on geographical areas regarded as having priority in view of the objectives to be attained.

1.1. Increased financial resources

With the exception of the ECSC, whose borrowing and lending activities are not subject to any quantitative restriction, the Community's lending operations are subject to constraints which are imposed either by treaty (amount of loans outstanding being a function of subscribed capital in the case of the EIB) or by legislation (borrowing ceilings for Euratom and the NCI). Thus, the EIB's outstanding loans and guarantees may not exceed the ceiling of 250 % of subscribed capital laid down by Article 18 of its Statute, while the borrowing ceiling imposed on Euratom was fixed, after successive increases, at 2 000 million ECU by the Decision of 15 March 1982, and that imposed on the NCI was brought up to 3 000 million ECU by the third Council Decision of 19 April 1983.

As the Community's borrowing and lending operations were approaching the limits laid down by treaty or by legislation, it was essential that further resources should be found if those operations were to continue.

1.1.1. The increase in the EIB's capital

The capital subscribed by the Member States, which had been increased six times since the EIB was set up in 1958, stood at 14 400 million ECU since 1 January 1981. Under the terms of the EIB Statute, this permitted outstanding loans and guarantees of 36 000 million ECU.

On 31 December 1984, the amount of loans and guarantees outstanding stood at 31 200 million ECU — an amount close to the limit set by the EIB Statute.

The EIB's capital had therefore to be increased if its activities were to continue to develop.

Under the terms of Article 4 of the EIB Statute, the Board of Governors may, acting unanimously, decide to effect such an increase. An agreement was reached at the EIB's annual meeting on 11 June 1985, to increase the capital subscribed by the 10 Member States from 14 400 million ECU to 26 500 million ECU, to which must be added contributions from the two new Member States, Spain and Portugal, totalling 2 300 million ECU. The total increase decided on, which includes the bringing into line of the Italian contribution with those of France, the Federal Republic of Germany and the United Kingdom, takes effect on 1 January 1986. It is therefore equivalent to a doubling of the EIB's capital to 28 800 million ECU, which will enable it to increase its maximum level of outstanding loans and guarantees to 72 000 million ECU.

The EIB has thus ensured the means to carry out the activities it has in prospect for the medium term.

There are a number of factors militating in favour of an increase in those activities: the accession of Spain and Portugal, whose funding requirements for regional development, for infrastructure projects for establishing links between each other and with the Community as a whole and for industrial modernization are considerable; the continuing regional disparities in the rest of the Community, necessitating investment in the productive sector and infrastructures; the growing attention paid to environmental problems; the scope which still exists for making energy savings; the unsatisfied requirements of major infrastructure projects, particularly in the transport and telecommunications fields; and the aim of reinforcing Europe's industrial competitiveness.

1.1.2. 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 1984 was 1 777 million ECU, the Commission presented to the Council in December

1984⁸ a proposal for raising from 2 000 million ECU to 3 000 million ECU the total amount of loans it is empowered to contract.

By its Decision of 5 December 1985 (85/537/Euratom),⁹ the Council fixed at 3 000 million ECU the maximum amount of loans which could be contracted. Thus, this specific instrument, which finances investment projects relating to the industrial production of electricity in nuclear power-stations and to industrial fuel cycle installations, will be able to increase its activities on the basis of the Member States' nuclear programmes and thus contribute to the objective of greater energy independence for the Community.

1.1.3. The proposal for renewing the NCI

As total loans signed plus applications declared eligible by the Commission had exhausted the amount available under the first tranche of the NCI III and three-quarters of the amount available under the second tranche, the Commission put forward a proposal for a new lending programme on 7 June 1985.¹⁰

The purpose of the Commission's proposal is to request powers to contract loans enabling it to on-lend up to 1 500 million ECU. In accordance with the objectives of reinforcing the Community's technological base and industrial competitiveness set by the Council, and in view of the sustained demand for funding from firms since the NCI was opened up to the productive sector in 1982, this programme of loans is intended to finance the investment projects of small and medium-sized businesses, and particularly projects involving the application of new technology and innovation.

This proposal, which has been favorably received by the Economic and Social Committee and the European Parliament, is currently being examined by the Council.

1.2. An integrated approach

Experience has shown the limitations of an approach based on sectoral measures which are not incorporated in a coordinated fashion into an integrated development framework. The Commission has therefore attempted for a number of years to improve the effectiveness of the various Community

financial instruments by avoiding a dispersion of assistance and by concentrating their action on specific and geographically clearly-defined problems.

On 21 March 1979, it formulated a technique for coordinating the Community's structural instruments in the form of integrated operations. Such operations, which are being carried out in Naples and Belfast, constitute cohesive programmes of public and private investments and measures in a limited geographical area, to which national and local authorities in the Member States and the Community contribute on a complementary basis. The financing methods used are of all kinds: loans, grants, and interest subsidies.

These efforts have found their most significant form in the implementation of the integrated Mediterranean programmes (IMPs).

1.2.1. Application of the integrated approach to the southern regions needing to adapt to the enlargement

The action to assist the Mediterranean regions (IMPs), which was initially proposed by the Commission on 17 March 1983 and on which broad political agreement was reached by the European Council in Brussels, was given legislative form on 23 July 1985.¹¹

Before that, the Commission had decided on 21 December 1983 to institute a series of pilot actions in preparation for the IMPs covering studies, assessment of the feasibility of measures and experimental, demonstration and information projects. The main beneficiaries were Sardinia, Corsica, the Hérault, the Greek islands of Lesbos and Lemnos and, more generally, the fishery and aquaculture sector.

The integrated Mediterranean programmes are designed to improve the economic structures of the Community's southern regions — particularly in Greece (the whole of Greek territory being affected) but also in France and Italy — in order to enable them to adapt to the consequences of enlargement. They consist of multi-annual programmes of measures lasting for a maximum of seven years and concerned with investment in the productive sector, in infrastructure projects and in human resources. These complementary measures cover the various fields of economic activity: agriculture, energy, industrial and craft activities and services. They are co-financed by the Community, through its structural instruments, as follows:

- (i) The structural Funds (ERDF, ESF, EAGGF-Guidance Section) are to provide 2 500 million ECU.

⁸ Doc. COM(84)691 final, 7.12.1984.

⁹ OJ L 334, 12.12.1985.

¹⁰ Doc. COM(85)250 final.

¹¹ Council Regulation (EEC) No 2088/85. OJ L 197, 27.7.1985.

- (ii) There is to be an additional budget allocation of 1 600 million ECU.
- (iii) Loans estimated at 2 500 million ECU, are to be provided from the EIB's own resources and from NCI resources.

Thus, nearly 40 % of all Community finance for IMPs may take the form of loans. The success of this mechanism will require close collaboration between national and regional authorities, the Commission and the Bank.

The rate of Community assistance may not exceed 70 % of the total cost of the project or operation, with the exception of certain infrastructure projects partially financed by loans in Greece.

The programmes drawn up at regional and local levels are to be submitted before the end of 1986 to the Commission, which will decide which measures should benefit from Community aid. The programmes therefore necessitate a selection of measures on the basis not only of their compatibility with Community policies but also of their intrinsic qualities and their capacity to help solve the problems of the region concerned. A choice must also be made as to the nature and degree of application of the various instruments which can be used (grants, reimbursable advances, loans, interest subsidies) with a view to adapting those instruments as well as possible to the circumstances of the programme to be financed. By permitting a multi-annual development planning approach and by establishing a genuine contract between the three partners — State, regions and Community — committed to financing them, the IMPs provide a prime opportunity for trying out ways of coordinating not only measures but also financing techniques and the instruments involved.

1.2.2. The case of the steel conversion areas

The Commission plans to pursue a similar integrated approach in the steel restructuring areas by stepping up lending operations there and by promoting new measures which are designed primarily to create jobs.

In its communication to the Council of 16 July 1985,¹² the Commission set out the lessons to be drawn from the assistance given to the ECSC employment areas from 1981 to 1984 and outlined its proposals for stepping up productive investment in the following four years and beyond so as to

create the alternative jobs necessitated by the restructuring measures undertaken by steel undertakings and described in the document 'General steel objectives 1990'.¹³

An integrated approach combining the various instruments would be adopted in the areas faced with the most serious economic and social difficulties. Those areas would be the first to benefit from new measures designed to facilitate access by small and medium-sized firms to risk capital and credit, to encourage the establishment of new business and innovation centres and local employment initiatives and to increase ECSC subsidized conversion loans and NCI loans. The other steel areas could also benefit.

The ERDF, the ESF, the ECSC and the NCI, as well as the EIB, should all help to finance these measures, if necessary through subsidized loans. Steps are to be taken to reinforce the cohesiveness of their different contributions.

2. Investment in the Community

2.1. Signs of a generally more uniform pattern of growth

In 1985, domestic demand continued to underpin growth. Private consumption increased by 2 % in volume terms owing to a more rapid increase in real disposable income. The fact that the rise in consumer prices slowed by one percentage point more than compensated for the reduced growth of gross nominal income.

Following a continued fall in 1982 and 1983, spending on fixed capital goods picked up in 1984 and continued to increase in 1985. Fixed investment in plant and machinery accelerated, with its rate of growth increasing from 3,6 % in 1984 to 5,8 % in 1985 in volume terms. However, the further decline in the construction sector led to a reduction in the rate of growth of aggregate investment to 1,1 % in volume terms (2,3 % in 1984).

At current prices and purchasing power parities, gross fixed capital formation in the Community amounted to 617 600 million ECU in 1985, an increase in nominal terms of 6,2 % compared with 1984. It represents 18,4 % of Community GDP.

The overall investment situation in the Member States was slightly less uneven than in 1984 and is showing signs of a more uniform pattern of growth in 1986.

¹² Doc. COM(85)384 final.

¹³ Doc. COM(85)208 final, 4.6.1985.

Denmark improved on its 1984 performance thanks to accelerating industrial investment coupled with a rising degree of capacity utilization and improved profits. Belgium experienced a higher rate of growth owing to buoyant investment and particularly to a reversal of trend in the construction sector. In Italy, investment contracted slightly but remained appreciably more buoyant than the Community average.

In the United Kingdom, aggregate investment slackened as a result of a decline in residential building. A similar decline, although less severe, was responsible for the loss of investment momentum in the Netherlands despite the very sharp increase in industrial investment.

After declining in 1984, investment recovered in 1985 in Greece, Ireland and Luxembourg. This last country probably benefited from the general acceleration in investment in the steel industry in 1985 — an acceleration brought about by the fact that public grants for restructuring and modernization measures were due to cease at the end of 1985.

The out-turns in France and Germany were mediocre. In Germany, the sharp growth in investment in plant and machinery did not compensate for the marked fall in construction.

Table 1**Investment in the Community***(annual growth rate in volume terms)*

	1984/83			1985/84		
	Total	Construction	Plant and machinery	Total	Construction	Plant and machinery
Belgium	1,1	-4,2	9,9	3,9	1,7	7,1
Denmark	12,5	9,7	16,2	13,9	9,3	19,5
FR of Germany	0,8	1,6	-0,5	-0,8	-6,7	8,8
Greece	-4,7	-7,7	-1,0	1,3	2,0	0,4
France	-1,9	-4,3	-0,7	-0,3	-1,4	0,3
Ireland	-1,8	-10,0	7,0	2,0	-5,0	8,5
Italy	4,1	-0,5	9,5	3,8	-0,4	8,3
Luxembourg	-1,4	-3,1	2,5	1,7	0,6	4,0
The Netherlands	4,3	2,7	6,8	2,4	-3,8	11,7
United Kingdom	8,2	7,5	9,1	1,2	-3,4	6,9
EUR 10	2,3	1,1	3,6	1,1	-3,2	5,8

	Aggregate investment ratio (as % of GDP)		Public investment as a proportion of total investment (as %)	
	1984	1985	1984	1985
Belgium	15,7	15,9	17,0	15,6
Denmark	17,3	19,3	11,2	11,2
FR of Germany	20,3	19,5	11,9	11,9
Greece	18,6	18,5	22,0	23,7
France	19,0	18,5	15,9	16,0
Ireland	21,0	20,9	17,4	18,1
Italy	17,9	17,9	23,0	22,8
Luxembourg	22,5	22,3	25,8	25,3
The Netherlands	18,4	18,4	15,5	14,8
United Kingdom	17,4	17,1	11,4	11,8
EUR 10	18,7	18,4	15,2	15,2

Source: Commission estimates.

2.2. Contrasting sectoral trends

The increase in aggregate investment conceals two contrasting trends: a very marked upturn in expenditure on plant and machinery (5,8 %) in line with the improvement in the degree of capacity utilization and the continued tendency for interest rates to fall, and a significant downturn (– 3,2 %) in construction.

Industrial investment probably grew in 1985 by 15 % at current prices and by 10 % in real terms thanks to the improvement in business profits, to wage moderation and to the marked recovery in the rate of utilization of productive capacity. In addition to these general factors, there were others which were specific to the situations in the different Member States.

In Germany, the sharp improvement in investment in plant and machinery, following the disappointing results in 1984, was also due to the upturn in economic activity and to the budgetary stabilization policy.

In Italy, private investment probably continued to benefit from the stabilization of the public deficit in 1984, which had given firms greater access to domestic credit. In Ireland, the satisfactory position with regard to investment in plant and machinery is probably the result of a combination of two factors, particularly in the foreign capital sectors: the carrying out of replacement investment and the commencement of projects which had been frozen during the recession, compensating for the fall in investment in the food industries.

In Greece, the increase in investment was due largely to public undertakings in the primary industry sector.

Investment in construction was down almost everywhere. Only four countries recorded increases: Luxembourg; Greece; Denmark where, however, residential building declined compared with 1984; and Belgium where the reversal of trend was not unrelated to the increase in the reduced VAT rate applied to residential building — an increase which was initially planned for the end of 1985 but which was finally postponed to 31 August 1986 and which led to an accumulation of orders in the second half of 1985.

By contrast, there was a very sharp deterioration in Germany as a result not only of the expiry of the building aid programme and the exceptionally hard winter but also of structural problems in the construction industry and saturation on the housing market.

Activity in the construction sector should stabilize in 1986 and thus contribute to an acceleration in the rate of growth

of aggregate investment. That rate could reach 4,5 % in volume terms in view of recent changes in oil prices and the dollar's exchange rate.

Despite increased competition on external markets, firms' margins should remain stable and the reduction in long-term interest rates should help to stimulate industrial investment. The findings of the latest business surveys carried out in the last quarter of 1985 (that is, before the 'oil effect') have already indicated not only less pessimistic assessments of the construction industry but also a growth in industrial investment of some 7 % in real terms. In addition, a general tendency for capacity to expand is emerging. This structural change in investment combined with its expansion in volume terms should help to improve the employment situation.

2.3. A trend which must be reinforced

The upturn in investment in the Community, which began in 1984 and continued in 1985, should mean a return to the 1980 level in 1986. However, investment as a proportion of GDP fell by more than four percentage points between 1970 and 1985, reaching a ratio below that of the United States and particularly of Japan. The Community's rate of growth was less than that of those two countries from 1970 to 1980 and fell from 1980 to 1983. The Community is worst placed in respect of products in strong demand and with a technological content (electrical and electronic equipment, data processing, chemicals).

Despite the improvement in the profit ratio and the wage moderation of the last three years, the rate of return on invested capital remains inadequate, particularly in relation to real interest rates.

The nature of the investment incentives given by the Member States has undoubtedly helped to increase the distortion of the relative prices of the factors of production, thereby accentuating the capital-intensive nature of investment and the negative consequences which that has for profitability and employment. It has only imperfectly compensated for the low level of demand. This is why the Commission recommended a strategy of more employment-creating growth in October 1985.

3. The contribution of lending policy to growth and employment

In its Annual Economic Report 1985-86,¹⁴ the Commission set out a cooperative growth strategy for more employment,

¹⁴ Doc. COM(85)570 final, 17.10.1985.

which received a very favourable reception. The various measures recommended included a number designed to promote the setting-up and development of small and medium-sized firms, which are regarded, on the basis of the experience of recent years, as an important potential source of new jobs. Other measures are based on a coordinated strategy for infrastructure projects, which would help to unify the internal market, reinforce industrial competitiveness, integrate the outlying regions and promote new technologies.

The Community's lending policy has already contributed to the development and investment of firms, particularly small and medium-sized businesses. That effort must be continued. The Community could also play an innovative role in the carrying out of major European infrastructure projects.

3.1. Financing investment by SMEs: the record to date

3.1.1. NCI global loans as an example

Since it was authorized to assist the productive sector in 1982, the New Community Instrument has made an appreciable contribution, through the global loans technique, to the financing of investment projects undertaken by SMEs. It is therefore appropriate to provide, through an analysis of allocations¹⁵ from global loans, a broad outline of the action taken from 1982 to 31 December 1985 and thus to carry out an initial review of the progress made.

From 1982 to the end of 1985, 67 global loans were signed with 34 institutions specializing in medium-term and long-term financing, including 14 French regional development associations. The total amount involved (2 104 million ECU) was divided between five countries: Italy (54,6 %), France (35,9 %), the United Kingdom (4,5 %), Denmark (4 %) and Greece (1 %).

Over that period, 6 920 small and medium-sized firms received sub-loans totalling 1 838,1 million ECU. Those sub-loans constitute the basis of the analysis.

(a) Geographical breakdown

The breakdown of allocations by country differs slightly from that of loans signed referred to above.

The bulk of the sub-loans allocated from NCI global loans went to Italy (52,8 % of the total) and to France (39,5 %). The shares taken by Denmark, the United Kingdom and Greece were 4,6 %, 2,2 % and 0,9 % respectively.

France received 4 443 sub-loans totalling 726,8 million ECU, Italy 1 928 sub-loans totalling 971,3 million ECU, Denmark 294 sub-loans totalling 84,2 million ECU, the United Kingdom 238 sub-loans totalling 39,7 million ECU and Greece 17 sub-loans totalling 16 million ECU.

Most of the investment projects were located in areas not receiving regional aid; the aid provided for the assisted areas came mainly from the EIB's own resources.

In Italy, the main regions to benefit were Emilia-Romagna (286 million ECU or 29,4 % of the allocations in Italy), Lombardy (23,9 %) and, to a lesser extent, Veneto (17 %), Tuscany (14,8 %) and Piedmont (9,3 %).

In France, 19,7 % of the allocations were made in Rhône-Alpes (143,5 million ECU) and 16,8 % in Île-de-France. The other allocations were more widely spread, with the regions of Provence-Côte d'Azur, Franche-Comté, Nord-Pas-de-Calais, Centre and Burgundy each receiving between 5,3 % and 6,8 % of the total.

In Denmark, 72,4 % of allocations went to the western region, while in Greece 62 % went to the three regions of the centre-east, Thessaly and the centre-west of the Peloponnese. In the United Kingdom, the South-East received 39,1 % of allocations, the South-West 13,8 % and the East Midlands 11 %.

The allocations were made through the following institutions:

- (i) the FIH in Denmark;
- (ii) CEPME, Crédit national, the regional development associations and the Caisse centrale de crédit coopératif in France;
- (iii) the Agricultural Bank and Eommex in Greece;
- (iv) Mediocredito centrale, IMI, Centrobanca, BNL, Banco di Sicilia, Interbanca, Efibanca and Artigiancassa in Italy;
- (v) ICFC, Midland Bank, National Westminster Bank, Barclays Bank, the Bank of Scotland and the Royal Bank of Scotland in the United Kingdom.

(b) Sectoral breakdown

A total of six activity sectors received 62,7 % of the amount lent: metalworking and mechanical engineering received

¹⁵ These 'allocations' are the 'sub-loans' made by financial intermediaries from NCI global loans.

1 712 sub-loans totalling 379,9 million ECU (20,7 %), the food industries 657 sub-loans totalling 229,2 million ECU (12,5 %), the textile and leather industries 411 sub-loans totalling 160,2 million ECU (8,7 %), the pulp and printing industries 466 sub-loans totalling 154,8 million ECU (8,4 %), the woodworking industries 509 sub-loans totalling 114 million ECU and the chemical industry 303 sub-loans totalling 113,4 million ECU. With the exception of Greece, where the sub-loans were divided between the textile and leather sectors and the foodstuffs industry, this overall breakdown is common to all the recipient countries. A number of other activity categories are, however, emerging in some Member States: rubber processing and plastics (10,4 %) in Denmark; services other than tourism and research and development (11 %) in France; tourism (9,6 %) and electrical engineering and electronics (8,4 %) in the United Kingdom. Although clearly destined for traditional industries, the global loans frequently involve the application of advanced technology.

(c) Profile of a recipient firm

Of the total number of allocations, 77,5 % went to firms employing fewer than 100 persons. Those firms thus received 56,7 % (1 041,3 million ECU) of the total amount allocated.

Firms employing between 100 and 200 persons received 894 sub-loans, representing 19,75 % of the total amount allocated. A total of 4 813 sub-loans (i.e. 30 % of the total amount) were for amounts of less than 250 000 ECU; 6 500 sub-loans (i.e. 68 % of the total) were for amounts of less than 750 000 ECU.

The table below, which was drawn up on the basis of projections provided for the institutions by promoters, have to be interpreted with care. They show the typical characteristics of an SME in receipt of a sub-loan from a global loan: average capital of the order of 400 000 ECU, fixed assets slightly in excess of 800 000 ECU; average workforce of 73 persons.

The average sub-loan granted amounts on average to 266 000 ECU, i.e. 38,4 % of the cost of the investment project (693 000 ECU). This profile conceals appreciable variations from one country to another due to the practices and type of customer of the various institutions. For example, the average amounts of sub-loans are higher in Italy and Greece and account for between 46 % and 47 % of the cost of the investment, whereas they account for only 31 % to 38 % of the investment cost in the three other countries. The size of the firms also varies. The amount of capital and fixed assets is lowest in France; Greece has the lowest average number of persons employed.

Table 2
Profile of an SME in receipt of a sub-loan from an NCI global loan

Country	Number of sub-loans	Amount on-lent	Average amount		Average per firm before grant of sub-loan		
			Sub-loan	investment cost	Employees	Capital	Fixed assets shown in bal. sheet
Denmark	294	84,16	0,286	0,743	81	0,493	2,291
France	4 443	726,81	0,164	0,524	69	0,243	0,406
Greece	17	16,06	0,944	1,994	47	0,606	1,585
Italy	1 928	971,34	0,504	1,092	81	0,837	1,487
United Kingdom	238	39,72	0,167	0,541	82	0,637	0,972
Total	6 920	1 838,09	0,266	0,693	73	0,433	0,810

(million ECU)

(d) Impact on employment

Through its activities, the NCI has helped to stimulate investment by small and medium-sized firms; the contribution which such firms make to job creation is well-known. The NCI thus fits perfectly into the Commission's strategy of promoting investment in order to stimulate growth and employment.

According to the estimates provided by promoters prior to projects being carried out — estimates which must therefore be treated with some caution — the above allocations from global loans have helped to create 39 000 jobs in firms employing a total of some 500 000 people. In addition, the investment projects financed also have an indirect impact on employment stemming from the activities linked to the projects in question.

This is why the Commission, through its proposal for renewing the NCI, wishes to continue these activities.

3.1.2. Measures to promote risk capital

In recent years, the Commission has taken steps to facilitate the funding of small and medium-sized firms. Proof of this is provided, amongst other things, by Article 15 of the ERDF Regulation (EEC) No 1787/84 of 19 June 1984,¹⁶ which specifically provides, as part of the programme for exploiting the potential for internally-generated development of regions, for measures designed to facilitate their access to the capital market.

To that end, the Commission has attempted to find the funding techniques which are best suited to such firms. The fact that the equity capital of such firms represents too small a proportion of their resources as compared with borrowed funds has led it to encourage the development of risk capital activities.

It has thus helped to set up the European Venture Capital Association (EVCA) and has put forward suggestions for attaining this objective as part of its proposals for a European innovation loan, for the NCI IV and for reinforcing the structural measures to help the steel restructuring areas.

The integrated Mediterranean programmes, which are concerned with regions where venture capital activity is inad-

equately, have provided the Commission with the opportunity to put its proposals into practice.

Two main types of action will be eligible for a financial contribution from the Community:

- (i) funds for guaranteeing holdings in such firms; these funds would be intended to encourage this type of investment by reducing the losses incurred by investors. 50 % of any such losses would be covered by these funds in the case of assistance given to SMEs situated in the IMP regions. The Community would provide the funds with capital;
- (ii) holdings in the equity capital of SMEs situated in IMP areas through the medium of investment companies, which would be provided with Community resources.

The Community's contribution — in the form of grants, or possibly reimbursable aid — would be financed from ERDF appropriations or from the additional budget heading provided for the IMPs.

These proposals, which are in many cases based on existing mechanisms such as Sofaris in France or the Dutch PPM system in the case of the guarantee funds, have received a favourable reception and should therefore lead to applications from the regions concerned.

The fact that the new forms of assistance recommended within the framework of the IMPs are quoted as examples does not mean that they cannot be extended later:

- (i) Firstly, the venture capital situation in other Community regions, particularly in Spain and Portugal, could lead to a proposal that this type of mechanism be extended to all the regions covered by the ERDF, which would provide the funding.
- (ii) Secondly, in the context of the Community's research and development and innovation activities, the provision of equity capital is well suited to the financing of high-tech projects at the intermediate stage between research and the marketing of products. Two ideas for aid mechanisms are therefore currently being studied.

Eurotech Capital, a financial holding company, could offer equity capital in the form of temporary and minority shareholdings in firms promoting transnational high-tech projects. This would be a European-scale venture-capital instrument which would be used to put together a financing package in the form of equity capital for high-risk projects and which would constitute a financial syndication centre to facilitate the collection of capital.

¹⁶ OJ L 169, 28.6.1984.

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

The prospects for completing the internal market

When a survey of 53 Community firms was carried out in the autumn of 1985, three priority recommendations were made concerning the type of action the Community should take to improve the competitiveness and profitability of firms. Those recommendations were for the harmonization of national legislation in the technical, safety and environmental fields, the physical abolition of frontiers and the creation of a common tax base.

As to the nature of the difficulties encountered in intra-Community trade, mention was made of the physical and technical barriers to trade and the difficulty faced by firms in obtaining orders from public invitations to tender outside their national markets.

The aim of completing the internal market by 1992 at the latest led the Commission to recommend in its White Paper¹ a whole series of measures for abolishing physical, technical and tax frontiers, which will have a marked impact on the efficiency and competitiveness of firms.

By way of illustration, some of the many proposals made are set out below:

- (i) The abolition of physical frontiers will remove the barriers affecting industry, trade and business-barriers which, because they involve additional delays, formalities, transport and handling charges, add to costs and reduce competitiveness.

In the case of goods, this abolition of physical frontiers will take place in two phases. First of all, the checks and formalities currently carried out at frontiers will be moved to offices situated inside the Member States. Later, the coordination of policies and harmonization of legislation will pave the way for the complete removal of internal frontiers and controls by 1992.

- (ii) The removal of technical barriers is designed to prevent barriers at frontiers from being replaced by barriers within Member States in respect of products or persons moving within the Community. Such barriers created by different national regulations and standards have negative consequences for industry, such as additional costs and distortions in production patterns, which discourage business cooperation and prevent the economies of scale which would open the way to a unified European internal market.

The Commission plans to remove these barriers by adopting a new strategy. Rather than basing everything on harmonization, which, while it has enabled common rules to be established at Community level, is inflexible in a number of

respects, it intends also to apply the principle of mutual recognition. A distinction is to be made between what must be harmonized and what may be left to mutual recognition of national regulations and standards. In the industrial products, foodstuffs and construction fields, for example, harmonization of legislation will be limited to the establishment of essential health and safety requirements. Pending the harmonization of certain standards, the principle of mutual acceptance of national rules will be applied. It will also be applied in all cases where harmonization is not regarded as essential.

The removal of technical barriers is not aimed simply at goods but also at services, which in recent years have demonstrated their potential for stimulating growth and creating jobs. This applies to both traditional services (such as banking, insurance and transport) and to new activities (information, data processing and audio-visual services).

The proposals put forward are of particular interest in two specific fields:

- In the public procurement field, the partitioning of national markets due to the continuing tendency on the part of the authorities to reserve purchases and contracts for their own nationals is clearly a barrier to the completion of the internal market.

Competition will be reinforced in the sectors covered by Community directives, in particular Directives 71/305/EEC and 77/62/EEC — fields in which there is in practice only limited scope for competition. In particular, the speed and transparency of published notices to tender will be increased, the transparency of the directives will be improved and, in view of the high number of contracts falling below the present levels of the threshold where the directives apply, a review of those levels will be carried out.

In addition, the directives will be extended to four key sectors — energy, transport, water and telecommunications — which are not currently covered. Finally, the restrictions in respect of public procurement in the field of public services will be eliminated.

- The liberalization of capital movements is essential to the creation of the financial dimension of a large internal market, to its efficiency and functioning and to the economic development of the Community, which requires the optimum allocation of European savings.

There are two aims in view:

- the promotion of a common market in financial services. A proposal for a directive concerning the liberalization of transactions in the units issued by collective investment undertakings for transferable securities is currently being discussed by the Council; a similar proposal will be necessary in the mortgage lending field;
- the adaptation of Community obligations to changes in financial techniques. Action will be taken to liberalize the issue, placing and acquisition of securities representing risk

¹ Doc. COM(85) 310 final, 14.6.1985.

capital, transactions in securities issued by Community institutions and long-term commercial credit.

At the same time, the monitoring of exchange control measures will be stepped up.

- (iii) The removal of tax frontiers, which involves the abolition of controls aimed primarily at the collection of tax revenue which the Member States wish to effect through indirect taxes, clearly has an impact on national indirect taxation policies.

In addition to further harmonization of the VAT basis of assessment and of the structure of excise duties, the Commission recommends an approximation of rates in the Member States which would be contained within a band fixed in relation to a central reference rate.

All of these measures will help to achieve a single large market, thereby creating a more favourable environment for stimulating business, competition and trade.

3.2. An increased and renewed role in major European infrastructure projects

3.2.1. The fixed cross-Channel link, the emergence of new financial formulas in the Community

On 20 January 1986, following an invitation to tender, France and the United Kingdom reached agreement on the plan drawn up by the Channel Tunnel Group (CTG) in partnership with France-Manche.

This plan provides for two rail-only tunnels, separated by a service tunnel, to be bored for the use of trains and special vehicle-carrying shuttle trains. Drilled through chalk 40 metres below the Channel sea-bed, the tunnels will provide a 50 kilometre link between Sangatte in France and Cheriton in the United Kingdom.

The duration of the crossing will be 30 minutes. The journey between Paris and London will be cut to four hours 15 minutes by normal train and to three hours 15 minutes by high-speed train.

The tunnels, which should be open for traffic by 1993, are likely to help create some 40 000 jobs in the two countries during the period of construction.

The plan chosen was the least expensive of those submitted.

Costing some 4 000 million ECU at 1985 prices, to which must be added funding costs and increases due to inflation (i.e. a total of more than 7 500 million ECU), the project will be financed by issues of shares in three phases and by bank loans in respect of which commitments have already been given by some 30 foreign banks. A substantial proportion of the bank loans will be refinanced through the issue of bonds on the British and French markets.

This project serves as a case-study in more than one respect, but particularly because it provides, on the basis of market resources alone, for a considerable volume of funds to be mobilized for financing a long-term investment project. As it was made a condition that there should be no public assistance, either in the form of State grants or guarantees, the plan uses the 'project-financing' formula explained below (point 3.2.3). It thus prefigures — although under exceptional circumstances (political significance, visibility, profitability) — the use of new financing formulas for major infrastructure projects.

3.2.2. Other major projects in prospect

Despite considerable investment since the Second World War, there is still an unsatisfied need for major projects in

Europe, particularly in the transport and telecommunications fields. The existing networks have generally been planned at national or even regional level, which explains some of their deficiencies, particularly as regards their inter-linking.

Notwithstanding the great symbolic and psychological significance of the cross-Channel link, other major productive infrastructure projects should not be neglected — projects which are at varying stages of advancement and which are currently receiving close attention.

- (i) In the transport field, a high-speed European rail network is planned. The European rail network does not provide a fully satisfactory service for travellers. In particular, the lack of integration between the different national networks precludes the unified use of the main lines at high speed and at close intervals. A decision could soon be taken on the high-speed rail link between Paris, Brussels and Cologne, which could be the first link in a future European network and which, it is estimated, could increase the internal rate of return on the cross-Channel link project by between 1 and 2 %. Its cost is put at some 3 000 million ECU.

On 31 December 1985, the company given the task of studying the problem of the Straits of Messina submitted to the public authorities a summary report on the feasibility of a project for a fixed link between Messina and Reggio di Calabria, recommending that a single-span bridge be constructed and rejecting the possibility of a tunnel owing to the earthquake risk in the area. If constructed, the future bridge will be 3 300 metres long, will rise 80 metres above the sea and will comprise six lanes for vehicle traffic and two railway lines. A decision should be taken during the course of 1986.

The following transnational links are also being considered: motorways through the Alps (Munich-Venice) and Scandinavia (Scanlink) and the Milan-Ulm rail link through the Spluga tunnel. National projects such as the Greek Evzoni-Volos motorway, the Severn dam in the United Kingdom and road links in Spain and Portugal are also being examined.

- (ii) In the telecommunications field, the Commission is attempting to promote a project for a wide band network of integrated services using the most advanced technologies. The cost of setting up such a network could amount to 3 000 million ECU.
- (iii) Finally in the environmental field, proposals for cleaning up the North Sea and the Mediterranean have been put forward. A study of the best way of treating residual effluent discharged into rivers, with particular reference to the Rhine, has also been carried out and could lead to a depollution project.

3.2.3. The search for new forms of assistance

The above-mentioned projects will provide both economic and social benefits. However, there are two main difficulties facing them: the need for close cooperation, frequently of a transnational kind, between various partners and current financing constraints.

Major infrastructure projects are expensive, require lengthy periods of construction and can therefore be amortized only over a long period. Such projects are seen as involving high risks, because they may entail cost overruns and they generate a financial return which is difficult to assess at the time they are launched because of uncertainty over traffic.

In Europe the public authorities have traditionally financed infrastructure projects, whereas in the United States they have done no more than offer tax incentives such as exemption for the interest earned on bonds. As they are anxious not to add to a level of public indebtedness which they regard as worrying, the national authorities tend no longer to involve themselves directly or indirectly (granting of guarantees) in such financing.

It is therefore the market which must be given a new role. The 'project financing' technique, which was initially used for exploiting oil deposits and which is illustrated by the fixed Channel link, will have to be developed. Used only to finance projects which are regarded as being sufficiently profitable to service the debt, this technique bases the reimbursement of lenders simply on the cash-flow generated by the project. The guarantees relate to the assets of the project and not to those of the promoter.

In this context, and given the European dimension of the infrastructure projects envisaged, the Commission has instituted studies designed to assess the role which the Community might play.

Without prejudging the conclusions which it will reach, a number of comments can justifiably be made now.

The financial instruments currently at the Community's disposal have already been of considerable assistance in the past. Not being fully capable of meeting the new financing requirements, they are worthy of reinforcement. Grants are an inappropriate method for projects with a high level of profitability. While they might be considered as a means of building up the capital base, it would not be possible, given budgetary constraints, for more than modest amounts to be made available — amounts which would primarily play a signalling and leverage role for the markets. As to the lending instruments (EIB and NCI), they require first-rate guaran-

tees which the Member States and the promoters sometimes do not wish to provide or cannot provide.

Under these circumstances, the Community's role could well take three main forms:

- (i) to promote the emergence of projects by identifying them, analysing them and discussing them with the parties concerned: Member States, contractors and bankers. This role could be formalized, for example in the form of support given publicly by the Community (a kind of 'declaration of European interest') for projects meeting certain criteria which it would have laid down in advance;
- (ii) to help, by encouraging the Member States to take appropriate measures, to create a more attractive environment for private funding. This should be a two-pronged approach aimed at liberalizing movements of capital invested in infrastructure projects and at granting favourable tax treatment, such as that reserved in certain countries for national securities (De Clercq Decree in Belgium, eligibility of equity-linked savings plans in France, etc.);
- (iii) where necessary, and particularly for projects which provide major economic and social benefits but which are less profitable and therefore less attractive to the market, there should be a Community financing commitment. That commitment could, according to circumstances, be relatively limited, for example in the form of refinancing guarantees or it might take the more direct form of instruments, particularly loans, which are better suited to the task in hand.

4. Developments and decisions relating to the borrowing and lending instruments in 1985

4.1. New Community Instrument (NCI)

On 7 June 1985, as indicated in point 1.1.3, the Commission proposed that the activities of the New Community Instrument be continued by providing for a new programme of loans amounting to 1 500 million ECU to be used for financing productive investment projects carried out by small and medium-sized businesses, particularly projects involving the application of new technology and innovation.

Two new features have been introduced to ensure that the lending arrangements are better suited to such investment projects and to SMEs:

- (i) The financing base is to be extended to cover certain types of intangible assets directly connected with the

investment projects concerned, such as patents, licences, know-how, computer software and research and development expenditure.

- (ii) Financial intermediaries will be able to pass on to firms the funds made available either in the form of loans or in the form of a capital contribution, with the financial intermediary being responsible for servicing of the loan and for the associated risk in both cases.

In addition, capital and interest payments on the loans may be deferred.

The Commission has thus incorporated into its proposal the results of the Council's discussions on the 'European innovation loan',¹⁷ for which a special tranche of 100 million ECU had initially been set aside under NCI III.

Although the Commission has thus decided to pursue a specific objective, namely the financing of investment projects with a technological component in SMEs, it has not ruled out making subsequent use of the NCI in other areas of common interest such as the development of major infrastructure projects of European interest, cooperation in technological research, energy and large industrial projects.

4.2. Euratom

As reported in point 1.1.2, the Commission's proposal on the raising of the ceiling for Euratom loans, presented in December 1984, was adopted by the Council on 5 December 1985.¹⁸

The Commission is now empowered to contract loans up to a total of 3 000 million ECU in principal for the purpose of contributing to the financing of nuclear power-stations.

The granting of Euratom loans, which slowed in 1985 as the line of credit authorized by the Council was used up, can thus be stepped up substantially in 1986.

4.3. European Coal and Steel Community (ECSC)

In 1985 the ECSC industrial conversion policy benefited fully from the implementation of the new operating principles drawn up by the Commission in 1983 and specified in detail in 1984.

With regard to industrial loans, the Commission decided on and published the implementing criteria and the objectives of a policy aimed at promoting the consumption of Community steel.¹⁹ The first operations under this new instrument pursuant to the second paragraph of Article 54 are now being carried out.

With regard to subsidized housing, the forthcoming enlargement of the Community meant that the first instalment of the 10th programme was limited to two years, 1984 and 1985. As a result of enlargement, the funds available for the second instalment from 1986 to 1988 are to be increased (39 million ECU).

4.4. European Investment Bank (EIB)

The EIB's two main concerns in 1985 were to step up its activities in accordance with the recommendations of its Board of Governors²⁰ and to take particular account of the effects of the enlargement of the Community in planning ahead.

In the member countries, aid for investment projects involving advanced technology increased and included global loans; loans for projects contributing directly to environmental protection more than doubled; lastly, use of floating-rate borrowings and lendings increased to account for some 15 % of the total.

Outside the Community, with the entry into force of the third Lomé Convention, virtually all the resources available from budgetary funds were committed, while lending from the EIB's own resources increased appreciably.

As far as Spain and Portugal are concerned, all of the amounts still available under the pre-accession agreements were used up. As from 1 January 1986, the two countries having become members of the Community, EIB assistance to them will comply with the same criteria as in the case of the other countries, namely the contribution made to regional development, to Community policies in the field of energy, environmental protection and infrastructure involving several countries, and to investment projects designed to increase the capacity of firms, notably through the development of advanced technologies.

So as to be able to deal with the increase in EIB financing from the EIB own resources in the years ahead, while at the same time maintaining a first rating on the capital markets,

¹⁷ See report on borrowing and lending activities in 1984, point 3.5.1.

¹⁸ OJ L 334, 12.12.1985, p. 23.

¹⁹ OJ C 121, 17.5.1985, p. 3.

²⁰ See *European Economy* No 24 (July 1985), p. 16.

the Board of Governors decided to double the Bank's capital with effect from 1 January 1986. This increase, which takes account of the contribution of Spain and Portugal and the alignment of Italy's contribution on the contributions of Germany, France and the United Kingdom, brings the subscribed capital to 28 800 million ECU and the paid-up and uncalled capital to 2 595,9 million ECU. The outstanding amount of loans and guarantees can thus total 72 000 million ECU.

5. Borrowing

5.1. Situation on capital markets in 1985

5.1.1. General

The buoyancy evident on the international capital markets since 1981 continued in 1985. Gross international bond issues totalled almost 200 000 million ECU, which was 72 % up on the previous year. In net figures, i.e. less redemptions, bond issues totalled 174 000 million ECU. However, the growth in the volume of private international placings was less marked (13 %), while the volume increase in syndicated loans and credits was insignificant. The volume of syndicated loans and credits has indeed been static or in decline for several years; in 1985, it amounted to only one-third of the volume of new bond issues on the international market, whereas in 1980 the ratio had been precisely the opposite.

The success enjoyed by fixed-rate financing is linked to the fall in long-term interest rates on the major markets, due in particular to lower inflation and reduced public deficits in the major countries and to the favourable climate created by continued economic recovery. The almost universal improvement in borrowing terms was such as to stimulate refinancing operations and new borrowing by firms, while long-term placings by savers were encouraged by the prospect of a continued downward movement in interest rates. Floating-rate borrowings, which involve only a limited clientele, nevertheless grew at the same rate and maintained their market share.

The situation of the developing countries, particularly the net oil importers, improved distinctly as a result of the economic recovery in the industrialized countries and an improvement in trade. Their borrowing credit on the international financial markets benefited from this, increasing their room for manoeuvre in covering their financing requirements and consolidating their external debt. However, this positive effect has not yet resulted in any new large-scale borrowings being contracted. On the other hand, the recent sharp fall in oil prices could aggravate the difficulties of the oil-exporting LDCs which are the most heavily indebted.

5.1.2. Currencies of borrowing and interest rates

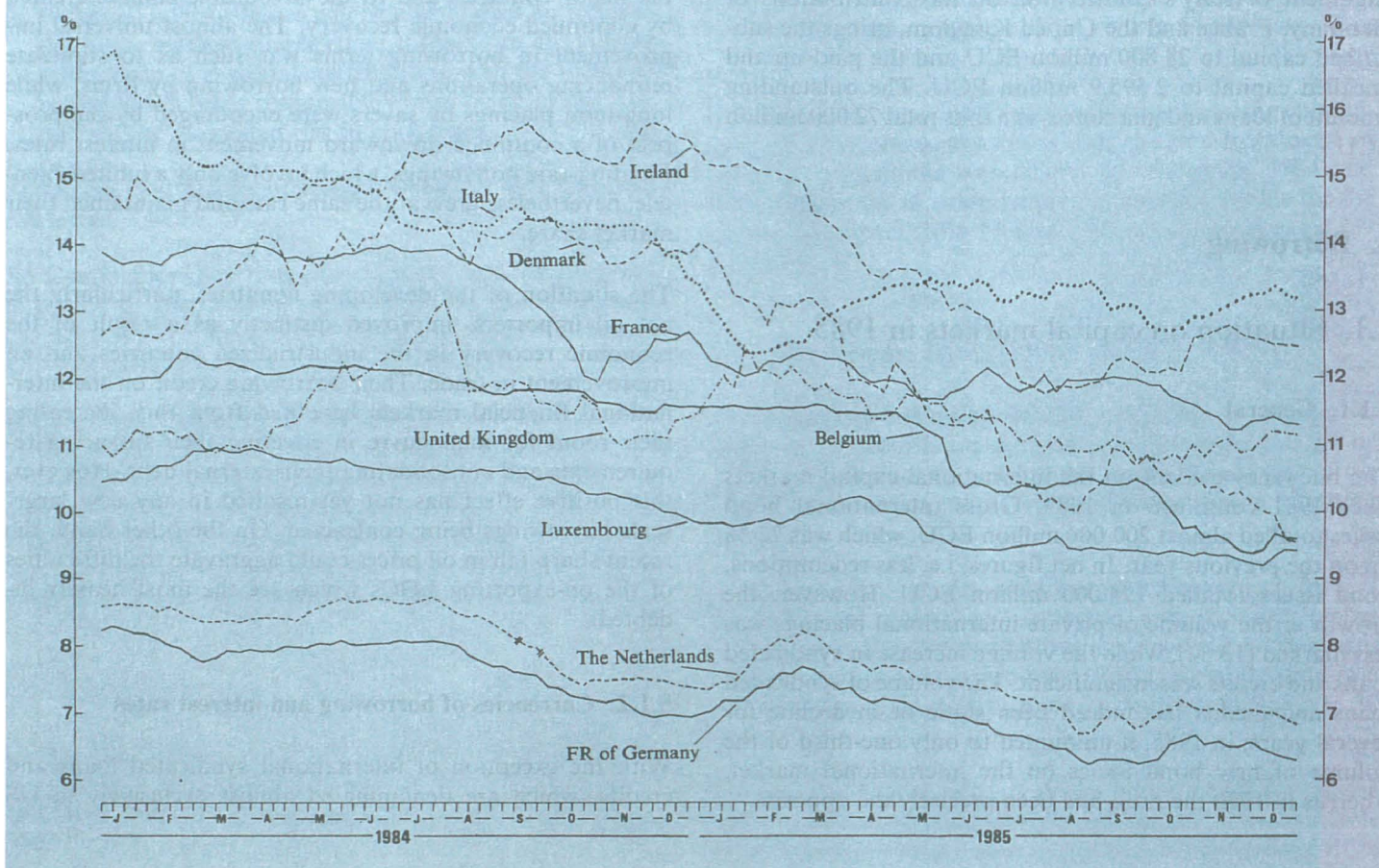
With the exception of international syndicated loans and credits, which are denominated almost exclusively in US

Table 3

Volume of capital raised on international markets, 1984-85

	1984	1985	% growth rate
	Million ECU		
International bond issues			
— Eurobonds (international syndicates)	93 325	172 812	+ 85,2
— Conventional foreign bonds	22 452	26 391	+ 17,5
Total (gross)	115 777	199 203	+ 72,1
Total (net, i.e. less redemptions)	101 965	173 994	+ 70,6
Private placings recorded (gross)	13 858	15 716	+ 13,4
International syndicated credits and loans (gross)	67 570	69 281	+ 2,5

Graph 1: Public sector yields on national markets



dollars, international bond issues made use of a wide variety of currencies and composite monetary units, among which the dollar still remained predominant (some two-thirds of the total). Among the other major currencies used the Deutschmark lost ground to the yen, which took over from the Deutschmark as the second largest currency used for international issues. These were followed, with very similar volumes and percentages, by the Swiss franc, the ECU and the pound sterling.

The breakthrough of the ECU is particularly interesting. With a volume of 9 000 million ECU, equivalent to 4 ½ % of the total, it has secured an important place amongst the international currencies of issue. While the bulk of the

operations continue to be carried out by Community issuers, there has been some diversification since 1984, with operators in New Zealand and Korea being among the borrowers in 1985. Some issues were made outside the international framework, being offered on domestic financial markets. The issues floated in the United States and the private placing made in June 1985 in Tokyo by the European Economic Community could signal new developments in the use of the ECU on the financial markets. Gradual liberalization of capital movements and the lifting of certain restrictions on the use of the ECU within the Community would also help to stimulate the ECU's role.

The Community institutions made issues not only in ECU, but also in currencies which had not been used previously,

or had not been used for more than 10 years (the Irish pound and the lira). International issues denominated in Australian and New Zealand dollars increased, to the point where a separate compartment within the Euro-markets was created for them. So far, however, the Community institutions have not made use of these two currencies.

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.

More than in 1984, there was a gradual easing of interest rates on both international and domestic markets during the year. The main reasons for this were the fall in inflation rates, the stabilization or indeed reduction of public finance deficits in the major countries (except the United States) and the economic recovery, financed more than in the corresponding stage of previous cycles by reliance on companies' own capital. In addition, the interest rates associated with the major currencies were less dependent on those prevailing in the United States because of the substantial decline in the dollar on the exchange markets since the end of February 1985. On the national markets, some interest rates (Denmark, Ireland) showed a more marked fall than others.

Table 4

International bond issues, by currency

	USD	YEN	DM	SFR	ECU	UKL	CAD	Other
<i>1984</i>								
In Mio ECU	80 312	6 420	7 189	5 878	3 240	6 984	2 379	3 375
As % of total	69,4	5,5	6,2	5,1	2,8	6,0	2,0	3,0
<i>1985</i>								
In Mio ECU	130 939	14 402	12 268	8 978	8 960	8 581	4 157	10 918
As % of total	65,7	7,2	6,2	4,5	4,5	4,3	2,1	5,5

5.2. Community borrowing in 1985

As the year before, all the major geographical areas benefited in 1985 from the increase in the volume of international financing, as may be seen from Table 5 below, which is confined to bond issues, these being the only form of international financing that can be broken down in this way. However, a number of structural shifts were evident, albeit on a lesser scale than in 1984. The share of borrowers from the United States continued to increase, while that of the Community countries rose again to its 1983 level. By contrast, issues by other European countries and by non-Community international bodies increased less rapidly than issues as a whole. Community institutions, though doubling the volume of their issues in 1985, showed little increase in their relative share, which remained considerably below what it had been in 1983.

The total amount borrowed by Community organizations in 1985 for structural purposes, i.e. excluding balance-of-payments borrowings, was 8 168 million ECU, compared with 6 342 million ECU in 1984, an increase of 28,8 %, with all the instruments except the NCI showing an increase. NCI borrowings fell by 11 %, while ECSC borrowings increased by more than half, EIB borrowings by more than 30 % and Euratom borrowings by nearly 61 %.

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

- (i) Issues denominated in Community currencies were slightly down in relative terms compared with 1984, accounting for 61,5 % of total borrowings. As in the previous year, the ECU ranked second in the list of Community currencies behind the DM and before the FF and the HFL.

Graph 2: Public sector yields on international markets

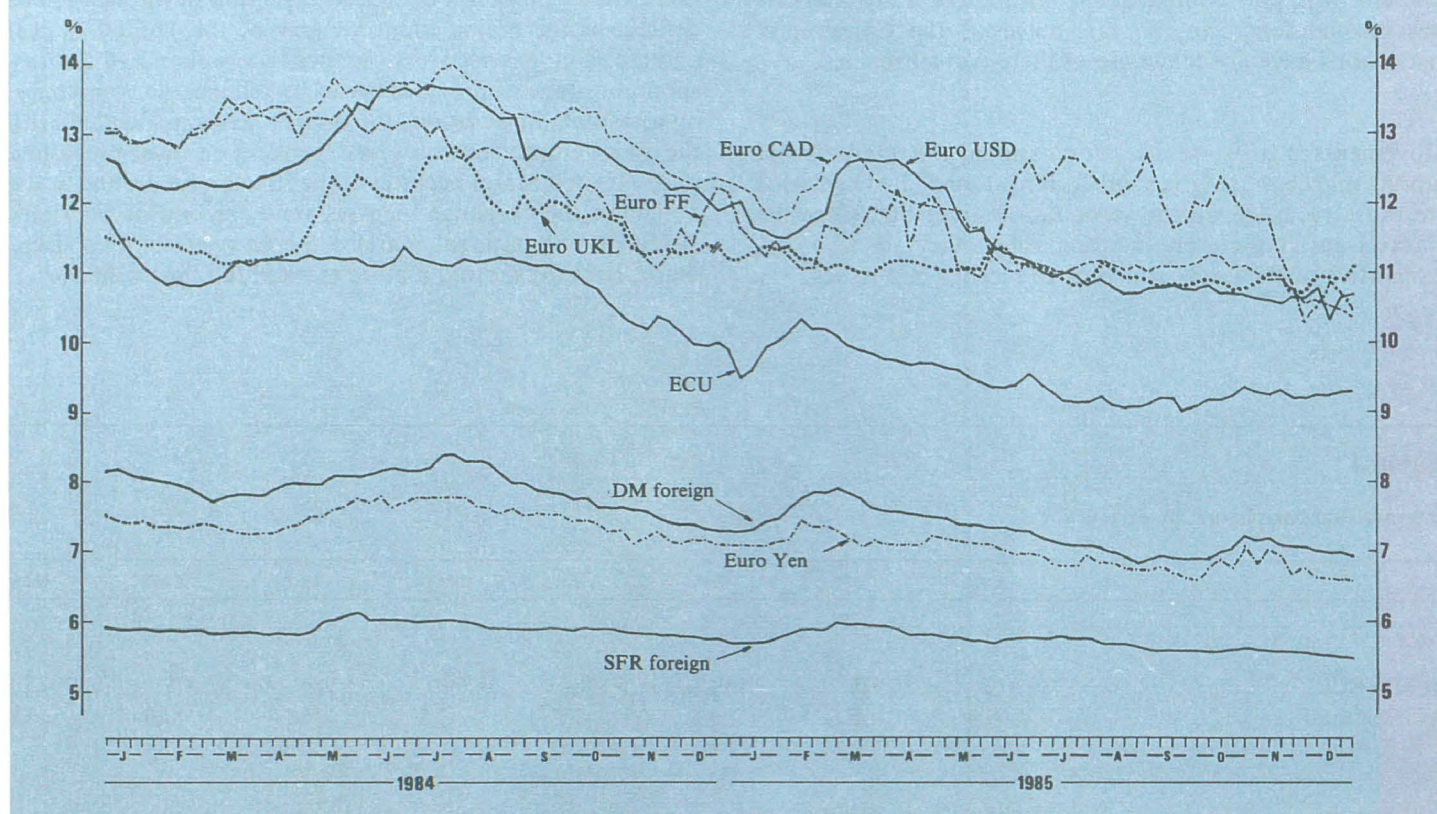


Table 5

International bond issues,¹ by geographical zone of issuer

	1984		1985	
	Million ECU	%	Million ECU	%
EC Member States	28 783	24,8	55 082	27,7
EC institutions	4 481	3,9	8 773	4,4
Other European countries	15 396	13,3	19 944	10,0
United States of America	26 882	23,2	52 332	26,3
International bodies (excluding EC institutions)	10 300	8,9	12 859	6,5
Rest of world	29 935	25,9	50 213	25,2
Total	115 777	100	199 203	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

						(million Ecu)
Year ¹	ECSC	EIB ²	Euratom	NCI	Total	
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	4 339 ³	214	967	6 342	
1985	1 265	5 699 ⁴	344	860	8 168	

¹ Up to 1982, the series are for borrowings signed during the year under all the instruments. As from 1983, the 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 in both 1982 and 1983.

² The EIB also raises funds by selling participations in EIB loans to third parties; the amounts involved totalled 672,7 million ECU from 1961 to 1985. The figures for 1984 and 1985 were 22,1 million ECU and 10,6 million ECU respectively.

³ Including 289 million ECU in short-term operations (189 million ECU in commercial paper and 100 million ECU in certificates of deposit).

⁴ Including 374 million ECU in short-term operations (commercial paper).

The total amount raised in ECU was 1 054,7 million, equivalent to 12,9 % of total borrowings.

The EIB significantly stepped up its borrowings in ECU. The ECU thus now ranks first amongst the Community currencies in which it borrowed and second overall after the dollar.

Issues denominated in FF increased considerably in 1985, placing the French franc third in the list of Community currencies, after the DM and ahead of the HLF.

The amount raised in LIT also rose sharply, to three times the previous level. Lastly, the EIB carried out the first issue by an international borrower on the Irish market and borrowed for the first time in DKR.

- (ii) Borrowing in non-Community currencies increased to 38,5 % of the total. Dollar and yen issues rose sharply, while SFR issues remained virtually stable.

The USD accounted for 649,1 million ECU of the 899,2 million ECU in floating-rate operations carried out by

Table 7

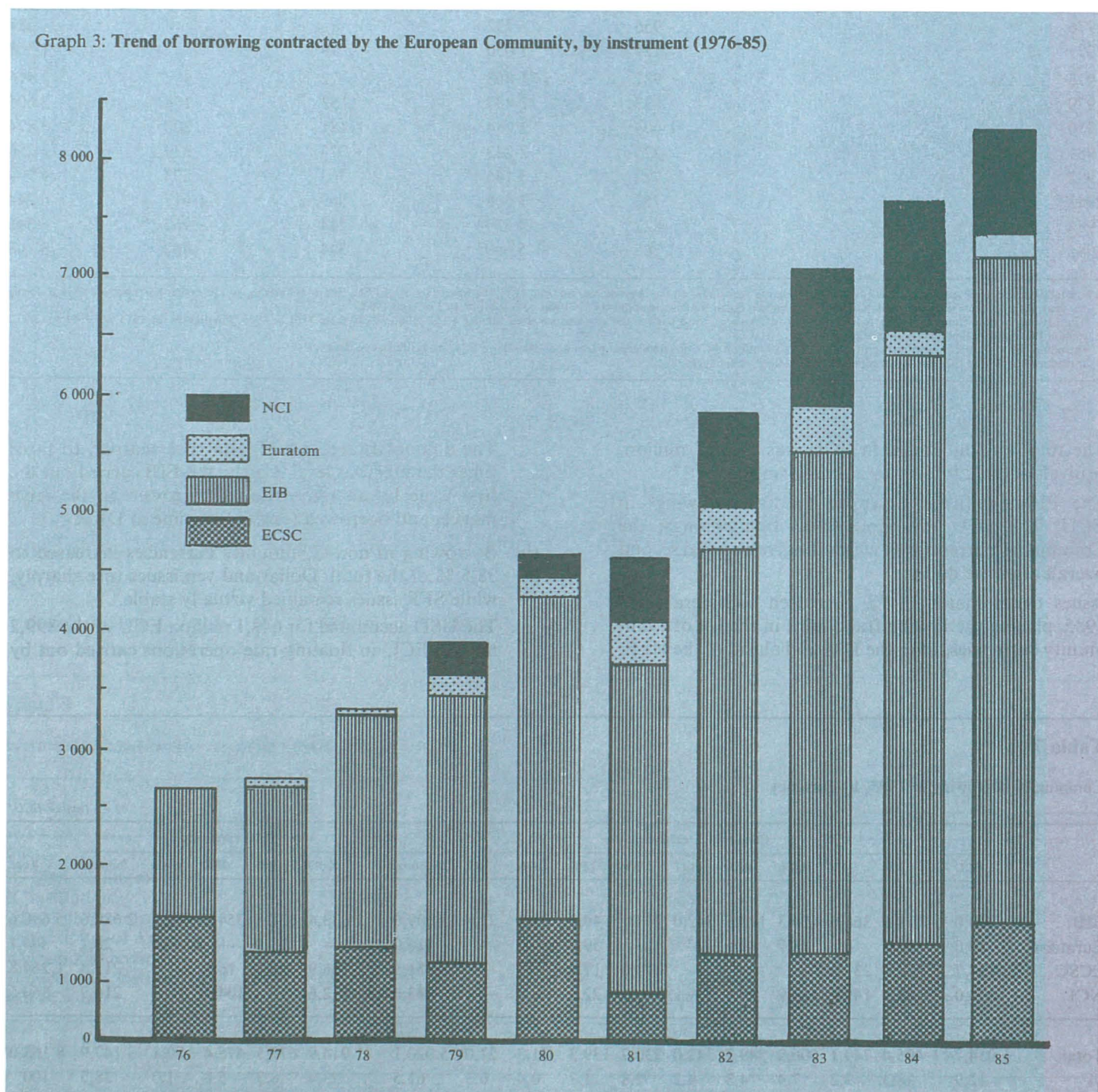
Community borrowing in 1985, by currency

																			(million ECU)
	Community currencies												Other currencies					Total	
	ECU	DM	FF	HFL	BFR	LIT	UKL	LFR	DKR	IRL	Subtotal		USD	Yen	SFR	CAD	Subtotal		
EIB	720,0	673,6	368,6	424,3	170,5	342,0	217,7	40,0	31,3	21,0	3 009,0		1 633,4	621,3	354,8	80,1	2 689,6	5 698,6	
Euratom	50,0	68,7	—	48,7	89,6	—	—	59,0	—	—	316,0		—	28,1	—	—	28,1	344,1	
ECSC	134,7	654,6	231,3	—	—	—	13,0	17,9	—	—	1 051,5		168,9	28,1	16,3	—	213,3	1 264,8	
NCI	150,0	98,5	149,2	133,9	89,6	—	—	22,4	—	—	643,6		112,6	—	104,3	—	216,9	860,5	
Total	1 054,7	1 495,4	749,1	606,9	349,7	342,0	230,7	139,3	31,3	21,0	5 020,1		1 914,9	677,5	475,4	80,1	3 147,9	8 168,0	
%	12,9	18,3	9,2	7,4	4,3	4,2	2,8	1,7	0,4	0,3	61,5		23,4	8,3	5,8	1,0	38,5	100	

the EIB in 1985, or 15,7 % of the total raised, after an experimental start in 1984. Floating-rate issues were on-lent principally to the United Kingdom, France, Italy and Greece.

(iii) As in 1984, 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 Community, by instrument (1976-85)



Operations under the Community loans mechanism designed to support Member States' balances of payments

This mechanism serves a different purpose from that of the other borrowing and lending instruments for financing investment projects discussed in this report. Operations under this heading must, however, be taken into consideration if the Community's borrowing activities on capital markets are to be presented in full.

Established in 1975,¹ the balance-of-payments support mechanism was adjusted in several respects in 1981 and 1985,² although its general design has remained unchanged. The principle is still that the Community uses its creditworthiness to borrow and on-lend on identical terms the funds it raises to any Member State in balance-of-payments difficulties. The granting of a loan is conditional on the recipient Member State committing itself to a recovery programme aimed at restoring a sustainable balance-of-payments situation. The loan decision is taken unanimously by the Council, which determines the amount of the loan, the disbursement technique (single or staggered payment) and the economic policy conditions attaching to it. The total amount outstanding, in principal, of loans authorized under the mechanism is limited at the moment to 8 000 million ECU.

In this connection, the Council, acting on a proposal from the Commission and after consulting the Monetary Committee, decided on 16 May 1983 to grant the French Republic a loan equivalent to 4 000 million ECU.³

At the request of the French authorities, the Commission, after consulting the Monetary Committee, adjusted the terms on certain components of that loan in June and July 1985.

An initial operation in respect of the USD 1 800 million borrowed on floating-rate terms provided for early repayment of the loan issued by the Community in June 1983 and, at the same time, for a new loan of an identical amount, with an unchanged final repayment date and with more favourable rate terms (LIBID + $\frac{1}{16}$ a year).

Two operations concerned the terms of the USD 1 240 million loan to France under the Community loan. They amount to USD 590 million (the balance of USD 650 million having been repaid early by France) and consist in:

- (i) a USD 350 million tranche in the form of a five-year, $9 \frac{5}{8}$ % Euro-issue by the Community that was the subject of a variable-rate swap;
- (ii) a USD 240 million tranche in the form of a three-year, $9 \frac{1}{4}$ % loan floated in the United States and also involving a variable-rate swap.

Together, these arrangements demonstrate the effectiveness of the balance-of-payments support mechanism, and have enabled France to make substantial savings on interest rates.

At the ECU's conversion rate on 31 December 1985, the operations carried out under the mechanism in 1985 amounted to 2 691,6 million ECU.

¹ Council Regulations (EEC) No 397/75 and No 398/75 of 17 February 1975.

² Council Regulations (EEC) No 682/81 of 16 March 1981 and No 1131/85 of 30 April 1985.

³ Council Decision 83/298/EEC.

6. Lending

6.1. General

The total value of loans granted in 1985 was 7 746 million ECU, a nominal increase of 8 %, which was close to the growth rate in 1984.

ECSC activities increased by 22,4 % as a result of the growth in lending to the steel industry (up by 58,1 %) and of industrial conversion loans under Article 56 (up by 46,8 %).

Global loans continued to predominate in lending for conversion purposes (84 % of conversion loans), but were also widely used in loans for promoting the consumption of Community coal. The total amount of ECSC global loans rose from 273 million ECU in 1984 to 335 million ECU in 1985.

EIB lending increased by 12,7 % and Euratom lending by 23,1 % in nominal terms. By contrast, NCI lending fell by 25,2 % as the bulk of the amounts available under the NCI III had been committed.

Table 8

Trend of lending in the Community¹

(million ECU)						
Year	ECSC	EIB ^{2,3}	Euratom	NCI ³	Total	Annual Growth rate in %
1976	988,0	1 065,4			2 054,4	19
1977	709,0	1 390,9	96,9		2 196,4	7
1978	797,7	1 966,5	70,3		2 834,5	29
1979	675,8	2 281,2	151,6	277,0	3 386,4	19
1980	1 030,7	2 738,4	181,3	197,6	4 148,0	23
1981	387,6	2 805,9	357,6	539,8	4 090,0	- 1
1982	740,6	3 446,0	361,8	791,0	5 339,4	30
1983	778,1	4 243,5	366,4	1 199,6	6 587,6	23
1984	825,5	5 007,0	186,0	1 181,8	7 200,3	9
1985	1 010,6	5 640,7	211,0	883,7	7 746,0	8

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 loans for reconstruction in areas stricken by the earthquakes in Italy in November 1980 and in Greece in February/March 1981 (1981-85)

6.2. Sectoral breakdown

6.2.1. Productive sector

Despite the growth of ECSC lending, loans to the productive sector, while remaining at a high level (2 830,2 million ECU), were virtually stable compared with 1984. Their share of total lending was 37 %.

ECSC lending increased by 31,3 %, and by 43,2 % if the loans for the Carajas iron-ore project in Brazil are excluded. This increase reflects the very sharp growth in lending to the steel industry and in industrial conversion loans.

EIB lending was virtually stable; NCI lending fell since most of NCI III had been committed. However, NCI lending to the productive sector, which had accounted for 66,9 % of NCI activity in 1984, accounted for 74,3 %, i.e. almost three quarters, of its activities in 1985.

A total of 78 global loans amounting to 1 400,4 million ECU was granted from the EIB's own resources and from NCI resources in 1985: 33 global loans totalling 629,1 million ECU were granted from NCI resources and 45 global loans totalling 771,4 million ECU from EIB resources. Of the EIB global loans, 41 (711,5 million ECU) were for regional industrial development and 4 (59,9 million ECU) for investment in advanced technology projects in France and Italy.

Sub-loans allocated in 1985 from global loans already operative (1 602,9 million ECU) increased by 12 % compared with 1984. A total of 5 813 sub-loans from ongoing global loans was 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.

Graph 4: Trend of lending in the Community, by instrument (1976-85)

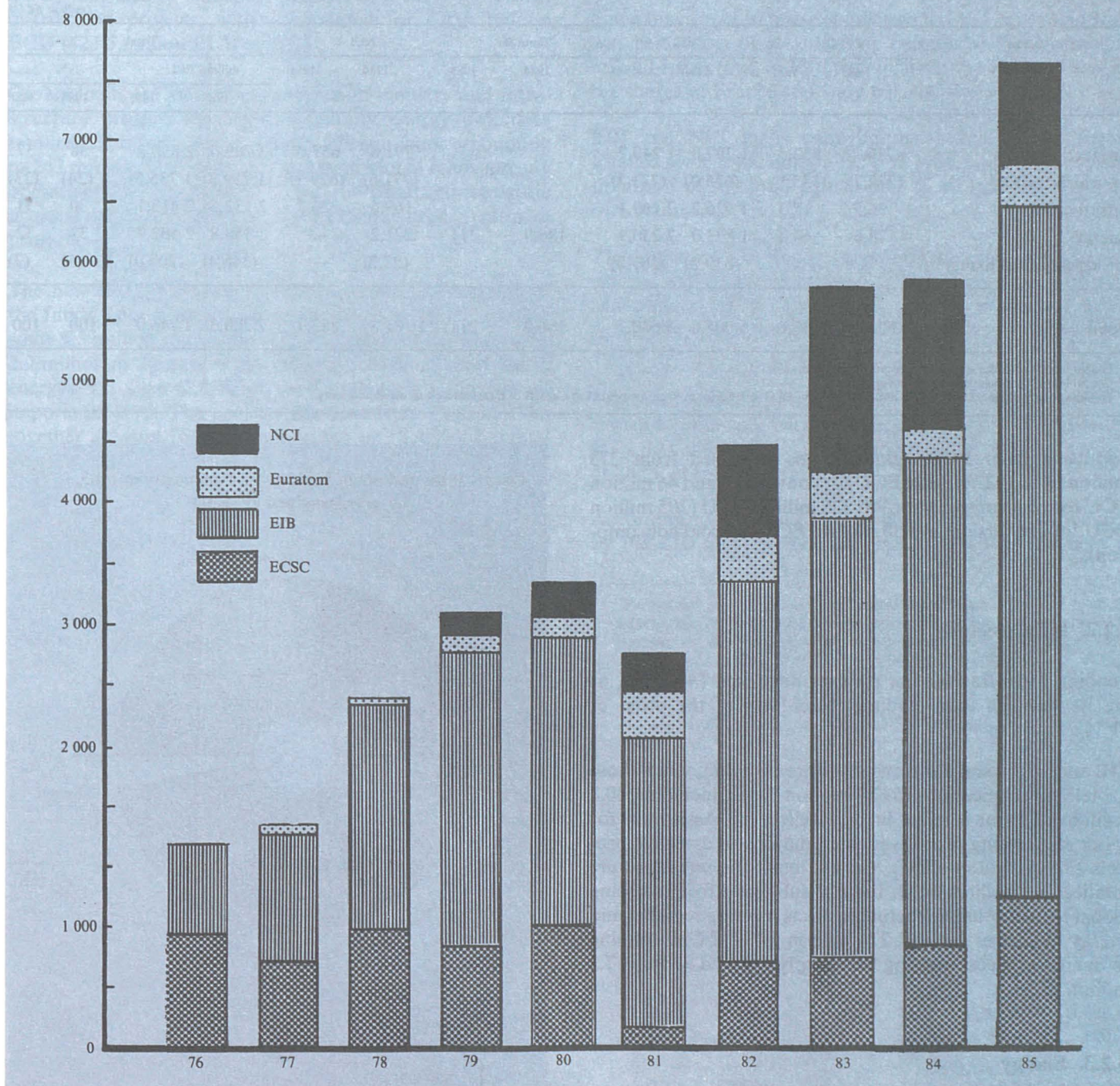


Table 9**Lending in the Community in 1984 and 1985, by sector and by instrument**

(million ECU)

Sector	ECSC		EIB		Euratom		NCI		Total			
	1984	1985	1984	1985	1984	1985	1984	1985	million ECU		%	
									1984	1985	1984	1985
Productive sector	710,2 ³	932,5	1 207,8	1 240,7			791,0	657,0	2 709,0	2 830,2	38	37
(of which SMEs) ¹	(272,7)	(335,1)	(675,0)	(771,3)			(771,6)	(629,1)	(1 719,3)	(1 735,5)	(24)	(23)
Infrastructure	36,7	17,3	1 926,2	2 169,1			169,6	226,7	2 132,5	2 413,1	30	31
Energy	78,6	60,8	1 873,0	2 230,9	186,0	211	221,2	—	2 358,8	2 502,7	33	32
(of which global loans) ²			(319,2)	(207,0)			(27,2)	—	(346,4)	(207,0)	(5)	(3)
Total	825,5³	1 010,6	5 007,0	5 640,7	186,0	211	1 181,8	883,7	7 200,3	7 746,0	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 in 1984 and 114,4 million ECU in 1985 for an iron-ore project at Carajas of direct interest to the Community.

Sub-loans from ECSC global loans increased from 273 million ECU (227 million ECU for conversion and 46 million ECU for coal consumption) to 335 million ECU (305 million ECU for conversion and 30 million ECU for coal consumption).

6.2.2. Infrastructure

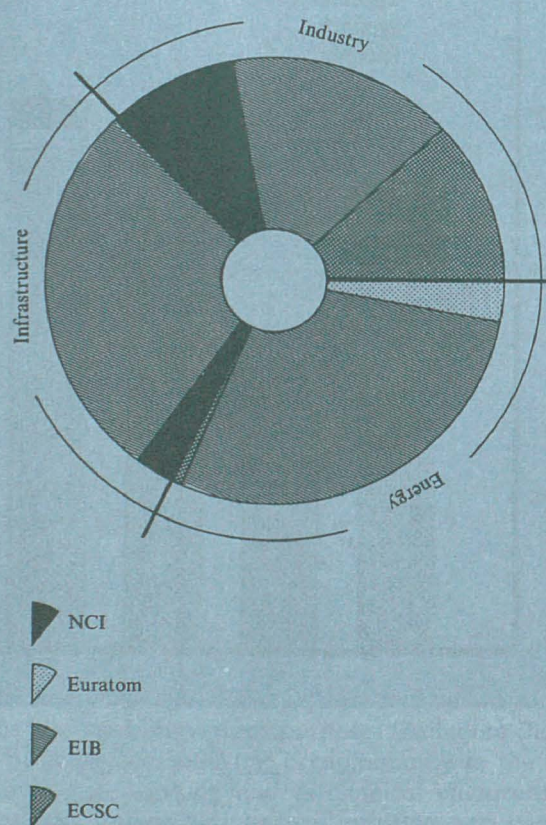
Lending for infrastructure projects advanced (+13 %), as did its share in total lending, which was of the order of 31 %.

EIB and NCI loans for transport were up again, while those for telecommunications (597,3 million ECU, including 40,2 million ECU for satellite links) levelled off. Assistance for water engineering projects focused mainly on drainage projects (323,6 million ECU). Global loans for infrastructure totalled 207 million ECU; the 652 sub-loans from ongoing global loans for infrastructure projects meeting regional and energy objectives totalled 274 million ECU. ECSC lending to finance low-cost housing fell sharply to stand at only 17,3 million ECU.

6.2.3. Energy

Lending to the energy sector increased by 6,1 %, reflecting the increase in EIB and, to a lesser extent, Euratom lending. ECSC loans for thermal power-stations fell slightly, and no loans were made in 1985 for coal production. Similarly, there were no NCI loans in the energy sector.

Graph 5: Breakdown of loans in the Community in 1985, by instrument and by sector



The growth in EIB lending (2 230,9 million ECU) is due to the continued financing of nuclear power-stations and nuclear fuel reprocessing and storage facilities (955,9 million ECU), but also to transport projects and energy and heat distribution projects, which accounted for 620,6 million ECU (422,5 million ECU in 1984).

Global loans for investment projects in industry and infrastructure projects meeting Community energy objectives totalled 251 million ECU. In 1985, 279 sub-loans amounting to 263 million ECU were granted from global loans already operative: 136,6 million ECU for 164 small infrastructure projects and 126,4 million ECU for 115 industrial investment projects.

The new energy projects financed in 1985 (almost half of the funds went to new investment projects) could produce some 9,3 million tonnes of oil equivalent per year (including 2.9 million in the case of the projects for the efficient use of energy), i.e. some 2,8 % of the Community's forecast oil imports in 1990. The projects financed from 1981 to 1985 together account for 60,9 million toe or 18,4 % of annual imports.

6.3. Breakdown by country

More than 67 % of lending was concentrated in countries with major regional problems (Greece, Ireland, Italy and the United Kingdom), and the figure is 87,5 % if France is included.

The shares of Greece and the United Kingdom tended to increase in line with the expansion in EIB aid for Greece and in EIB and ECSC aid for the United Kingdom.

Since the rate of increase in aid granted to France and Italy was below that of total lending because of the contraction in NCI loans (and in Euratom loans in the case of France), the shares of France and Italy fell slightly.

EIB and NCI loans contributing to regional objectives totalled some 3 400 million ECU in 1985, equivalent to more than half of the total and to 58,3 % of lending from EIB own resources.

The breakdown of financing for regional development projects in 1985 confirms the leading part played by infrastructure projects (58 % of the total), with the productive sector accounting for more than one-third and energy for a little over 8 %.

The total amount of investment which the EIB and NCI helped to finance is put, according to the forward estimates, at 24 900 million ECU and their contribution at an average of 38 % of total costs.

According to estimates,²¹ the investment projects financed by the EIB and the NCI in 1985 should together help to

²¹ Permanent and temporary employment effects are calculated from the information obtained when investment projects are being appraised. It is important to stress that these are estimates which simply give an order of magnitude as they are subject to a margin of error.

Table 10

Geographical breakdown of lending in the Community in 1984 and 1985

Geographical breakdown of lending in the Community in 1984 and 1985

(million ECU)

Countries	B	DK	D	GR	F	IRL	I	L	NL	UK	Total
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
1985											
Amount	78,9	336,2	463,5	423,7	1 539,0	174,6	3 255,0	9,0	69,1	1 282,8	7 746,0 ²
%	1,0	4,4	6,1	5,5	20,2	2,3	42,7	0,1	0,9	16,8	100
of which:											
ECSC	1,1	3,7	303,4	—	246,8	0,1	179,3	9,0	—	152,7	1 010,6 ²
EIB	77,8	264,0	91,4	401,7	889,6	146,6	2 603,9	—	69,1	1 096,7	5 640,7
Euratom	—	—	68,7	—	44,8	—	97,5	—	—	—	211,0
NCI	—	68,5	—	22,0	357,8	27,9	374,1	—	—	33,4	883,7

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

² Including 114,5 million ECU for ECSC loans outside the Community.

create some 43 000 permanent jobs, including 36 000 in industry.

Some 92 % of the jobs created in industry, i.e. some 33 000, stem from small and medium-scale industrial ventures financed through global loans. The investment cost per job created here is much smaller (67 000 ECU) than that of large-scale projects financed through individual loans (231 000 ECU). A total of 56 % of the jobs created was in the assisted areas.

In addition, the modernization projects carried out involved firms employing in all some 300 000 workers.

The orders and work involved in the projects financed had direct and indirect temporary effects on employment. Bearing in mind the period of time required for the carrying out of such projects, the employment effects are likely to amount to an annual average of some 190 000 jobs in 1985 and 1986.

While, by their nature, projects financed by Euratom create few new jobs directly, ECSC conversion loans made in 1985 could help to provide up to 23 000 extra jobs.

7. Lending in the Community, by instrument

7.1. New Community Instrument (NCI)

7.1.1. General analysis of utilization

Table 11 below shows the situation regarding loans signed as at 31 December 1985, specifying the borrowing authorizations and their respective ceilings:

(i) NCI I was fully allocated by 31 December 1984.

(ii) The amount still available under NCI II will have been allocated shortly to operations already approved.

(iii) 86 % of the first tranche of NCI III has been committed; the balance is covered by loans already approved but not yet signed.

(iv) 77 % of the second tranche of NCI III has been used; if the financing applications already approved are added, the remainder has been almost fully committed.

At 31 December 1985, loans signed under the three borrowing authorizations totalled 4 344 million ECU.

In addition to these ordinary operations, which make up its principal activity, the NCI also helps to finance the exceptional assistance operations in the regions of Italy and Greece stricken by the earthquakes of 1980-81.

The Council decisions on such reconstruction aid do not lay down any precise amounts for NCI lending, but limit the overall amount of assistance, financed both from the EIB's own resources and from NCI resources, to:

(i) 1 000 million ECU in borrowing and lending for Italy;²²

(ii) 80 million ECU in borrowing and lending for Greece.²³

All of the 80 million ECU authorized for Greece was committed in 1982 in a single loan. The exceptional aid operations in the Italian areas hit by the 1980 earthquakes still have a balance of some 97 million ECU in loans to be signed, 82 million ECU of which have already been approved. These loans are granted from EIB and NCI resources, with the NCI having covered 68 % of the loans signed so far. The delay in the outstanding loans still to be signed is due mainly to changes in projects and lead times for construction.

²² Decision 81/19/EEC, OJ L 37, 10.2.1981.

²³ Decision 81/1013/EEC, OJ L 367, 23.12.1981.

Table 11

NCI utilization

	NCI I	NCI II	NCI III First tranche	NCI III Second tranche	Reconstruction	
					Italy	Greece
Ceilings	1 000	1 000	1 500	1 400	1 000	80
Loans signed ¹	995 ⁽²⁾	980	1 293	1 076	903 ³	80

¹ Adjusted for cancellations (8.5 million ECU in the case of NCI II and 39.0 million ECU in the case of the first tranche of NCI III).

² The level of utilization is determined, for ordinary NCI operations, by converting loans actually paid out into 'borrowing equivalent'. The date of conversion into ECU 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 to the 'borrowing equivalent' basis absorbing the remained 5 million ECU.

³ Including 291 million ECU from the EIB's own resources.

Following a period of relative stagnation in 1984 (1 181,8 million ECU), NCI lending fell by 25,12 % in 1985 to 883,7 million ECU, the bulk of the amounts available under NCI III having been committed.

The proportion of loans going to the productive sector increased further, in accordance with the NCI III guidelines, accounting for nearly three-quarters of total lending (657 million ECU), mainly in the form of global loans to small and medium-sized industrial firms outside regional aid areas. Global loans accounted for 71,2 % of assistance in 1985, compared with 65,3 % in 1984 and 40 % in 1983; 33 global loans totalling 629,1 million ECU were concluded with intermediary institutions in five countries. Of the 2 916 sub-loans (totalling 723,8 million ECU) allocated to SMEs from global loans in 1985, 38 % by number and 20 % by amount went to firms employing fewer than 20 workers, 66 % by number and 43 % by amount to firms employing fewer than 50 workers and 93 % by number and 81 % by amount to firms employing fewer than 200 workers.

Since no loans were made in the energy sector, the remaining 26 % of loans went to the infrastructure sector. Some of the infrastructure loans were, however, used to help save energy. This was the case in Denmark with the electrification of the railway network and in Italy with the installation of solar panels for water heating.

The loans in the infrastructure sector were allocated to transport (60 %), more than half of this being for motorways and the remainder for railways; to waste water treatment in Lombardy (16 %); to telecommunications (14 %); and to other infrastructure schemes.

Lastly, 14,1 million ECU was granted to Italy towards the reconstruction of the railway network in the earthquake areas. 30,2 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 Italian reconstruction work to 902,9 million ECU, including 291 million ECU from the EIB's own resources.

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

7.1.2. Country-by-country review

The overall decrease in NCI lending compared with 1984 is reflected in the level for each of the recipient countries, with the amounts lent being down by between some 10 % in France and nearly 70 % in Greece. Italy's share remained at 42 %, while that of France rose from 33 % to 40 %; Denmark came next with 8 %; the remainder was divided between the United Kingdom, Ireland and Greece.

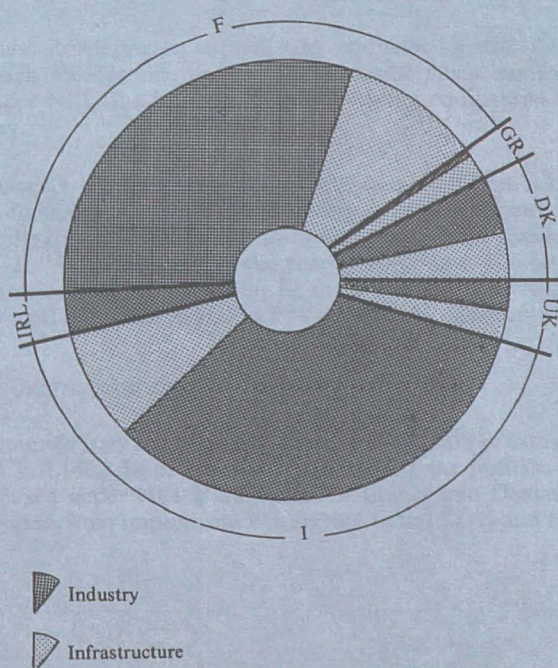
In Denmark, lending fell by almost half to 68,5 million ECU, 45 % of which was used for the electrification of the railway line from Helsingør to Korsør via Copenhagen. The rest was used, in the form of two global loans, to finance productive investment in industrial SMEs.

During the year, 110 sub-loans totalling 37,4 million ECU were granted from global loans already operative.

In Greece, loans totalled only 22 million ECU. The bulk (17.6 million ECU) was used to improve the domestic and international telecommunications network, notably communication with shipping by Inmarsat satellite. A global loan was also granted for the development of craft firms.

From the global loans already operative, 16,1 million ECU in sub-loans was granted to 17 SMEs.

Graph 6: Breakdown of NCI loans in 1985, by country and by sector (including earthquake reconstruction loans in Italy)



In France, most of the assistance, i.e. 269,9 million ECU out of a total of 357,8 million ECU, took the form of 18 global loans to SMEs granted through two national institutions and 14 regional development corporations. The rest of the loans went on infrastructure (Mâcon-Châtillon section of the A40 motorway linking Burgundy to the Mont-Blanc tunnel and Italy) and telecommunications (continuation of the setting-up of a satellite network designed to provide data transmission services to business users and links with the French overseas departments).

From the global loans already operative, 1 889 small and medium-sized firms received a total of 303,1 million ECU, particularly in the Rhône-Alpes and Île-de-France regions.

Ireland received a loan of 27,9 million ECU which was used for the development of 13 300 hectares of forest (roads, tourist amenities and technical facilities).

In Italy, lending totalled 374,1 million ECU. Global loans accounted for more than three-quarters (300,9 million ECU) of this total. They were concluded with eight institutions specializing in the financing of SMEs.

The rest was granted in the infrastructure sector for wastewater collection and treatment systems to reduce pollution

of the river Po in Lombardy (36,5 million ECU), the provision of basic infrastructures for a new business district in association with the Naples integrated operation (13,4 million ECU) and the installation of solar panels for water heating in the Mezzogiorno and centre and north of the country (9,4 million ECU).

In addition, a loan of 14,1 million ECU was granted for the repair of the railway network under the programme of subsidized reconstruction loans.

From the global loans already operative, 819 small and medium-sized firms mainly located in various areas in the centre and north of the country were granted sub-loans amounting to 352 million ECU.

In the United Kingdom, in addition to assistance for the electrification of the railway network south-west of Glasgow, a global loan was granted for investment by SMEs outside the regionally assisted areas. The two loans totalled 33,4 million ECU.

From the global loans already operative, 81 small and medium-sized firms were granted sub-loans amounting to 15,2 million ECU.

NCI II compared with NCI I

On 15 March 1982, by Decision 82/169/EEC,¹ the Council empowered the Commission for the second time to contract loans up to an amount not exceeding 1 000 million ECU.

The proceeds of these borrowings (NCI II), which were authorized in a single tranche on 26 April 1982, have now been almost fully allocated. A look at the loans signed (980 million ECU) will therefore highlight the changing pattern of financing since the first authorization on 15 October 1978 (NCI I).

1. Sectoral changes

- (i) *De jure* changes. Under the 1982 Decision, the productive sector (mainly small and medium-sized firms) was added to the two sectors to which the NCI already provided assistance, namely infrastructure and energy. No geographical constraint was placed on the allocation of the loans, which therefore went mainly to SMEs outside the regionally assisted areas. Thus, the New Community Instrument has complemented EIB lending, which has remained predominantly regional.
- (ii) *De facto* changes. This *de jure* shift has been underlined by the strong demand for industrial loans, mainly from SMEs. Industrial loans have thus accounted for 41,7 % of total lending under NCI II and nearly 93 % of them have been in the form of global loans to SMEs.

Parallel to this, the shares of the other two sectors declined appreciably compared with NCI I. Energy, which accounted for 45 % of NCI I, fell to only 33 % of NCI II. Loans in the infrastructure field fell from 54 % to 26 %.

These developments explain why co-financing with the EIB, which was the rule under NCI I, became much less frequent under NCI II, with only 15 projects being co-financed in this way.

However, the amounts involved were not insignificant. Although co-financing with the EIB in industry accounted for only 6,6 % of the cost of all the projects financed by the NCI, it amounted to 21,7 % of the cost in the energy sector and 23,6 % in the infrastructure sector, while in these two sectors NCI loans covered only 10,1 % and 14,8 % respectively of the cost.

2. Geographical changes

Although Italy remained the principal beneficiary of loans under NCI II (48,3 % of the total), maintaining the position it had enjoyed under NCI I, the shares of France and Denmark increased, from respectively 7 % and 6,7 % to 12,8 % and 10,3 %.

Greece, which did not benefit from NCI I as it joined the Community in 1981, received 11,7 % of lending under NCI II. The shares of Ireland and the United Kingdom, which were 24 % and 14 % respectively of total lending under NCI I, fell to 9,2 % and 7,7 % respectively.

3. Brief analysis of NCI II lending

- (i) Almost 44 % of loans in the *energy sector* went to finance the construction of gas and oil pipelines in Denmark, Ireland (Cork-Dublin gas pipeline) and Italy. 17 % of the loans were used for connecting up the French and United Kingdom high-voltage electricity grids via submarine cables under the Channel. The remainder helped to finance the working of the lignite mine at Amynteon in Greece and the electricity-generating plant which it supplies, and the use and storage of hydrocarbons in Italy.
- (ii) 53 % of loans in the *infrastructure sector* were for telecommunications, namely the development and modernization of telephone and telex networks and equipment in Greece, Ireland and Italy (connection of more than 300 000 subscribers in Apulia and Sicily). 15 % were used for roads and motorways, namely the construction of a section of the Friuli motorway and the improvement of various roads in Ireland. A 56,7 million ECU loan helped to clean up the Bay of Naples through the construction of sewage treatment plants and the laying of sewage mains. Lastly, a global loan was granted in France to the 'Fonds spécial de grands travaux' for energy saving investment in local authority buildings and educational establishments.
- (iii) In the *productive sector*, 93 % of the loans were granted in the form of global loans to SMEs.

The remainder was made up of a loan for afforestation, forest roads and tourist and technical facilities in Ireland, a loan for the efficient use of energy in a cement works in Italy and a loan for the construction of turnkey factories in Ireland.

Examination of the *global loans allocated* shows that three sectors of activity were predominant, namely metalworking and mechanical engineering (more than 20 % of the total), paper and printing, and foodstuffs (some 10 % respectively). Next came textiles and leather, tourism, glass and ceramics, the chemical industry, electrical engineering and electronics, and construction materials, with their respective shares varying from 5 % to 8 %.

The general importance of these sectors is reflected in much the same way in the individual Member States. More than half of the amounts of global loans allocated went:

- in France to three sectors namely tourism,² metalworking and mechanical engineering, and paper;
- in Italy, to four sectors, namely metalworking and mechanical engineering, textiles and leather, foodstuffs, and paper;

¹ OJ L 78, 24.3.1982.

² Tourism is no longer eligible for assistance under NCI III, which has been focused on industrial adjustment, particularly investment in advanced technology.

- in Denmark, more than 60 % of the loans to metalworking, foodstuffs and paper;
- in the United Kingdom, 55 % of the total amount of the loans to metalworking and mechanical engineering, tourism, and electrical engineering and electronics.

Italy was the principal recipient of the global loans (70 % of the total), followed by France (24 %).

4. Macroeconomic impact of NCI II loans

The total amount of loans signed under NCI II represented on average 16,5 % of the cost of the projects (40,3 % in industry, 14,8 % in infrastructure and 10,1 % in energy).

The relevant figures varied from country to country: some 25 % of the cost of the projects in Italy, 23 % in Denmark, 19 % in France, 16 % in Ireland, 14 % in the United Kingdom and 7 % in Greece.

The EIB contributed through loans from its own resources to the financing of an average of 19,9 % of the cost of all NCI II projects. Altogether, therefore, EIB and NCI loans financed 36,5 % of the cost of the projects.

According to the estimates provided when the projects were being appraised, estimates which are only indicative in character, the investment projects financed by NCI II helped to create nearly 15 000 jobs.

List of NCI loans 1985

Loans from NCI resources signed in 1985, by country

million ECU¹

Denmark

DKR 550 million 68.5

Electrification of the railway network; Helsingør-Korsør section via Copenhagen
Danske Stasbaner through the intermediary of the Danish Government

DKR 70 million 8.7

DKR 180 million (equivalent value of a loan denominated in LFR) 22.3

Global loans to Finansieringsinstituttet for Industri og Handvaerk A/S for financing productive investment by industrial SMEs

DKR 200 million 25.0

DKR 100 million 12.5

Greece

DR 2 100 million 22.0

Development of the domestic and international telecommunications network; setting-up of a coastal station for maritime communication by Inmarsat satellite at Thermopylae

Hellenic Telecommunications Organization (OTE)

DR 1 700 million 17.6

Global loan to the Hellenic Organization of Small and Medium-sized Industries and Craft Firms (Eom-mex) for financing productive investment by SMEs

DR 400 million 4.4

France

FF 2 440 million 357.8

Mâcon-Châtillon section (96 km) of the A40 motorway, providing the link-up with the Mont-Blanc tunnel (Rhône-Alpes)

Société des autoroutes Paris-Rhin-Rhône through the intermediary of the CNA

FF 500 million 73.2

Construction and launching of satellites and installation of earth stations and transmission grids to provide advanced data transmission services to business users and links with the French Overseas departments

Administration des postes et télécommunications through the intermediary of the CNT

FF 100 million 14.6

Global loan to CEPME for financing productive investment by SMEs

FF 500 million 73.2

FF 70 million 10.4

Global loans to Crédit national for financing productive investment by SMEs

FF 300 million 43.9

FF 270 million 40.0

¹ 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.

Global loans to 14 regional development corporations (SDR) for financing productive investment by SMEs			Waste water collection and treatment system to reduce pollution of the River Po and its effluents in an area in which some 3,5 million people live Region of Lombardy LIT 50 000 million	36.5
— SDR du Centre-Est 'Centrest'	18.3			
FF 125 million				
— SDR de Champagne-Ardenne 'Champex'	4.4		Provision of basic infrastructure for a new business district in Naples (Campania)	
FF 30 million			Mededil — Società Edilizia Mediterranea pA through the intermediary of Isveimer	
— SDR du Sud-Ouest 'Expanso'	5.1		LIT 20 000 million	13.4
FF 35 million				
— SDR de Lorraine 'Lordex'	5.9			
FF 40 million				
— SDR Méditerranée	5.9		Installation of solar panels for producing domestic hot water in residential and tertiary sector buildings	
FF 40 million			ENEL	
— SDR du Nord-Pas-de-Calais	5.1		— in the Mezzogiorno	
FF 35 million			LIT 6 600 million	4.4
— SDR de Normandie	11.0		— in the centre and north of the country	
FF 75 million			LIT 7 400 million	5.0
— SDR de Picardie	8.8			
FF 60 million				
— SDR d'Alsace 'Sade'	11.7		Global loans to BNL for financing productive investment by SMEs outside less-developed areas in the centre and north of the country	
FF 80 million			LIT 30 000 million	21.9
— SDR du Centre et du Centre-Ouest — 'Sodecco'	2.9		LIT 30 000 million	21.0
FF 20 million				
— SDR de l'Ouest — 'Sodero'	2.9			
FF 20 million				
— SDR du Languedoc-Roussillon — 'Sodler'	1.5			
FF 10 million				
— SDR de Sud-Est	17.6		Global loan to the Banco di Sicilia for financing productive investment by SMEs outside less-developed areas in the centre and north of the country	
FF 120 million			LIT 10 000	7.0
— SDR du Sud-Ouest — 'Tofinso'	1.5			
FF 10 million				
Ireland			Global loan to the Cassa per il Credito alle Imprese Artigiane for financing investment by craft undertakings outside less-developed areas in the centre and north of the country	
<i>IRL 20 million</i>	27.9		LIT 20 000 million	13.4
Development of 13 300 hectares of forests: roads, tourist amenities and technical facilities				
Forest service of the Department of Fisheries and Forestry through the intermediary of the Irish Government (Ministry of Finance)			Global loan to the Centrobanca for financing productive investment by SMEs outside less-developed areas in the centre and north of the country	
<i>IRL 20 million</i>	27.9		LIT 55 000 million	38.4
Italy			Global loan to Efibanca for financing productive investment by SMEs outside less-developed areas in the centre and north of the country	
<i>LIT 540 000 million</i>	374.1		LIT 15 000 million	10.5
Repair of the rail network damaged during the November 1980 earthquakes				
Azienda Autonoma delle Ferrovie Dello Stato			Global loans to IMI for financing productive investment by SMEs outside less-developed areas in the centre and north of the country	
<i>LIT 21 000 million</i>	14.1 ¹		LIT 60 000 million	42.0
			LIT 60 000 million	40.1

¹ Subsidized loan — 'Earthquake reconstruction'.

Global loan to Interbanca for financing productive investment by SMEs outside less-developed areas in the centre and north of the country		United Kingdom	
LIT 35 000 million	24.5	UKL 20 million	33.4
Global loans to the regional Mediocrediti through the intermediary of the Mediocredito Centrale for financing productive investment by SMEs outside less-developed areas in the centre and north of the country		Electrification of the Ayr railway line south-west of Glasgow and rolling stock (Scotland) Strathclyde Regional Council	
LIT 60 000 million	42.0	UKL 10 million	17.0
LIT 60 000 million	40.1	Global loan to Investors in Industry Group plc for financing productive investment by SMEs outside the regionally assisted areas	
		UKL 10 million	16.4

7.2. European Investment Bank (EIB)

In 1985 the EIB made loans from its own resources totalling 6 225 million ECU; loans within the Community accounted for 5 640,7 million ECU and loans outside the Community for 584,3 million ECU.

Loans were granted in all the member countries except for Luxembourg. They were highly concentrated in countries with the greatest structural problems: 55,9 % of the total went on investment projects in Italy, Greece and Ireland, and 36,2 % on projects in France and the United Kingdom.

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

The bulk of the assistance (3 286,2 million ECU and 58,3 % of the total) continued to go to regional development projects.

Those projects were located mainly in regions accorded priority under the Community regional policy: in Italy (1 692,8 million ECU), mainly in the Mezzogiorno (1 435,5 million ECU), in Greece (401,7 million ECU) and in Ireland (146,6 million ECU); loans were also granted for projects in France (653,9 million ECU), in the United Kingdom (372 million ECU) and a small proportion in Denmark, the Netherlands and Germany (19,2 million ECU).

These loans were mainly for transport and telecommunications infrastructure (1 365,6 million ECU) and for productive investment in industry, agriculture and services (1 138,1 million ECU, of which 711,5 million ECU was in the form of global loans). The remainder was divided between other infrastructure projects, in particular water engineering (600,7 million ECU) and energy (286,3 million ECU).

Financing for projects helping to attain the Community's energy objectives was used for developing indigenous resources (1 479,8 million ECU, of which 1 009 million ECU was for nuclear energy), for the efficient use of energy, particularly within the framework of global loans (273,8 million ECU and 251 million ECU respectively) and for diversifying imports (237 million ECU).

Loans for environmental protection totalled 323,9 million ECU and went mainly to major waste water purification projects in Italy (Po basin, Venice, Rome, Florence, Pisa and the Gulf of Manfredonia), in a number of coastal towns in Greece and in various areas of the United Kingdom.

Loans totalling some 293,5 million ECU were granted for infrastructure projects facilitating intra-Community communications: roads, air transport, port improvements, centres for the marketing of agricultural and horticultural products.

Lending for projects in the productive sectors totalled 1 240,7 million ECU: 469,4 million ECU went into individual loans, mainly for investment projects in industry (433,7 million ECU), which, particularly in the electronics and chemical industries, are designed to develop or introduce advanced technologies (225,5 million ECU); a total of 771,3 million ECU went into global loans for the financing of small and medium-sized firms in the Community's less-favoured areas (711,4 million ECU) or for the financing of industrial investment projects contributing to the development of advanced technology (59,9 million ECU).

From global loan credit on tap in 1985, 3 537 allocations totalling 1 148,1 million ECU were made, broken down as follows:

- (i) 2 770 allocations totalling 707,9 million ECU for small and medium-sized ventures in regional aid areas;
- (ii) 488 allocations totalling 137,4 million ECU for small-scale infrastructure and equipment projects carried out in the same areas by local authorities;
- (iii) 12 allocations totalling 45 million ECU for technologically innovative investment projects;
- (iv) 267 allocations totalling 257,9 million ECU for industrial and small-scale infrastructure projects meeting the Community's energy objectives.

7.3. Euratom

In 1985 the Commission continued its lending activities through Euratom to finance investment in the industrial production of nuclear-generated electricity and industrial fuel-cycle installations.

It paid out five loans totalling 211 million ECU for investment projects undertaken by the following four enterprises:

- 1. Société luxembourgeoise de centrales nucléaires (SCN) (for the Mülheim-Kärlich project),
- 2. Kernkraftwerke Lippe-Emsland (KKW) (for the Lingen project),
- 3. Ente Nazionale per l'Energia Elettrica (ENEL) (for the Alto Lazio project — two loans),
- 4. Electricité de France (for the Flamanville 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.

Between the inception of Euratom lending activities and 31 December 1985, the Commission paid out loans totalling 1 974 million ECU.

As already indicated, the ceiling of 2 000 million ECU, which had been practically exhausted towards the end of the year, was raised to 3 000 million ECU in December 1985.

7.4. European Coal and Steel Community (ECSC)

The total amount of loans paid out by the ECSC in 1985 was 22,4 % higher than in 1984, amounting to 1 010,6 million ECU (825,5 million ECU in 1984). This figure reflects an increase in both industrial loans under Article 54 and in conversion loans under Article 56.

Industrial loans rose from 541,3 million ECU to 629,9 million ECU in 1985, an increase of 16,4 %. Loans to the steel industry in particular increased considerably, from 268,5 million ECU to 424,6 million ECU. This amount was divided between 24 loans in three Member States (11 loans in the Federal Republic of Germany, 5 in France and 8 in Italy).

By contrast, no loans were paid out in 1985 for financing coal production.

Loans for financing investment projects designed to promote consumption of Community coal were down (30,0 million ECU in 1985 compared with 45,9 million ECU in 1984).

The financing of thermal power-stations was down slightly compared with the previous year. Two loans totalling 60,8 million ECU were paid out in 1985.

Lastly, under the second paragraph of Article 54, the ECSC provided a loan of 114,5 million ECU for the Carajas iron

ore project in Brazil, which had already received a loan of 138.9 million ECU in 1984.

Conversion loans rose sharply, by 46,8 %, from 247,5 million ECU to 363,4 million ECU. A total of 73 loans were paid out: 8 direct loans totalling 58,3 million ECU and 65 global loans totalling 305,1 million ECU. Global loans thus accounted for 84 % of the total amount of conversion loans.

In 1985 the ECSC paid out a total of 17,3 million ECU to finance low-cost housing for employees in the coal and steel industries: 6,9 million ECU was granted from own funds at an interest rate of 1 % a year and 10,4 million ECU from borrowings at the market interest rate.

The total amount is well down on the 36,7 million ECU paid out in 1984. This decline reflects the difficulties connected with the transition from the 9th to the 10th ECSC programme in this field. Some 2 150 low-cost dwellings were financed in this way in 1985, bringing the number of such dwellings financed by the ECSC since 1954 to more than 189 000.

7.5. Interest subsidies

Only two interest-subsidy mechanisms for lending within the Community were used in 1985:

- (i) ECSC subsidies (on ECSC loans);
- (ii) subsidies related to the special aid for the Italian and Greek areas stricken by earthquakes in November 1980 and February/March 1981.

The ECSC interest subsidies granted by the Commission on ECSC loans in 1985 were reserved for one conversion project financed under Article 56 of the Treaty and for investment projects designed to increase consumption of Community coal financed under paragraph 2 of Article 54 of the Treaty.

The following table summarizes the subsidy amounts paid out in 1985:

Table 12

ECSC interest subsidies paid out in 1985

	B	DK	D	F	IRL	I	L	NL	UK	Total
	(million ECU)									
Article 54	—	—	3,39	0,20	—	—	—	—	—	3,59
Article 56	—	—	38,16	2,72	—	4,72	—	—	29,26	74,86
Total	—	—	41,55	2,92	—	4,72	—	—	29,26	78,45

The interest subsidies for reconstruction in earthquake-stricken areas 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.

Tables 17 and 18 in the annex list all the loans signed by the end of the 1985 financial year, with the amount of each interest subsidy paid in 1985.

In 1985 the three subsidized loans for reconstruction in the areas of Campania and Basilicata in Italy totalled 44,2 million ECU, of which 14,1 million ECU was granted under the NCI and 30,2 million ECU from the EIB's own resources.

The one NCI loan helped to finance the reconstruction of the railway network; the two EIB loans were for the development of industrial estates and the Naples-Bari motorway.

By the end of 1985, the loans signed for Italy totalled 902,8 million ECU out of the 1 000 million ECU authorized. The entire 80 million ECU authorized for Greece had been taken up by a single operation signed in 1982.

Of the total of 982,2 million ECU in loans signed (70 % of which was from NCI resources):

- (i) 56 % was for economic infrastructure (roads, railways, telephones, electricity, water supply, industrial estates);
- (ii) 40 % 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 28,4 million ECU were paid out in 1985.

8. Lending outside the Community

8.1. General

The EIB has been granting loans outside the Community since 1963 for projects contributing to the economic and social development of the countries concerned. The loans are granted from the EIB's own resources, from those of the EDF and from the general budget of the Communities.

In 1985 it granted loans in 27 African, Caribbean and Pacific States (ACP) under the second Lomé Convention and in three Overseas Countries and Territories. Since the first Lomé Convention came into force, the EIB has granted loans in 60 of the 64 ACP countries. In the countries in the Mediterranean region, it has provided loans to Spain and Portugal under the pre-accession financial cooperation arrangements and in five countries under agreements concluded between them and the Community.

In 1985 EIB loans from own resources amounted to 584,3 million ECU and to 75,9 million ECU from Community resources, making a total of 660,2 million ECU. Of the total amount of loans granted from the EIB's own resources, 416,5 million ECU went to Mediterranean countries (260 million ECU to Spain and Portugal) and 167,8 million ECU went 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 the Overseas Countries and Territories from EDF resources amounted to 67,2 million ECU in risk-capital financing, which means that the whole of the amount provided for under the second Lomé Convention (191 million ECU) has been committed. In the Mediterranean region, loans from budgetary resources amounted to 8,7 million ECU.

8.2. Loans to Mediterranean countries

Financing from the EIB's own resources in the Mediterranean region totalled 416,5 million ECU, with loans amounting to 260 million ECU in Spain and Portugal, 102 million ECU in the Maghreb countries, 28 million ECU in Syria and 26,5 million ECU in Cyprus.

All in all, the EIB's loans to those countries helped to finance investment projects costing 2 200 million ECU (1 370 million ECU in Spain and Portugal) and to create some 4 000 jobs.

8.2.1. Loans to Spain and Portugal

The EIB granted loans worth 1 275 million ECU to these two countries in the years preceding their accession to the Community. That amount corresponds to the amount of the aid ceilings provided for in the various agreements concluded with Spain and Portugal.

In Portugal, loans amounting to 725 million ECU have been granted since 1975 by way of urgent aid and under the three pre-accession financial cooperation agreements.

In Spain, a total of 550 million ECU has been granted since 1981 under the three pre-accession financial cooperation agreements.

Taking the two countries together, the loans granted went to infrastructure projects, mainly in the communications field (519 million ECU), for improving links with the Community and for opening up certain internal regions, to the reinforcement of the industrial structure and the modernization of the productive system (468,9 million ECU, mainly in the form of global loans) and to energy equipment projects for developing domestic energy production and for diversifying imports (287,1 million ECU).

Table 14 in the annex summarizes the loans granted to Spain and Portugal prior to accession.

In 1985 the loans granted to Spain and Portugal amounted to 160 million ECU and 100 million ECU respectively, thereby exhausting the amounts provided for under the renewed pre-accession financial cooperation agreements running from July 1984 to the end of 1985 (250 million ECU for Spain and 150 million ECU for Portugal).

Almost 20 % of the loans went to small and medium-sized firms in industry and tourism, more than half to road, rail and port infrastructure projects and a little less than 30 % to the development of domestic energy resources and to the diversification of supply.

Of the six loans granted to Spain totalling 160 million ECU in 1985, four were for infrastructure projects (100 million ECU). They were used as follows:

- (i) to improve road communications through improvements to sections of five major highways near Barcelona, Cordoba, Burgos, Valladolid and Murcia (47 million ECU);
- (ii) to improve rail communications on the line linking Madrid, Barcelona and the French frontier (30 million ECU);
- (iii) to improve sea communications through the construction of a quay for bulk goods and ancillary facilities at the port of Cadiz and sea walls and dock improvements in the port of Tenerife (13 million ECU);
- (iv) in addition, a global loan will enable local authorities in less-favoured regions to improve their infrastructure, particularly roads and water supplies.

A total of 17 small and medium-sized projects were granted loans totalling 27,2 million ECU from ongoing global loans.

A loan of 40 million ECU went to a hydro-electric complex, comprising three dams and two power-stations, 60 kilometres to the south-west of Valencia, which will help to exploit the country's energy resources. Finally, a global loan agreement worth 20 million ECU was concluded with the Banco de Credito Industrial for investment projects, particularly involving modernization, carried out by small and medium-sized firms.

Out of ongoing global loans, 111 allocations totalling 50,1 million ECU were made to small and medium-sized firms.

The total of the 100 million ECU lent to Portugal included two loans of 20 million ECU each for improvements to road links: the construction of a 38 kilometre section of the Lisbon-Oporto motorway and further work on the road crossing the north of the country and linking the port of Aveiro and Coimbra to Villar Formoso.

A loan of 30 million ECU was granted for the addition of a fourth unit to the coal-fired power-station under construction at Sines to the south of Lisbon.

Finally, two global loans of 15 million ECU each were earmarked for small and medium-sized firms and for small and medium-sized projects for making energy savings and for protecting the environment.

Out of ongoing global loans, 90 allocations totalling 25,4 million ECU were made to small and medium-sized firms in 1985 for the purpose of reinforcing Portugal's industrial structure.

8.2.2. Loans to other Mediterranean countries

The total of such loans amounted in 1985 to 165,2 million ECU, including 156,5 million ECU from the EIB's own resources.

The loans were granted, pursuant to the financial protocols signed in 1983, to the three Maghreb countries (107 million ECU), Syria and Cyprus.

Almost 64 % of these loans went to infrastructure projects (105,2 million ECU), almost 20 % to projects in agriculture and fisheries (32 million ECU) and the remainder to energy equipment projects (28 million ECU).

In Algeria, two loans totalling 75 million ECU contributed to the improvement of 133 kilometres of roads between Jijel, on the coast, and Constantine, located in a relatively inaccessible inland area (the project being designed to pro-

mote the economic development of the north-east of the country) and to the enlargement and equipping of the goods port of Bejaia to the east of Algiers.

In Tunisia, five loans totalling 23,5 million ECU (including five on special terms from budgetary resources) were granted through the National Agricultural Development Bank. Two loans were intended to reinforce the fishing fleet through the purchase of 10 trawlers. Two global loans will finance small and medium-sized ventures in agriculture and agro-industries. A third will be used for investment projects undertaken by agricultural cooperatives.

A total of 137 allocations amounting in all to 6,4 million ECU were made from ongoing global loans.

In Morocco, a global loan of 8,5 million ECU was granted to the Caisse Nationale de Crédit Agricole for farm investments designed to increase self-sufficiency in basic foodstuffs and to modernize production.

A total of 19,2 million ECU was allocated from an ongoing global loan to four agro-industrial projects and to some 82 500 very small farm investment projects.

A total of 30,2 million ECU (including 3,7 million ECU on special terms from budgetary resources) was granted to Cyprus pursuant to the second financial protocol for the construction of the Kouris dam and the installation of pipes for improving the supply of water to the main towns.

In Syria, a loan of 28 million ECU will be used to increase the capacity of the Mehardeh thermal power-station in the north of the country with a view to accommodating the rapid growth in the electricity network in rural areas.

8.3. Loans to African, Caribbean and Pacific States and Overseas Countries and Territories

Projects were financed in 27 countries (19 in Africa, five in the Caribbean and three in the Pacific) and in three Overseas Countries and Territories. The EIB granted 17 loans from its own resources; assistance was also provided in 24 cases in the form of risk capital from EDF resources. The funds provided totalled 235 million ECU, which represents a marked increase. This increase was due largely to loans from the EIB's own resources, which rose from 79,1 million ECU in 1984 to 167,8 million ECU in 1985. Assistance in the form of risk capital amounted to 56,2 million ECU.

Since the entry into force of the Second Lomé Convention, the EIB has committed 577,5 million ECU from its own resources, i.e. 82 % of the ceiling laid down (700 million ECU); almost all the amount earmarked for risk capital (291 million ECU) has been committed.

Of the total amount of loans granted in 1985, industry accounted for almost 51 % (directly financed industrial projects 32,8 %, global loans 17 % and other assistance to development banks 1 %), energy for 27 %, telecommunications for 12 %, transport for 3,4 %, water supplies for 3 % and studies of projects financed from risk capital for 4 %.

The year was marked by an increase in new assistance for development banks; 82 allocations were made from ongoing global loans for a total of 33,8 million ECU, with the average allocation amounting to some 410 000 ECU as in 1984. The relatively large share taken by operations aimed at rehabilitation, renewal and start-up aid for existing projects should also be emphasized. Thus, 29 % of the total amount of assistance given in the form of risk capital went to finance this type of operations.

The total cost of the investment projects which the EIB helped to finance is estimated at 800 million ECU. The direct impact on employment of the projects financed may be assessed, on the basis of the files submitted, at approximately 6 000 jobs.

In *Africa*, operations totalled 159,3 million ECU: 110,2 million ECU in the form of loans from the EIB's own resources and 49,1 million ECU in the form of risk-capital operations. 51 % of the assistance given went to industry. It was used to finance an agro-industrial complex for producing palm oil in the Ivory Coast, to construct an oil mill in the Congo and a factory for processing tea plant leaves in Malawi, to improve — through a shareholder's loan — the operating conditions at a gold mine in Burkina Faso and to modernize a textile mill in Madagascar and an ore-processing plant in Sudan; it was also used to improve various types of cultivation and for investment projects carried out by small and medium-sized enterprises.

Energy accounted for some 25 % of the assistance given: construction of a reservoir dam on the Mape in Cameroun; improvements to the Morupule power-station using local coal in Botswana and to the Roseires hydro-electric complex in the Sudan; a shareholder's loan to the capital of the new energy company for the construction of a hydro-electric power-station in Equatorial Guinea.

A total of 24 % of the assistance given went to infrastructure projects, and in particular to telecommunications in Kenya

and the Congo and to water supply and electricity generation and distribution in Mauritania.

In the *Caribbean*, the assistance given totalled 38 million ECU: 29,5 million ECU from the EIB's own resources and 8,4 million ECU in the form of risk-capital operations.

Industry received 20,3 million ECU, the bulk of which went to small and medium-sized firms in Trinidad and Tobago, Guyana and Suriname.

A loan of 12 million ECU was granted in the energy sector in Trinidad and Tobago for the distribution of electricity. A loan of 5,6 million ECU was granted for port equipment in Barbados.

In the *Pacific*, the assistance given amounted to 24,1 million ECU: 8,1 million ECU in the form of risk-capital operations and 16 million ECU in the form of loans from the EIB's own resources.

The assistance given to industry (22,1 million ECU) went largely to Fiji for the construction of a sawmill and for small and medium-sized enterprises.

A total of three Overseas Countries and Territories received 13,6 million ECU: 12 million ECU from the EIB's own resources and 1,5 million ECU in the form of risk-capital operations. All of these loans went to the energy sector.

Table 15 in the annex provides a breakdown by origin of resources and by sector of the EIB's operations in the ACP countries and in the Overseas Countries and Territories in 1985.

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Table 1**Community borrowings in 1985**

No	Type	Life (years)	Coupon (%)	Currency and amount (million)	Million ECU ¹
(a) NCI					
1	Private placing	15	7,875	HFL 54,6	22,18
2	Public issue	5	11,125	USD 100	112,62
3	Public issue	12	12,3	FF 1 000	149,15
4	Private placing	12	8,5	HFL 75	30,47
5	Private placing	10	6,375	SFR 17	9,24
6	Private placing	12	7,4	DM 35	16,03
7	Private placing	10	9,25	ECU 50	50
8	Public issue	15	7,75	HFL 200	81,26
9	Private placing	12	7,25	DM 30	13,74
10	Private placing	10	6,25	SFR 75	40,76
11	Public issue	12	6,5	DM 150	68,69
12	Public issue	7	10,25	BFR 4 000	89,60
13	Public issue	10	8,875	LFR 1 000	22,40
14	Public issue	15	5,5	SFR 100	54,34
15	Public issue	8	8,875	ECU 100	100,00
Total					860,48
(b) Euratom					
16	Private placing	11	7,5	YEN 5 000	28,06
17	Private placing	5	7,73	DM 50	22,90
18	Private placing	5	7,73	DM 50	22,90
19	Public issue	12	10	ECU 50	50,00
20	Private placing	6	7,9	DM 50	22,90
21	Private placing	15	9,0625	HFL 120	48,75
22	Private placing	5	10,75	LFR 800	17,92
23	Private placing	1	10,125	LFR 234	5,24
24	Private placing	2	10,15	BFR 2 000	44,80
25	Private placing	4	10	LFR 400	8,96
26	Private placing	4	10,125	LFR 600	13,44
27	Public issue	4	8,5	LFR 600	13,44
28	Private placing	11	9,75	BFR 2 000	44,80
Total					344,11

¹ The conversion rates used were those obtaining on 31 December 1985.

Table 1 (continued)

Community borrowings in 1985

No	Type	Life (years)	Coupon (%)	Currency and amount (million)	Million ECU ¹
(c) ECSC					
29	Private placing	7	12,75	FF 1	0,15
30	Private placing	7	7,125	DM 94	43,04
31	Private placing	10	10	ECU 25	25,00
32	Private placing	8	7,375	DM 16	7,33
33	Private placing	5	7,5	DM 10	4,58
34	Private placing	10	7,8	DM 47	21,52
35	Private placing	1	12	FF 75	11,19
36	Private placing	1	11,875	FF 75	11,19
37	Private placing	12	7,97	DM 40	18,32
38	Private placing	5	7,75	DM 7,4	3,39
39	Private placing	5	7,72	DM 19	8,70
40	Private placing	5	7,4	YEN 5 000	28,06
41	Private placing	1	6,98	DM 25	11,45
42	Public issue	12	12,2	FF 800	119,32
43	Private placing	8	7,67	DM 14	6,41
44	Private placing	8	7,35	DM 50	22,90
45	Private placing	8	7,35	DM 50	22,90
46	Public issue	7	11,25	FF 300	44,74
47	Private placing	10	7,48	DM 50	22,90
48	Private placing	1	5,5	SFR 30	16,30
49	Private placing	8	7,39	DM 32	14,65
50	Private placing	15	7,43	DM 9,54	4,37
51	Private placing	1	6,1	DM 17,048	7,81
52	Private placing	5	7	DM 100	45,79
53	Private placing	5	6,9	DM 10	4,58
54	Private placing	5	6,75	DM 76	34,80
55	Private placing	10	7,25	DM 21,8	9,98
56	Private placing	10	9,625	ECU 9,7	9,70
57	Public issue	10	7	DM 230	105,32
58	Private placing	5	6,625	DM 20	9,16
59	Private placing	7	9,125	LFR 200	4,48
60	Private placing	8	6,5	DM 10	4,58
61	Private placing	5	10,95	UKL 8	13,00
62	Private placing	3	5	DM 30	13,74
63	Private placing	12	7	DM 40	18,32
64	Private placing	1	9,49	USD 100	112,62
65	Private placing	5	6,25	DM 12	5,50
66	Private placing	5	6,25	DM 12	5,50
67	Private placing	12	11,125	FF 300	44,74
68	Private placing	5	6,2	DM 30	13,74
69	Private placing	8	6,5	DM 32	14,65
70	Public issue	10	8,625	ECU 100	100,00
71	Private placing	10	7	DM 32	14,65
72	Private placing	4	9	USD 50	56,31
73	Public issue	12	6,875	DM 100	45,79
74	Private placing	5	6,6	DM 30	13,74
75	Private placing	5	6,75	DM 55	25,19
76	Private placing	5	6,75	DM 8	3,66

Table 1 (*continued*)**Community borrowings in 1985**

No	Type	Life (years)	Coupon (%)	Currency and amount (million)	Million ECU ¹
77	Public issue	8	8,5	LFR 600	13,44
78	Private placing	15	7,3	DM 12	5,50
79	Private placing	8	7	DM 62	28,39
80	Private placing	1	5,05	DM 25,54	11,70
Total					1 264,79
Total NCI + Euratom + ECSC					2 469,38

Table 2

EIB borrowings in 1985

1. Long-term and medium-term operations

Public issues

	Life (years)	Coupon (%)	Subscription currency	Amount (million)	Million ECU ¹
	10	6,700	YEN	30 000	168,490
	10	9,500	LFR	1 000	22,363
	10	9,250	ECU	200	200,000
	8	7,500	DM	300	134,423
	10	11,000	USD	100	141,054
	10	12,000	CAD	75	80,145
	8	11,125	UKL	50	81,988
	10	6,000	SFR	150	81,597
	10	12,000	DKR	250	31,297
	10	9,750	ECU	150	150,000
	10	7,300	YEN	30 000	164,642
	8	12,250	LIT	150 000	104,985
	10	12,000	USD	200	275,063
	10	11,900	FF	1 000	146,388
	12	7,375	DM	200	89,422
	15	8,000	HFL	200	79,269
	5	10,000	USD	200	275,063
	10	10,500	BFR	4 500	99,413
	7	12,500	LIT	100 000	69,776
	10	5,625	SFR	100	53,077
	12	6,750	DM	200	88,930
	10	8,875	ECU	100	100,000
	7	10,250	USD	150	204,096
	12	6,200	YEN	30 000	167,520
	7	11,250	FF	500	74,058
	5	13,500	LIT	100 000	66,906
	10	11,500	IRL	15	20,951
	12	11,700	FF	1 000	148,116
	9	10,250	USD	200	242,066
	10	7,250	HFL	200	80,189
	10	6,875	DM	300	135,596
	7	13,000	LIT	150 000	100,359
	10	5,375	SFR	200	110,482
	10	10,500	UKL	50	84,814
	5	8,625	ECU	40	40,000
	7	8,750	ECU	60	60,000
	5	variable	DM	125	56,498
					4 229,036

Table 2 (continued)

Private placing

Number of operations	Life (years)	Coupon (%)	Subscription currency	Amount (million)	Million ECU ¹
5	10	7,23 - 8,05	DM	375	168,713
1	15	11,00	UKL	30	50,888
12	10-15	7,125 - 8,50	HFL	666	264,843
3	8-12	10,50 - 11,75	BFR	3,2	71,048
2	6-8	9,25 - 9,50	LFR	800	17,674
4	7-10	9,73 - 11,65	USD	93,642	122,075
3	5-7	5,25 - 5,50	SFR	200	109,638
3	8-10	7,10 - 7,80	YEN	21,7	120,616
5	5-10	8,75 - 9,795	ECU	170	170,000
38					1 095,495

2. Short-term operations

Commercial paper

Variable	USD	374,0
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3. Third-party participations in the financing of EIB loans

ECU	10,6	10,6
Total		5 709,131

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, 2}

(million ECU)							
Year	ECSC	EIB ³	Euratom	NCI ³	Total borrowings for structural purposes	EEC ⁴	Total
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	25 767	591	26 358
1983	6 539	20 749	1 680	3 269	32 237	4 610	36 847
1984	7 119	25 007	1 892	4 432	38 450	4 932	43 382
1985	7 034	26 736	2 013	4 960	40 743	3 236	43 979

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 years-ends reflects, on the one hand, changes in the valuation of 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, annuities, and exchange-rate adjustments.

³ For the years 1982-85, including borrowings for reconstruction loans for the earthquake-stricken areas in Italy and Greece.

⁴ 'Balance of payments' borrowings.

Table 4

Breakdown of loans in the Community in 1985, by instrument, sector and country

(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	—	—	—	—	—	—	—	—	77,8	77,8	—	1,1	—	1,1	—	1,1	77,8	78,9
Denmark	37,5	31,0	—	68,5	—	—	9,5	4,0	250,5	264,0	3,7	—	—	3,7	50,7	35,0	250,5	336,2
FR of Germany	—	—	—	—	68,7	68,7	—	—	91,4	91,4	285,6	1,8	16,0	303,4	285,6	1,8	176,1	463,5
Greece	4,4	17,6	—	22,0	—	—	44,2	258,8	71,7	401,7	—	—	—	—	48,6	303,4	71,7	423,7
France	269,9	87,9	—	357,8	44,8	44,8	290,2	407,8	191,6	889,6	200,3	1,7	44,8	246,8	760,4	497,4	281,2	1 539,0
Ireland	27,9	—	—	27,9	—	—	25,1	114,5	7,0	146,6	—	0,1	—	0,1	53,0	114,6	7,0	174,6
Italy	300,9	73,3	—	374,1	97,5	97,5	723,7	996,3	884,0	2 603,9	168,3	11,0	—	179,3	1 192,9	1 080,6	981,5	3 255,0
Luxembourg	—	—	—	—	—	—	—	—	—	—	8,9	0,1	—	9,0	8,9	0,1	—	9,0
The Netherlands	—	—	—	—	—	—	—	69,1	—	69,1	—	—	—	—	—	69,1	—	69,1
United Kingdom	16,4	17,0	—	33,4	—	—	148,1	291,6	657,0	1 096,7	151,2	1,5	—	152,7	315,7	310,1	657,0	1 282,8
Total	657,0	226,7	—	883,7	211,0	211,0	1 240,7	2 169,1	2 230,9	5 640,7	932,5¹	17,3	60,8	1 010,6¹	2 830,2	2 413,1	2 502,7	7 746,0¹
% sector	74,3	25,7	—	100	100	100	22,0	38,4	39,6	100	92,3	1,7	6,0	100	36,5	31,2	32,3	100
% institution	11,4				2,7		72,8				13,1				100			

¹ Including 114,5 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
1976	1 152,6	429,9	546,6	2 129,2
1977	928,4	607,7	693,2	2 229,3
1978	745,4	1 000,0	1 089,1	2 834,5
1979	753,1	1 055,8	1 577,6	3 386,5
1980	1 249,1	1 187,5	1 711,3	4 148,0
1981	766,3	1 377,2	1 947,5	4 090,0
1982	1 632,2	1 802,3	1 905,0	5 339,4
1983	1 878,6	2 049,5	2 659,5	6 587,6
1984	2 709,0	2 132,4	2 358,9	7 200,3
1985	2 830,2	2 413,1	2 502,7	7 746,0

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, 1979-85

Country	(million ECU) ¹								
	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	—	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—	—
The 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
% sector	46,0	54,0	100	45,3	54,7	100	82,7	17,3	100

Country	1982				1983				1984				1985			
	Infra-structure	Energy	Pro-ductive sector	Total	Infra-structure	Energy	Pro-ductive sector	Total	Infra-structure	Energy	Pro-ductive sector	Total	Infra-structure	Energy	Pro-ductive sector	Total
Belgium	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denmark	48,6	47,4	—	96,0	—	83,2	9,9	93,1	—	97,9	36,9	134,6	31,0	—	37,5	68,5
FR of Germany	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Greece ¹	124,9	—	—	124,9	50,3	35,0	—	85,3	18,0	35,0	16,3	69,3	17,6	—	4,4	22,0
France	—	—	37,6	37,6	—	80,7	105,5	186,2	43,8	—	342,5	386,3	87,9	—	269,9	357,8
Ireland	45,3	37,8	—	83,1	18,8	46,8	3,8	69,4	30,6	—	19,4	50,0	—	—	27,9	27,9
Italy ³	210,7	34,0	204,8	449,5	338,2	37,7	289,5	665,4	43,4	88,5	365,4	497,3	73,3	—	300,9	374,1
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
The Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	—	—	—	—	—	32,0	68,1	100,1	33,8	—	10,5	44,3	17,0	—	16,4	33,4
Total	429,50	119,2	242,4	791,10	407,4	315,4	476,8	1 199,6	169,5	221,2	791,0	1 181,8	226,7	—	657,0	883,7
%	54,3	15,1	30,6	100	34,0	26,3	39,7	100	14,3	18,7	67,0	100	25,7	—	74,3	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, 1984 and 1985.

Table 7

ECSC loans paid out, 1976-85

(million ECU)¹

Country	1976				1977				1978				1979			
	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	34,6	2,7	—	37,3	15,0	0,9	—	15,9	—	1,9	—	1,9	—	0,4	—	0,4
Denmark	—	—	—	—	—	0,5	—	0,5	13,1	0,1	—	13,2	—	0,3	—	0,3
FR of Germany	166,7	9,7	10,5	186,9	28,0	5,8	81,7	115,5	111,6	5,6	21,8	139,0	122,0	6,1	21,0	149,1
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	101,9	4,3	27,0	133,2	125,2	0,9	48,4	174,5	89,9	2,8	34,4	127,1	99,5	3,2	28,7	131,4
Ireland	0,6	0,1	—	0,7	—	0,2	—	0,2	—	—	—	—	13,9	—	—	13,9
Italy	146,8	0,9	—	147,7	170,9	2,7	—	173,6	123,8	2,6	—	126,4	94,2	7,4	—	101,6
Luxembourg	—	0,1	—	0,1	—	0,5	—	0,5	73,5	0,5	—	74,0	19,5	0,1	—	19,6
The Netherlands	38,2	0,4	—	38,6	—	0,5	—	0,5	42,0	0,8	—	42,8	—	0,5	—	0,5
United Kingdom	376,9	0,0	142,4	519,3	173,6	—	86,7	260,3	29,0	3,0	241,3	273,3	26,4	3,6	229,0	259,0
Non-EEC	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	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	375,5	21,6	278,7	675,8

Country	1980				1981				1982				1983			
	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	—	—	29,2	29,2	—	0,5	—	0,5	17,0	1,0	—	18,0	3,0	0,9	—	3,9
Denmark	4,3	—	—	4,3	—	—	—	—	1,7	0,1	—	1,8	—	0,0	—	0,0
FR of Germany	98,5	0,8	29,8	129,1	53,2	5,9	33,2	92,3	89,3	5,0	90,4	184,7	74,5	2,2	72,7	149,4
Greece	—	—	—	—	—	—	—	—	10,9	0,4	—	11,3	—	0,4	—	0,4
France	237,5	0,5	37,4	275,4	85,1	2,3	24,0	111,4	10,6	3,7	54,8	69,1	127,0	2,1	148,7	277,8
Ireland	1,0	0,1	—	1,1	11,0	—	—	11,0	—	0,1	—	0,1	4,2	0,2	—	4,4
Italy	138,6	4,4	—	143,0	96,2	5,3	—	101,5	62,7	2,4	—	65,1	19,4	12,8	—	32,2
Luxembourg	68,6	—	—	68,6	—	0,1	—	0,1	5,2	0,3	—	5,5	—	0,0	—	0,0
The Netherlands	4,6	0,3	—	4,9	—	0,5	—	0,5	43,7	0,4	—	44,1	39,4	0,1	—	39,5
United Kingdom	140,0	1,7	226,8	368,5	70,2	0,1	—	70,3	112,4	4,7	152,0	269,1	104,8	1,5	164,2	270,5
Non-EEC	6,6	—	—	6,6	—	—	—	—	71,8	—	—	71,8	—	—	—	—
Total	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	372,3	20,2	385,6	778,1

Country	1984				1985			
	Productive sector	Infra-structure	Energy	Total	Productive sector	Infra-structure	Energy	Total
Belgium	4,4	1,0	—	5,4	—	1,1	—	1,1
Denmark	3,1	0,1	—	3,2	3,7	—	—	3,7
FR of Germany	254,0	10,2	12,7	276,9	285,6	1,8	16,0	303,4
Greece	—	0,1	—	0,1	—	—	—	—
France	111,7	3,9	65,9	181,5	200,3	1,7	44,8	246,8
Ireland	—	0,1	—	0,1	—	0,1	—	0,1
Italy	47,3	18,7	—	66,0	168,3	11,0	—	179,3
Luxembourg	69,4	0,2	—	69,6	8,9	0,1	—	9,0
The Netherlands	—	0,7	—	0,7	—	—	—	—
United Kingdom	81,4	1,7	—	83,1	151,2	1,5	—	152,7
Non-EEC	138,9	—	—	138,9	114,5	—	—	114,5
Total	710,2	36,7	78,6	825,5	932,5	17,3	60,8	1 010,6

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

Table 8

Euratom loans, 1977-85
Energy sector

Country	(million ECU) ¹								
	1977	1978	1979	1980	1981	1982	1983	1984	1985
Belgium	—	—	50,5	82,2	225,2	72,9	32,5	95,1	—
Denmark	—	—	—	—	—	—	—	—	—
FR of Germany	77	34,4	—	—	—	—	—	—	68,7
Greece	—	—	—	—	—	—	—	—	—
France	19,9	—	67,9	99,1	98,8	258,9	198,6	90,9	44,8
Ireland	—	—	—	—	—	—	—	—	—
Italy	—	35,8	34,0	—	33,6	30,0	89,0	—	97,5
Luxembourg	—	—	—	—	—	—	—	—	—
The Netherlands	—	—	—	—	—	—	—	—	—
United Kingdom	—	—	—	—	—	—	46,3	—	—
Total	96,9	70,2	152,4	181,3	357,6	361,8	366,4	186,0	211,0

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, 1976-85

(million ECU)¹

Country	1976				1977				1978				1979			
	Pro- ductive sector ²	Infra- struc- ture	Energy	Total	Pro- ductive sector	Infra- struc- ture	Energy	Total	Pro- ductive sector	Infra- struc- ture	Energy	Total	Pro- ductive sector ²	Infra- struc- ture	Energy	Total
Belgium	17,9	—	—	17,9	—	—	—	—	—	—	62,2	62,2	8,7	—	49,7	58,4
Denmark	9,1	—	—	9,1	12,8	7,1	12,8	32,7	12,4	51,4	42,5	106,3	5,4	3,9	6,3	15,6
FR of Germany	9,2	—	101,6	110,8	—	—	28,4	28,4	2,3	—	43,2	45,5	4,0	—	43,8	47,8
Greece	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France	—	60,1	—	60,1	19,6	119,5	157,4	296,5	23,6	237,6	98,1	359,3	1,7	122,1	98,9	222,7
Ireland	29,9	24,2	3,3	57,4	18,3	61,4	—	79,7	14,8	72,6	30,0	117,4	49,2	124,4	79,3	252,9
Italy	126,7	195,1	40,2	362,0	197,1	189,3	39,3	425,7	142,2	374,0	328,9	845,1	244,6	356,3	304,5	905,4
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
The Netherlands	—	—	30,4	30,4	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	94,1	132,3	191,2	417,6	167,9	218,4	92,8	479,1	67,3	247,0	116,4	430,7	64,0	299,9	375,1	739,0
Non-EEC	—	—	—	—	—	—	48,8 ³	48,8	—	—	—	—	—	—	39,4 ⁴	39,4
Total	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	377,6	906,6	997,0	2 281,2

Country	1980				1981				1982				1983			
	Pro- ductive sector	Infra- struc- ture	Energy	Total	Pro- ductive sector	Infra- struc- ture	Energy	Total	Pro- ductive sector ²	Infra- struc- ture	Energy	Total	Pro- ductive sector	Infra- struc- ture	Energy	Total
Belgium	6,2	—	147,0	153,2	12,3	—	170,2	182,5	5,5	—	55,0	60,5	—	—	—	—
Denmark	9,6	4,7	66,8	81,1	13,3	10,6	119,0	142,9	9,8	99,2	100,3	209,3	14,4	4,3	228,7	247,4
FR of Germany	—	—	14,2	14,2	—	—	292,0	292,0	—	—	20,8	20,8	22,9	—	129,3	152,2
Greece	—	—	—	—	51,4	82,5	9,8	143,7	138,7	144,1	50,8	333,6	63,2	193,3	107,8	364,3
France	1,7	63,4	213,9	279,0	—	67,7	159,0	226,7	39,8	72,7	311,7	424,3	130,9	316,4	260,6	707,9
Ireland	158,0	114,0	47,6	334,3	81,9	113,7	129,7	325,3	113,8	145,0	66,6	325,4	13,9	201,4	19,3	234,6
Italy	207,2	578,5	366,9	1 152,5	265,9	448,8	536,6	1 251,3	584,3	671,2	333,2	1 588,7	730,8	636,5	578,4	1 945,7
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
The Netherlands	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	166,8	329,6	191,6	688,0	25,8	193,0	—	218,8	72,8	222,3	188,3	483,4	53,4	269,9	268,0	591,3
Non-EEC	—	—	50,9	50,9 ⁴	—	—	22,8	22,8 ⁵	—	—	—	—	—	—	—	—
Total	549,4	1 090,1	1 098,8	2 738,4	450,6	916,3	1 439,1	2 805,9	964,5	1 354,7	1 126,8	3 446,0	1 029,5	1 621,9	1 592,1	4 243,5

Country	1984				1985			
	Pro- ductive sector	Infra- struc- ture	Energy	Total	Pro- ductive sector	Infra- struc- ture	Energy	Total
Belgium	—	—	32,5	32,5	—	—	77,8	77,8
Denmark	4,9	59,2	119,8	183,9	9,5	4,0	250,5	264,0
FR of Germany	—	—	134,3	134,3	—	—	91,4	91,4
Greece	61,0	125,9	88,6	275,5	44,2	285,8	71,7	401,7
France	128,3	479,6	206,1	814,0	290,2	407,8	191,6	889,6
Ireland	64,0	60,0	—	124,0	25,1	114,5	7,0	146,6
Italy	894,0	930,0	714,2	2 538,2	723,7	996,3	884,0	2 603,9
Luxembourg	—	16,4	—	16,4	—	—	—	—
The Netherlands	—	—	—	—	—	69,1	—	69,1
United Kingdom	55,6	255,1	577,5	888,2	148,1	291,6	657,0	1 096,7
Non-EEC	—	—	—	—	—	—	—	—
Total	1 207,8	1 926,2	1 873,1	5 007,0	1 240,7	2 169,1	2 230,9	5 640,7

¹ The conversion 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 1985

	(million ECU)							
	Denmark	Greece	France	Ireland	Italy	United Kingdom	Total	%
A — INFRASTRUCTURE								
1. Waste-water drainage and treatment projects: Italy (Lombardy)					36,5			
2. A 40 motorway: France			73,2					
3. Telecommunications: France			14,6					
4. Telecommunications: Greece		17,6						
5. Electrification of rail network: Denmark — A	8,7							
— B	22,3							
6. Basic infrastructure: Italy (Naples)					13,4			
7. Electrification of rail network: United Kingdom						17,0		
8. Solar panels: Italy								
• Mezzogiorno					4,4			
• Centre, north					5,0			
9. Rail network: Italy					14,1			
Total infrastructure	31,0	17,6	87,9	—	73,3	17,0	226,7	25,7
B — ENERGY								
C — INDUSTRY								
10. Global loans SMEs — II.B			43,9					
— II.C			40,0					
11. Global loans SMEs (Centre, North)					24,5			
12. Global loans SMEs (Centre, North)					38,4			
13. Global loans SMEs Centre, North — III.B					42,0			
— III.C					40,1			
14. Global loans SMEs Centre, North — III.B					42,0			
— III.C					40,1			
15. Global loans SMEs Centre, North — III.A					21,9			
— III.B					21,0			
16. Global loan SMEs (outside assisted areas)						16,4		
17. Global loan SMEs (Centre, North)					7,0			
18. Global loans SMEs — IV.A	25,0							
— IV.B	12,5							
19. Global loans SMEs to RDCs			102,5					
20. Global loans SMEs — III.A			73,2					
— III.B			10,4					
21. Global loan SMEs (Centre, North)					10,5			
22. Global loan, craft firms (Centre, North)					13,4			
23. Global loan SMEs		4,4						
24. Afforestation, tourist and technical facilities, Ireland				27,9				
Total-industry	37,5	4,4	269,9	27,9	300,9	16,4	657,0	74,3
Total NCI loans	68,5	22,0	357,8	27,9	374,1	33,4	883,7	100
of which: NCI I								
NCI II	—	—	—	—	—	—	—	—
NCI III 1	—	4,4	—	27,9	46,6	17,0	95,9	—
NCI III 2	68,5	17,6	357,8	—	313,5	16,4	773,8	—
NCI 'Reconstruction'	—	—	—	—	14,1	—	14,1	—

Table 11**List of Euratom loans in 1985**

Date	Recipient	Country	Million ECU
1. 3. 1985	SCN	FR of Germany	45,8
15. 3. 1985	KKW LIPPE-EMS	FR of Germany	22,9
22. 3. 1985	ENEL	Italy	48,8
26. 4. 1985	ENEL	Italy	48,7
20. 12. 1985	EDF	France	44,8
Total			211,0

Table 12**ECSC loans by sector, 1980-85**

<i>(million ECU)</i>								
Year	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
1985	1 010,6	—	424,6	60,8	363,4	17,3	114,5	30,0
1985 — 1984	% + 22,4	—	+ 58,1	— 7,6	+ 46,8	— 52,9	— 22,8	— 34,6

Table 13**EIB loans outside the Community from borrowings, 1976-85**

<i>(million ECU)¹</i>										
Country	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
ACP States and OCTs	52	67	91	73	124	158	122	90	79,1	167,8
<i>Northern Mediterranean</i>	<i>90</i>	<i>85</i>	<i>80</i>	<i>186</i>	<i>215</i>	<i>129</i>	<i>252</i>	<i>257</i>	<i>346,3</i>	<i>260,0</i>
Spain	—	—	—	—	—	40	105	105	140	160
Portugal	90	60	35	46	70	79	80	85	80	100
Yugoslavia	—	25	25	—	—	—	67	67	126,3	—
Greece	—	—	20	104	101	—	—	—	—	—
Turkey	—	—	—	36	44	10	—	—	—	—
<i>Maghreb</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>50</i>	<i>25</i>	<i>52</i>	<i>—</i>	<i>36</i>	<i>63</i>	<i>102</i>
Algeria	—	—	—	—	20	—	—	—	—	75
Morocco	—	—	—	26	—	30	—	36	54	8,5
Tunisia	—	—	—	24	5	12	—	—	9	18,5
<i>Mashreq</i>	<i>—</i>	<i>—</i>	<i>3</i>	<i>109</i>	<i>7</i>	<i>15</i>	<i>28</i>	<i>44</i>	<i>112,3</i>	<i>28,0</i>
Egypt	—	—	—	65	—	—	28	25	62,5	—
Jordan	—	—	—	11	4	3	—	14	11,5	—
Lebanon	—	—	3	17	3	12	—	5	—	—
Syria	—	—	—	16	—	—	—	—	38,3	28,0
<i>Other</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>3</i>	<i>—</i>	<i>42</i>	<i>8</i>	<i>—</i>	<i>20</i>	<i>26,5</i>
Cyprus	—	—	—	—	—	12	8	—	—	26,5
Malta	—	—	—	3	—	—	—	—	—	—
Israel	—	—	—	—	—	30	—	—	20	—
Total Mediterranean	90	85	83	348	247	228	288	337	541,6	416,5
Total	142	152	174	421	371	386	410	427	620,7	584,3

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

Table 14

EIB financing in Spain and Portugal prior to accession

(million ECU)

	Initial amount (protocol)	Individual loans			Global loans		Allocations from ongoing global loans ¹			
		Energy	Infra- structure	Industry Forestry	Infra- structure	Industry Tourism	Infra- structure		Industry Tourism	
		Mio ECU	Mio ECU	Mio ECU	Mio ECU	Mio ECU	Number	Mio ECU	Number	Mio ECU
<i>Spain</i>	550,0	97,1	167,0	1,9	79,0	205,0	60	79,0	408	173,8
Financial cooperation/ pre-accession	200,0	17,1	57,0	1,9	39,0	85,0	35	39,0	178	85,0
Financial cooperation/ pre-accession: extension I	100,0	20,0	20,0	—	15,0	45,0	10	15,0	137	45,0
Financial cooperation/ pre-accession: extension II	250,0	60,0	90,0	—	25,0	75,0	15	25,0	93	43,8
<i>Portugal</i>	725,0	190,0	273,0	88,0	—	174,0	—	—	276	149,1
Exceptional emergency aid	150,0	55,0	51,0	20,0	—	24,0	—	—	47	24,0
Protocol I	200,0	30,0	72,0	68,0	—	30,0	—	—	44	30,0
Pre-accession	150,0	35,0	60,0	—	—	55,0	—	—	71	55,0
Pre-accession: extension I	75,0	40,0	—	—	—	35,0	—	—	104	29,8
Pre-accession: extension II	150,0	30,0	90,0	—	—	30,0	—	—	10	10,3
Total	1 275,0	287,1	440,0	89,9	79,0	379,0	60	79,0	684	322,9

¹ The amounts outstanding from global loans are expected to be committed in 1986.

Table 15

EIB operations in ACP states and OCTs in 1985, by type of resource and by sector

(million ECU)

Country	Loans from own resources	Risk-capital operations	Total	Sectors			
				Industry		Energy	Infrastructure
				Total	(of which assistance for development bank)		
Africa	110,2	49,1	159,3	81,6	(16,7)	40,0	27,7
Burkina Faso	—	7,0	7,0	7,0	—	—	—
Botswana	10,0	—	10,0	—	—	10,0	—
Cameroon	22,0	—	22,0	—	—	22,0	—
Congo	24,1	—	24,1	18,0	—	—	6,1
Ivory Coast	22,0	—	22,0	22,0	—	—	—
Kenya	22,0	—	22,0	—	—	—	22,0
Guinea	—	2,7	2,7	2,7	(2,7)	—	—
Equatorial Guinea	—	2,0	2,0	—	—	2,0	—
Lesotho	—	3,0	3,0	3,0	(3,0)	—	—
Madagascar	—	6,0	6,0	6,0	—	—	—
Malawi	7,5	2,0	9,5	9,5	(6,0)	—	—
Mali	—	3,4	3,4	3,4	—	—	—
Mauritania	—	7,0	7,0	—	—	—	7,0
Seychelles	—	3,0	3,0	3,0	(3,0)	—	—
Swaziland	—	0,04	0,04	0,04	—	—	—
Sudan	—	10,0	10,0	4,0	—	6,0	—
Chad	—	2,0	2,0	2,0	(2,0)	—	—
Zaire	—	0,5	0,5	0,5	—	—	—
Zambia	—	0,5	0,5	0,5	—	—	—
Regional	2,6	—	2,6	—	—	—	2,6
Caribbean	29,6	8,4	38,0	20,3	(20,0)	12,0	5,6
Barbados	5,6	—	5,6	—	—	—	5,6
Trinidad and Tobago	24,0	—	24,0	12,0	(12,0)	12,0	—
Guyana	—	4,0	4,0	4,0	(4,0)	—	—
Saint Vincent	—	0,1	0,1	0,1	—	—	—
Suriname	—	4,2	4,2	4,2	(4,0)	—	—
Pacific	16,0	8,1	24,1	22,1	(4,0)	2,0	—
Fiji	16,0	6,0	22,0	22,0	(4,0)	—	—
Salomon Islands	—	0,1	0,1	0,1	—	—	—
Vanuatu	—	2,0	2,0	—	—	2,0	—
Total ACP	155,8	65,6	221,4	124,0	(40,7)	54,0	43,3
Netherlands Antilles	7,1	1,6	8,7	—	—	8,7	—
Montserrat	0,9	—	0,9	—	—	0,9	—
Polynesia	4,0	—	4,0	—	—	4,0	—
Total OCTs	12,0	1,6	13,6	—	—	13,6	—
Total	167,8	67,2	235,0	124,0	(40,7)	67,6	43,3

Table 16**Interest subsidies paid out in the Community by the various Community mechanisms, 1977-85***(million ECU)*

Year	Non-discounted systems ¹			Discounted systems ²	
	ECSC		'Earthquake reconstruction'	EMS	ERDF
	Article 54 (restructuring)	Article 56 (conversion)			
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	—	—
1985	3,6	74,9	28,4	—	—

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 17

'Earthquake reconstruction' loans carrying interest subsidies, 1981-85: Italy

		(million ECU)	
Borrower	Project	Total loans contracted end 1985	Interest subs. paid from 1985 approp.
<i>NCI loans</i>			
ANAS (Azienda Nazionale Autonoma della Strada, Roma)	Road and motorway infrastructure: I	30,8	1,361
FS (Azienda Autonoma delle Ferrovie dello Stato)	Railway network: I A	28,4	1,252
	I B	21,9	0,768
	I C	14,6	0,444
	II A	15,0	0,483
	II B	14,1	—
CASSA (Cassa per le opere straordinarie di pubblico interesse nell'Italia meridionale)	Water supply network: I	26,1	0,768
CASSA	Repair of Pugliese aqueduct: I	56,5	1,894
Italian Government	Industrial estates	65,7	2,073
Italian Government	Repair and reconstruction of schools	55,7	2,184
Italian Government	Basic infrastructure for areas to be used for housing	155,2	5,175
Italian Government	Reconstruction of public property	74,9	0,717
Italian Government	Aid centre, Persano	32,8	0,202
Italian Government	Repair of university buildings	19,7	0,278
NCI total		611,4	17,599
<i>EIB loans</i>			
SIP (Società Italiana per l'Esercizio Telef. p.A)	Telephone network: A	11,9	0,439
	B	8,0	0,229
	C	7,6	0,269
	II	2,4	0,042
Italian Government	Industrial estates: II A	21,6	0,476
	III A	26,8	—
ENEL (Ente Nazionale per l'Energie elettrica, Roma)	Electricity grid: A	11,9	0,439
	B	7,6	0,252
	C	10,8	0,274
CASSA	Water supply network: II	11,5	0,364
	III	30,4	1,028
	IV	9,8	0,315
CASSA	Repair of Pugliese aqueduct: II	56,7	1,833
ANAS	Road and motorway infrastructure: II A	7,5	0,242
	II B	29,2	0,905
AUTOSTRAD (Concessioni e Costruzioni Autostrade spa)	Naples-Bari motorway: A	3,5	—
ISVEIMER (Istituto per lo sviluppo Economico dell'Italia Meridionale, Napoli)	Reconstitution of the means of production (industry and hotel trade): A	2,6	0,089
	B	4,8	0,144
ISVEIMER	Motor vehicle component factory: A	14,6	0,465
	B	5,0	0,113
IRI (Istituto per la Ricostruzione Industriale)	Aircraft engine component factory	7,2	0,174
EIB total		291,4	8,092
Total Italy		902,8	25,691

Table 18

'Earthquake reconstruction' loan carrying interest subsidy, 1985: Greece

(million ECU)			
Borrower	Project	Loan signed	Interest subsidies paid from 1985 appropriations
<i>NCI loan</i>			
Greek Government	1981 Reconstruction: economic infrastructure social infrastructure	21,1 58,9	0,713 1,989
Total Greece		80,0	2,702

Table 19

Subsidized loans for reconstruction in earthquake-stricken areas in 1985 by country, instrument and sector

	Loans signed					Interest subsidies paid in 1985	
	Initial situation 1985	1985 operations	Number	Situation at end of 1985		Mio ECU	%
	Mio ECU	Mio ECU		Mio ECU			
<i>By recipient country:</i>							
Italy	858,4	44,4	35	902,8	91,9	25,691	90,5
Greece	80,0	—	1	80,0	8,1	2,702	9,5
	938,4	44,4	36	982,8	100,0	28,393	100,0
<i>By origin of resources lent:</i>							
NCI	677,3	14,1	15	691,4	70,4	20,301	71,5
EIB	261,1	30,3	21	291,4	29,6	8,092	28,5
	938,4	44,4	36	982,8	100,0	28,393	100,0
<i>By sector of use:</i>							
Economic infrastructure	507,0	44,4		551,4	56,1	16,863	59,4
Social infrastructure	397,2	—		397,2	40,4	10,545	37,1
Reconstitution of means of production	34,2	—		34,2	3,5	0,985	3,5
	938,4	44,4		982,8	100,0	28,393	100,0

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