

European
Investment
Bank



annual report 1986



The European Investment Bank in 1986 and 1985

Key data

	1986	1985	
	(million ECUs)		
Total financing provided during the year	7 544.8	7 184.6	
of which — loans from own resources	7 059.9	6 225.0	
— financing from other resources (accounted for in the Special Section)	484.9	959.6	
Operations within the Community		EUR 12 ⁽¹⁾	EUR 10 ⁽¹⁾
Total	7 071.1	6 784.4	6 524.4
of which — loans from own resources	6 678.1	5 900.7	5 640.7
— loans from New Community Instrument resources	393.0	883.7	883.7
Operations outside the Community			
Total	473.7	400.2	660.2
of which — financing from own resources	381.8	324.3	584.3
— financing from Community budgetary funds	91.9	75.9	75.9
<i>Breakdown:</i>			
Mediterranean countries	264.0	165.2	425.2
African, Caribbean and Pacific (ACP) States and the Overseas Countries and Territories (OCT)	209.7	235.0	235.0
Amount outstanding at 31 December in respect of loans from own resources and guarantees	36 959.8	33 290.9	
Amount outstanding at 31 December in respect of operations accounted for in the Special Section	8 866.4	8 198.2	
Subscribed capital at 31 December	28 800.0	14 400.0	
of which paid in and to be paid in	2 595.9	1 465.7	
Reserves, provisions and operating income	3 804.4	2 971.1	
Funds raised during the year	6 785.5	5 709.2	
Medium and long-term borrowings outstanding at 31 December	30 271.1	26 735.8	
Balance sheet total at 31 December	40 720.9	35 092.1	

⁽¹⁾ EUR 12: in order to make a meaningful comparison with 1986, the year of the accession of Portugal and Spain to the Community, financing provided in those two countries in 1985 as part of pre-accession aid has been added to the total for operations within the Community that year.

EUR 10: in this column, the amount of Bank lending in Spain and Portugal in 1985 has been included in financing **outside** the Community (see Annual Report 1985).

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This annual report is available also
in the following languages:

DA ISBN 92-861-0121-X

DE ISBN 92-861-0122-8

ES ISBN 92-861-0120-1

FR ISBN 92-861-0125-2

GR ISBN 92-861-0123-6

IT ISBN 92-861-0126-0

NL ISBN 92-861-0127-9

PT ISBN 92-861-0128-7

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Board of Governors

(Situation at 1 June 1987)

Chairman	Mark EYSKENS (Belgium) <i>until June 1986</i> Palle SIMONSEN (Denmark)
BELGIUM	Mark EYSKENS, Minister of Finance
DENMARK	Palle SIMONSEN, Minister of Finance
GERMANY	Gerhard STOLTENBERG, Federal Minister of Finance
GREECE	Konstantinos SIMITIS, Minister for National Economy
SPAIN	Carlos SOLCHAGA CATALÁN, Minister for Economic and Financial Affairs
FRANCE	Pierre BEREGOVOY, Minister for Economic, Financial and Budgetary Affairs <i>until March 1986</i> Edouard BALLADUR, Minister for Economic and Financial Affairs and for Privatisation
IRELAND	John BRUTON, Minister for Finance <i>until March 1987</i> Ray MacSHARRY, Minister for Finance
ITALY	Giovanni Giuseppe GORIA, Minister of the Treasury and Budgetary Affairs
LUXEMBOURG	Jacques POOS, Deputy Prime Minister, Minister of the Treasury
NETHERLANDS	H. Onno RUDING, Minister of Finance
PORTUGAL	Miguel José Ribeiro CADILHE, Minister of Finance
UNITED KINGDOM	Nigel LAWSON, Chancellor of the Exchequer

Audit Committee

(Situation at 1 June 1987)

Chairman

Albert HANSEN, Secrétaire Général du Conseil du Gouvernement, Luxembourg
until June 1986

Constantinos THANOPOULOS, Manager, Bank of Greece, Athens

Members

Constantinos THANOPOULOS

Jørgen BREDSDORFF, fhv. rigsrevisor, Audit Department, Copenhagen

Albert HANSEN

Board of Directors

(Situation at 1 June 1987)

Chairman: Ernst-Günther BRÖDER

Vice-Chairmen:

C. Richard ROSS

Arie PAIS

Lucio IZZO

Noel WHELAN

Alain PRATE

Miguel A. ARNEDO ORBAÑANOS

Directors

Luigi ARCUTI	Presidente dell'Istituto Mobiliare Italiano, Rome
Paul ARLMAN	Directeur, plaatsvervangend hoofd van de Directie Buitenlandse Financiële Betrekkingen, Ministry of Finance, The Hague, <i>until October 1986</i>
Richard BRANTNER	Sprecher des Vorstands der Kreditanstalt für Wiederaufbau, Frankfurt
Karl BREDAHL	Fhv. afdelingschef, Ministry of Finance, Copenhagen, <i>until October 1986</i>
Cornelle BRÜCK	Président-Directeur de la Caisse d'Épargne de l'État, Luxembourg
David DELL	Deputy Secretary, Department of Trade and Industry, London, <i>until May 1987</i>
Jos DE VRIES	Plaatsvervangend directeur, Directie Buitenlandse Financiële Betrekkingen, Ministry of Finance, The Hague, <i>from November 1986</i>
José María GARCÍA ALONSO	Director General del Tesoro y Política Financiera, Ministry for Economic and Financial Affairs, Madrid, <i>until October 1986</i>
Julián GARCÍA VARGAS	Presidente del Instituto de Crédito Oficial, Madrid, <i>until October 1986</i>
José António GIRÃO	Director-Geral do Tesouro, Ministry of Finance, Lisbon, <i>until April 1987</i>
Paolo GNES	Condirettore Centrale, Banca d'Italia, Rome
Erling JØRGENSEN	Departementschef, Ministry of Finance, Copenhagen, <i>from November 1986</i>
Roger LAVELLE	Deputy Secretary (Overseas Finance), H. M. Treasury, London
Elizabeth LLEWELLYN-SMITH	Deputy Secretary, Ministry of Trade and Industry, London, <i>from June 1987</i>
Pedro MARTÍNEZ MÉNDEZ	Director General del Tesoro y Política Financiera, Ministry for Economic and Financial Affairs, Madrid, <i>from November 1986</i>
David McCUTCHEON	Former Second Secretary, Department of Finance, Dublin
Ludovicus MEULEMANS	Directeur-generaal van de administratie der Thesaurie, Ministry of Finance, Brussels
Rudolf MORAWITZ	Ministerialdirigent, Federal Ministry of Economic Affairs, Bonn
Luis MORENO	Director-Geral do Tesouro, Ministry of Finance, Lisbon, <i>from May 1987</i>
Waldemar MÜLLER-ENDERS	Ministerialdirektor, Federal Ministry of Finance, Bonn
Miguel MUÑIZ DE LAS CUEVAS	Presidente del Instituto de Crédito Oficial, Madrid, <i>from November 1986</i>
Alexander J. O. RITCHIE	Chairman, Grindlays Bank plc and Union Discount Co., <i>from November 1986</i>
Yves ROLAND-BILLECART	Directeur Général de la Caisse Centrale de Coopération Économique, Paris
Massimo RUSSO	Director-General for Economic and Financial Affairs, Commission of the European Communities, Brussels
Jean SAINT-GEOURS	Président Directeur-Général du Crédit National, Paris, <i>until May 1987</i>
.....	
Denis SAMUEL-LAJEUNESSE	Chef du Service des Affaires Internationales, Direction du Trésor, Ministry for Economic and Financial Affairs and for Privatisation, Paris, <i>from June 1986</i>
Gerassimos SAPOUNZOGLOU	Adviser to the Minister for National Economy, Ministry for National Economy, Athens, <i>until May 1986</i>
Mario SARCINELLI	Direttore Generale del Tesoro, Ministry of the Treasury, Rome
Jean-Claude TRICHET	Chef du Service des Affaires Internationales, Direction du Trésor, Ministry for Economic, Financial and Budgetary Affairs, Paris, <i>until May 1986</i>
Dimitrios ZACHARIADIS-SOURAS	Adviser to the Minister for National Economy, Ministry for National Economy, Athens, <i>from June 1986</i>
Kaj BARLEBO-LARSEN	Alternates Director-General for Coordination of Structural Instruments, Commission of the European Communities, Brussels, <i>from October 1986</i>
T. Alastair CLARK	Senior Manager, Gilt-Edged Division, Bank of England, London, <i>from June 1986</i>
Jacques DELMAS-MARSALET	Directeur Général-adjoint de la Caisse des Dépôts et Consignations, Paris
Andrew EDWARDS	Under Secretary (Overseas Finance), H. M. Treasury, London
Flemming FARUP-MADSEN	Kontorchef, National Bank of Denmark, Copenhagen
Winfried HECK	Ministerialdirigent, Federal Ministry of Finance, Bonn
Pierre MATHIJSEN	Director-General for Regional Policy, Commission of the European Communities, Brussels, <i>until July 1986</i>
Horst MOLTRECHT	Ministerialdirektor i. e. R., Federal Ministry for Economic Cooperation, Bonn
Miguel MORA HIDALGO	Consejero Técnico de la Dirección General del Tesoro y Política Financiera, Ministry for Economic and Financial Affairs, Madrid
Ariane OBOLENSKY	Sous-Directeur des Affaires Multilatérales, Direction du Trésor, Ministry for Economic and Financial Affairs and for Privatisation, Paris, <i>from June 1986</i>
Ian PLENDERLEITH	Assistant Director, Head of Gilt-Edged Division, Bank of England, London, <i>until May 1986</i>
Paolo RANUZZI DE BIANCHI	Direttore Generale, Ministry of the Treasury, Rome
Denis SAMUEL-LAJEUNESSE	Sous-Directeur des Affaires Multilatérales, Direction du Trésor, Ministry for Economic, Financial and Budgetary Affairs, Paris, <i>until May 1986</i>
Savino SPINOSI	Direttore Generale a.r., Ministry of the Treasury, Rome
Jan VANORMELINGEN	Eerste Adviseur bij de administratie der Thesaurie, Ministry of Finance, Brussels

Management Committee

(Situation at 1 June 1987)

Ernst-Günther BRÖDER, President
C. Richard ROSS, Vice-President
Arie PAIS, Vice-President
Lucio IZZO, Vice-President
Noel WHELAN, Vice-President
Alain PRATE, Vice-President
Miguel A. ARNEDO ORBAÑANOS, Vice-President

Organisation Structure of the Bank ⁽¹⁾

(Situation at 1 June 1987)

	Hheads of Departments	Hheads of Divisions
Secretary-General Dieter HARTWICH, Manager, General Administration Directorate		Internal Audit Jan VOORDECKERS, Principal Adviser
		Coordination Andrew ALLEN
		Information-Public Relations Karl Georg SCHMIDT, Principal Adviser
	Personnel Ronald STURGES, Adviser, Head of Personnel	Recruitment-Training Thomas CRANFIELD, Deputy Adviser
		Personnel Administration Jean-Claude CARREAU, Deputy Adviser
		Regulations Arnout BRANDT CORSTIUS
	Secretariat and General Affairs Bruno EYNARD, Deputy Manager	Secretariat Gerlando GENUARDI
		Translation Klaus WOSZCZYNA, Adviser
		Representative Office in Brussels Manfred TEICHERT, Principal Adviser
		Internal Services Michel HATTERER
	Management Services Roger ADAMS, Adviser	Organisation and Methods Penrhyn TURNER, Adviser
		Data Processing Ernest ERPELDING, Adviser
		Budget Rémy JACOB
Operations in the Community Directorate 1 Eugenio GREPPI, Manager ⁽²⁾	Operations in Italy, Rome Giorgio RATTI, Central Manager Ernest LAMERS, Adviser, Deputy Head of Department	
	Operations in Denmark, Germany and Spain José OLIVA MARÍN	
	Operations in Belgium, France, Greece, Luxembourg and the Netherlands Gérard d'ERM, Deputy Manager	
	Representative Office in Athens Alessandro MORBILLI, Adviser Filippo MANZI, Adviser Alain BELLAVOINE, Adviser	
Directorate 2 Pit TREUMANN, Manager	Operations in Ireland, Portugal, the United Kingdom and the North Sea Christopher LETHBRIDGE, Deputy Manager	
	Liaison Office in Lisbon Fridolin WEBER-KREBS, Adviser Manfred KNETSCH, Adviser	
	Liaison Office in London Anders ANKERSEN, Adviser Jean-Louis BIANCARELLI, Deputy Adviser Konstantin ANDREOPOULOS, Adviser	
<i>Organisational units serving Directorates 1 and 2</i>	Coordination Francis CARPENTER, Adviser	
	Monitoring Thomas HALBE, Deputy Manager	
	André DUNAND, Adviser Brian FEWKES, Adviser Agostino FONTANA, Deputy Adviser José Manuel MORI	

(1) See pages 88-91: Administration.

(2) Also chairs the Coordination Group for all operations in the Community.

Organisation Structure of the Bank *(cont.)*

	Heads of Departments	Heads of Divisions
Directorate for Operations outside the Community Jacques SILVAIN, Manager	Coordination Monitoring Support Division	Martin CURWEN Alfred KAWAN, Principal Adviser
	ACP 1 Thomas OURSIN, Deputy Manager	Jacqueline NOËL Guy BERMAN
	ACP 2 Rex SPELLER, Adviser	John AINSWORTH, Adviser Nicolas URMES, Adviser Patrick THOMAS
	Mediterranean Countries Pietro PETTOVICH, Adviser	Terence BROWN, Deputy Adviser
Finance and Treasury Directorate Philippe MARCHAT, Manager	Coordination	Henri-Pierre SAUNIER Jean-Claude BRESSON, Principal Adviser Ulrich MEIER, Adviser Thomas HACKETT, Deputy Adviser Joseph VOGTEN, Deputy Adviser
	Issues Ulrich DAMM, Deputy Manager	
	Treasury John VAN SCHIL, Deputy Manager	Lucio RAGUSIN, Adviser Eberhard UHLMANN, Deputy Adviser
	General Accountancy François ROUSSEL, Deputy Manager	
Research Directorate Herbert CHRISTIE, Manager	Economic Research within the Community Michel DELEAU, Deputy Manager	Joachim MÜLLER-BORLE, Principal Adviser Carlo BOLATTI, Deputy Adviser Horst FEUERSTEIN Patrice GERAUD
	Economic Research outside the Community Luigi GENAZZINI, Adviser	Klaus ACKERMANN, Adviser Stephen McCARTHY
	Financial Research Desmond G. McCLELAND, Associate Manager Alfred STEINHERR	Pier Luigi GILIBERT Marie-Odile KLEIBER
	Documentation and Library	
Legal Directorate Jörg KÄSER, Manager	Xavier HERLIN, Deputy Manager	Konstantin ANDREOPOULOS ⁽¹⁾ , Adviser Giannangelo MARCHEGANI, Deputy Adviser Roderick DUNNETT Marc DUFRESNE
	Technical Advisory Service	
Hellmuth BERGMANN, Chief Technical Adviser	Agriculture, environment, marketing	Jean-Jacques SCHUL, Technical Adviser Jean-Paul JACQUOT, Special Adviser
	Chemicals and electronics Filippo BARILLI, Deputy Chief Technical Adviser	Jean-Jacques MERTENS, Deputy Technical Adviser
	Manufacturing industry J. Garry HAYTER, Group Leader	Richard M. DEELEY, Deputy Technical Adviser
	Mining and energy Robert VERMEERSCH, Group Leader	Gerhart GERECHT, Deputy Technical Adviser Günter WESTERMANN, Deputy Technical Adviser
	Infrastructure Peter BOND Group Leader	Zdenek HAVELKA, Technical Adviser Jean-Pierre DAUBET, Technical Adviser

⁽¹⁾ Also responsible for the Representative Office in Athens.

Guide to readers

ECU — Except where otherwise indicated, all amounts quoted are expressed in ECUs.

Unit of account: In accordance with Article 4 (1) of the Statute, the unit of account of the Bank is defined as being the ECU used by the European Communities; for the composition of the ECU see page 101.

Statistical conversion rates: The conversion rates used by the Bank during each quarter for its financing and borrowing statistics are those obtaining on the last working day of the previous quarter; in 1986, these were as follows:

	during the 1st quarter	during the 2nd quarter	during the 3rd quarter	during the 4th quarter
1 ECU =				
DM	2.18386	2.17136	2.14788	2.09059
Ffrs	6.70474	6.68034	6.85490	6.84577
£	0.615334	0.632076	0.637486	0.712521
Lit	1 489.94	1 477.47	1 475.89	1 445.29
Ptas	136.519	136.389	137.245	137.554
Bfrs	44.6450	44.4739	43.9198	43.3485
Fl	2.46133	2.44816	2.41963	2.36189
Dkr	7.95672	8.02081	7.96958	7.89441
Dr	131.200	134.590	137.479	139.098
Esc	140.736	140.979	146.342	151.350
IR£	0.714055	0.718357	0.710660	0.762944
Lfrs	44.6450	44.4739	43.9198	43.3485
US\$	0.887927	0.936737	0.978223	1.02959
Sfrs	1.84023	1.81699	1.75493	1.69698
Yen	178.207	168.051	160.184	159.072

Accounting conversion rates: The Bank's balance sheet and financial statements are drawn up on the basis of the conversion rates in force at 31 December of the financial year concerned (see page 101).

Rounding out: Differences between totals shown and the sum of individual amounts are due to rounding.

Totals and adjustments: Because of statistical adjustments, amounts quoted for previous financial years may differ slightly from those recently published. Amounts are quoted at current prices and exchange rates. Any summary of financing provided over a long period, for example 1959—1986, should be interpreted cautiously; figures for individual years are affected by price movements and exchange rate variations occurring over the years.

Economic policy objectives: Certain loans within the Community answer simultaneously more than one objective (see pages 27 to 34 and list of loans); this explains why the sub-totals of certain tables corresponding to these different objectives cannot be added together meaningfully.

Deflator: The deflator applied to Bank activity is estimated at 0% for 1986. Percentage changes at current prices and in volume are therefore comparable. This is because the increase in prices implicit in GFCF (3.6% according to Commission estimates) was offset overall, as a result of the distribution of loans by country, by variations in the exchange rates of the national currencies in relation to the ECU.

Article 18: Projects located outside the European territories of Member States may be financed under the terms of the second paragraph of Article 18 (1) of the Bank's Statute which empowers the Board of Governors to authorise the relevant operations.

Abbreviations and acronyms:

GDP = Gross Domestic Product	OJ = Official Journal of the European Communities
GFCF = Gross Fixed Capital Formation	RUE = Rational Use of Energy
GNP = Gross National Product	SMEs = Small and Medium-sized Enterprises
NCI = New Community Instrument for borrowing and lending	SOEC = Statistical Office of the European Communities
OECD = Organisation for Economic Cooperation and Development	toe = tonnes of oil equivalent

see also page 64 for the names of certain promoters

The Economic Context of Bank Activity

In 1986, Bank activity once again took place in an international economic environment of moderate growth. Output in the industrialised countries of the OECD as a whole increased in volume by 2.5% compared with an increase of 3% in 1985: relatively weak growth in the United States for the second consecutive year, a distinct slowing in growth in Japan, and practically the same rate of growth in the European Community (2.5%) as in the previous year (see table on page 10). The two principal factors which influenced this trend were the fall in the price of oil and the rapid slide of the dollar's exchange rate.

The dollar prices of oil imported by the industrialised countries fell on average by 43% compared with 1985 levels. Thanks also to a smaller though significant fall in the prices of other raw materials, these countries enjoyed an improvement in their terms of trade representing additional revenue equal to about 1% of their gross domestic product. In the case of the European countries and of Japan this effect was accentuated by the depreciation of the dollar by a trade-weighted average of 18% in 1986. In terms of GDP, these two effects together represented benefits of around 2.5% for Japan and between 2 and 3% for most European countries, an exception being the United Kingdom where a worsening in the terms of trade equivalent to 0.5-1% of GDP was recorded. For the United States the end-result was almost neutral in view of the reduction in the margins practised by exporters on the American market to meet the depreciation of the dollar. Nevertheless, this country's trade and current account deficits worsened again in 1986.

Both the domestic distribution of transfers linked to changes in the terms of trade and their response to the trend of relative prices influenced the economic activity of the countries. In many of the industrialised countries the reduction in the import prices of energy-related products was partly reflected in the level of consumer prices. Contrasting policies were adopted on the taxation of energy. Some states raised taxes to curb the revival in oil consumption and reduce public deficits; others took advantage of the fall in oil prices to reinforce the process of disinflation.

Growth in domestic demand accelerated more sharply in the Community than in Japan, but stabilised in the United States. The growth stemmed from a sharp rise in personal consumption, a strengthening of private investment in housing and the maintenance of investment in productive enterprises at the same level as previously. The slackening rate of growth in production in the industrialised countries thus reflected the slower rise in

their net exports to the developing countries. Faced with a fall in revenue, the petroleum-exporting countries cut back imports, sometimes drastically, to check their rising cumulative deficit on current account (51 billion dollars in 1986 compared with 5 billion in 1985). The sharp reduction in other developing countries' energy payments was accompanied by a — less substantial — reduction in their export earnings resulting from the persistent weakness of raw material prices. The more rigorous policies applied by these countries also played their part in reducing their combined deficit on current account (7 billion dollars in 1986 as against 20 billion in 1985). On the other hand, this stabilisation adversely affected the exports of the developed countries.

The fall in oil and raw material prices helped sustain the disinflationary process in the industrialised countries. In the other countries, the depreciation of the United States dollar also contributed to this. In aggregate terms, consumer prices rose by 2.2% in the United States, 0.7% in Japan and 3.7% in the Community, whereas the corresponding increases in 1985 had been 3.5%, 2.2% and 5.8% respectively.

In the European Community, the growth in gross domestic product in 1986 was roughly in line with that for 1985. Personal consumption rose steeply as a result of gains in purchasing power while private investment in housing strengthened. Investment in productive enterprises also increased appreciably. The fact that growth was stabilised was due to a marked slowing in the increase in the volume of exports (1.7% compared with 5.6% in 1985) accompanied by a faster rate of imports (6.5% compared with 5.5% in 1985). This deterioration in the Community's export capacity is a source of concern for the future, especially in view of the behaviour of the dollar. Nevertheless, the improvement in the terms of trade in 1986 led to a larger surplus on current account, which more than doubled compared with 1985.

Gross fixed capital formation in the Community rose by 3.4% in 1986 as against 2.3% in 1985. In most Member Countries investment in capital equipment continued to rise at a brisk rate (4.3% in 1986 compared with 8% as a whole in 1985). In the building sector, the effects of the recession experienced in 1985 were practically balanced out by growth in investment (2.4%), more particularly pronounced in Denmark (9.8%), Portugal (6%), Spain (6.3%) and the Netherlands (5.8%).

The revival in investment in productive enterprise in most Community countries confirmed the break, observed in 1985, in the trend which had since the

The Economic Context of Bank Activity

1970s greatly reduced the contribution made by such investment to GDP. Until 1985, the rise in output had thus resulted in greater use being made of available productive capacity. Moreover, falling profitability coupled with the rise in real interest rates had favoured financial investment or debt reduction at the expense of investment in productive enterprise. The restoration of companies' finances and of their capacity for self-financing begun in 1985 encouraged a resumption of investment, though the improvement in profitability and debt ratios was slower in developing.

The slow improvement in the overall employment situation, first apparent two years previously, was accentuated in 1986 (+ 0.8% compared with + 0.5% in 1985 and + 0.1% in 1984). Although a slight reduction in the Community's average unemployment rate was observed for the first time since 1973 and certain countries (Belgium, Denmark, Luxembourg, the Netherlands and Portugal) even recorded a fall for the second year running, the employment situation remained difficult in most Member Countries: in Spain and Ireland, the rate of unemployment was almost twice the

Summary data, 1982—1986: EEC — USA — Japan

	EEC					USA					Japan				
	1982	1983	1984	1985	1986*	1982	1983	1984	1985	1986*	1982	1983	1984	1985	1986*
Annual rates of change															
Volume (%)															
GDP (1)	0.5	1.2	2.0	2.4	2.5	-3.0	3.0	7.2	2.8	2.8	4.3	3.1	2.7	4.5	2.0
GFCF	-1.5	-0.3	1.3	2.4	4.2	-6.7	8.2	17.9	7.7	2.1	0.9	-0.2	5.7	5.2	5.6
GDP per head															
Volume indices (EEC 1980 = 100)(2)	100	101	103	105	108	153	157	166	169	169	108	110	115	119	119
in purchasing power parities	9 433	10 340	11 242	12 166	13 229	14 495	16 082	18 107	19 562	20 723	10 210	11 301	12 611	13 881	14 649
in ECUs	8 220	8 731	9 379	10 047	10 672	13 701	16 042	19 844	21 611	17 173	9 349	11 122	13 279	14 530	15 978
GFCF as % of GDP	19.5	18.9	18.7	18.5	18.4	16.5	16.7	17.9	16.6	16.5	29.7	28.3	27.8	28.0	29.0
Prices (private consumption deflator) (%)	10.4	8.4	7.0	5.8	3.7	5.9	3.8	3.2	3.5	1.9	2.6	1.8	2.1	2.2	0.7
Productivity (3)	1.5	2.1	2.5	1.9	1.8	-1.3	2.2	2.2	0.7	0.3	2.3	1.6	4.4	3.8	1.8
Trade balances (fob)															
bn ECUs	-15.6	-4.3	-1.3	12.1	48.5	-37.6	-75.7	-143.3	-162.9	-146.7	18.6	35.5	56.5	73.1	87.6
Public sector borrowing requirements (% GDP)	-5.6	-5.5	-5.4	-5.2	-4.7	-3.8	-4.1	-3.4	-3.5	-3.4	-3.6	-3.5	-2.7	-1.2	-1.0
Employment (% change)	-0.9	-0.8	0.1	0.5	0.8	-1.1	0.7	4.4	2.0	2.2	0.8	1.7	1.0	0.7	0.5
Unemployment rates	9.4	11.0	11.7	12.0	12.0	9.7	9.6	7.5	7.2	6.9	2.4	2.7	2.7	2.6	2.9

(1) GDP for the EEC and GNP for the United States and Japan.

(2) In the case of the United States and Japan, the indices are also compared with the Community 1980 value, EEC = 100.

(3) Annual rates of growth in GDP per person employed.

* Estimates.

Sources: Commission of the European Communities; OECD.

Community average. Nevertheless, the fact that employment was once again reacting positively to economic growth was encouraging. The pressures affecting certain regions or certain occupations demonstrated the importance of professional and geographical mobility, of adapting training to the changing needs of the economy and, more generally, of the need for flexibility on the labour market.

In 1986, the rate of inflation in the Community was further reduced, particularly as a result of the fall in oil prices and the depreciation of the dollar. Most Member Countries recorded a marked reduction in their rates of inflation and divergences between the different countries were also diminished. More moderate real wage increases, below the rate of productivity increases, contributed towards this trend by further retarding the growth of unit labour costs and ensured that a greater part of business revenues reached the enterprises themselves.

A greater convergence of economic and monetary policies contributed, together with the external factors already mentioned, towards a continued fall in inflation and sustained, though modest, economic growth. In most countries, the attempt to reduce the public sector borrowing requirement went hand in hand with reductions in certain taxes, thus contributing towards sustaining domestic demand. Such modifications to budgetary policies were particularly needed in some countries (Belgium, Ireland and Portugal) to reduce the burden of public debt and interest payments. National monetary policies, whose scope for independent action was restricted by increasing external pressures, showed greater cohesion which was reflected in particular in a marked reduction in divergences in the growth of money supply, especially in countries participating in the European Monetary System.

Most African, Caribbean and Pacific (ACP) States again faced a difficult external economic environment in 1986. Their export earnings generally depend on commodities whose prices continued to be weak, as for example in the case of sugar or copper, or actually fell substantially as for palm oil. However, some countries benefited from a temporary boom in the price of coffee and all, except the few which are oil producers, saw their oil import costs considerably reduced. Fortunately, the return of more favourable weather conditions to many countries in Africa which had previously been suffering from drought continued and food production was generally higher. In this respect the

quality of life for many rural people no doubt improved, though it is probable that, under the influence of high population growth rates, income per head in the ACP countries fell yet again in 1986.

A large number of countries have embarked on policy reform and structural adjustment, the most common policy changes being the raising of agricultural producer prices, relaxation of import and price controls and more realistic exchange rates achieved through either devaluation or the introduction of foreign exchange auctions. In many cases these policy reforms have required hard political choices which may be difficult to sustain over the length of time necessary for the reforms called for by the economic situation to have their full effect.

The debt crisis in Africa, being smaller in total magnitude than in Latin America, has received rather less attention in international financial circles. But for many ACP countries debt-repayment obligations represent more than a third or even a half of export earnings, and have now become a major obstacle to achieving renewed economic growth even after economic policy reforms. Moreover, notwithstanding the more positive attitude of many governments resulting in greater incentives to private investors, private capital inflows have become almost insignificant. Thus, although there has been no real increase in concessionary aid flows, these now represent a half or more of all capital formation in many African countries, thereby placing considerable responsibility on those institutions entrusted with their management.

The **Mediterranean countries** are characterised by a number of structural constraints that have prevented them from reacting rapidly to the far-reaching changes in the international economic context during recent years. The burden of external debt has become the greatest problem affecting countries in this region and their payment balances often show increasing deficits. Despite their considerable agricultural potential, almost all these countries are faced with large food shortages. Many of their state enterprises make heavy losses and are uncompetitive internationally. In addition, military expenditure often absorbs an increasing proportion of the national resources.

The effects of the recent changes in the world economic environment have not been felt with equal force throughout the region. The oil-importing

Gross domestic product in the Community

percentage variations by comparison with the previous year ⁽¹⁾

Rate of investment and gross rate of savings



(1) Derived from aggregates expressed in national currencies in the case of Member Countries and in ECUs in the case of the Community.

(2) The gross rate of savings for Luxembourg exceeds the range of this graph.

countries have generally benefited from the fall in oil prices, but the flow of remittances from emigrant workers has declined and their export prospects have deteriorated. Countries exporting oil and natural gas, like Algeria, have seen their revenue fall sharply.

Most of the smaller countries in the region, such as Jordan, Malta, Cyprus and Israel, have adapted best to the changing situation, but unemployment has worsened in many of them and inflation remains disquieting. In Lebanon, civil war and social conflicts have continued to destroy the economy. Turkey, where recovery is fragile, has continued its efforts to make the necessary adjustments; Yugoslavia has had difficulty in mastering inflation and redressing its balance of payments. Tunisia is making strenuous efforts to reorient its economy and to adopt a more open market approach. Morocco — which is engaged in an adjustment programme adopted in agreement with the IMF — Algeria and, particularly, Egypt must all carry out major reforms to create the necessary conditions for sustained growth.

* * *

As indicated above, positive macroeconomic changes are taking place in the Community and its prospects for long-term development will depend on its structural capacity to meet international competition. As well as attempting a short-term assessment of likely economic developments, it therefore seems appropriate to make a longer-term appraisal of the Community's situation and prospects regarding regional development, energy and industry in the international context. These areas — in which Community policies described hereafter have been confirmed or applied — correspond to the Bank's principal financing objectives.

Important regional disparities undeniably persist within the Community irrespective of difficulties of analysis related to differing statistical practices and methodology. Moreover, it is significant that regional disparities within the United States are distinctly smaller than those observed in the Community.

As a result of the slower rate of economic growth since the first oil shock, the disparities which existed at the beginning of the 1970s within The

Nine have scarcely diminished since. In the course of the years, in line with a general trend in Europe those less-favoured regions in which agriculture is the dominant activity have been joined by those traditionally industrial regions, often highly urbanised, which are confronted with difficulties posed by industries in decline, the consequent need to convert their productive apparatus and the resulting high levels of unemployment. As a result the evaluation of regional disparities has become more complex.

However, certain positive results have been achieved: in the Mezzogiorno, progress has been made in creating new infrastructure and providing essential services while both industrial and agricultural production facilities have been modernised; similarly, Ireland has seen some improvements in its position with regard to average GDP in the Community.

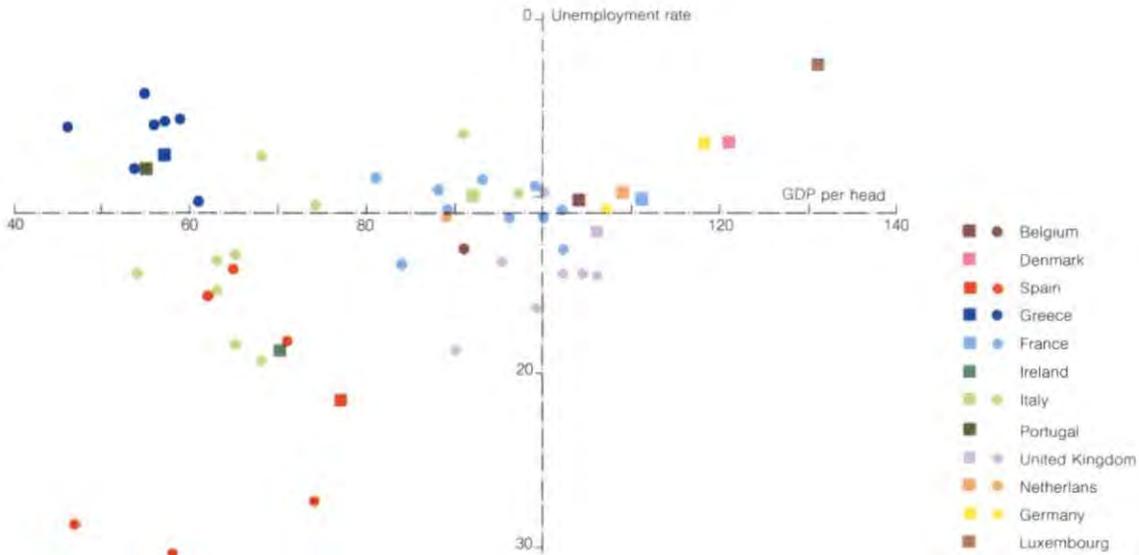
Nevertheless, the accession to the Community firstly of Greece and then of Portugal and Spain has accentuated the divergences, in income per head for example, between the Community's regions. In terms of average Community GDP per head (at 1985 purchasing power parities), the difference in GDP between the least privileged and the most prosperous Member Country widened from 1:2.2 (Community of Ten) to 1:2.5 (Community of Twelve); the same ratio between a group of the ten least developed regions and a group of the ten most advanced regions increased from 1:2.8 (Community of Ten) to 1:3.1 (Community of Twelve). In the enlarged Community almost a fifth of the total population (double that previously) lives in regions with a GDP per head which is at least 25% lower than the Community average; in unemployment figures the disparities are even greater.

The reduction of regional disparities remains an essential condition for the Community's future development and greater cohesion, which is underlined by the Single Act (see page 20); it justifies maintaining the priority accorded by the Bank to financing investment to develop the latent potential of the least-favoured regions and countries (see graph above).

Before the first oil shock, the Community's **energy consumption** grew between 1963 and 1973 at an average annual rate slightly higher than the rate of macroeconomic growth. The rise in energy prices prompted a change in the behaviour of economic

Classification of regions in which the Bank provided financing for regional development in 1986 ●

together with national averages ■



Community average (EUR12): unemployment: 10.9 % — GDP per head: 100

Sources: SOEC unemployment rates: Community labour force survey — April 1986
Per capita GDP indices — 1985

forces and resulted in the introduction of both Community and national policies whose medium-term results have made themselves particularly felt. Thus, in 1985 the level of final energy consumption in the Community of Twelve was 4% below that recorded in 1973, whereas Community GDP rose by 25% in volume. Moreover, there was a considerable reduction in the Community's dependence on oil imports (-30% during the same period) with a corresponding substitution of sources of energy (nuclear and natural gas) with a lower import content and with the growth in domestic oil production, notably in the United Kingdom.

This structural change, to which the Bank has contributed, represents a valuable achievement which should be consolidated in line with the Community guidelines referred to hereafter.

Although the progress achieved in the energy sector gives the Community a clear advantage in relation to its competitors, the situation regarding its **industrial potential** calls for especial attention.

Taking all developed countries together, industrial growth fell dramatically after 1979, from 6% per annum during the period 1973-79 to only 1% per

annum between 1979 and 1985. Despite this slackening of industrial growth, corresponding partly to the growing importance of the service sector (see graph, page 16), there was no very marked fall in trade in manufactured products. In contrast to

exchanges of energy and raw material transactions, trade in manufactured products continued to expand more rapidly (5.1% per annum) than world production and demand, underlining the increasing interdependence of national economies.

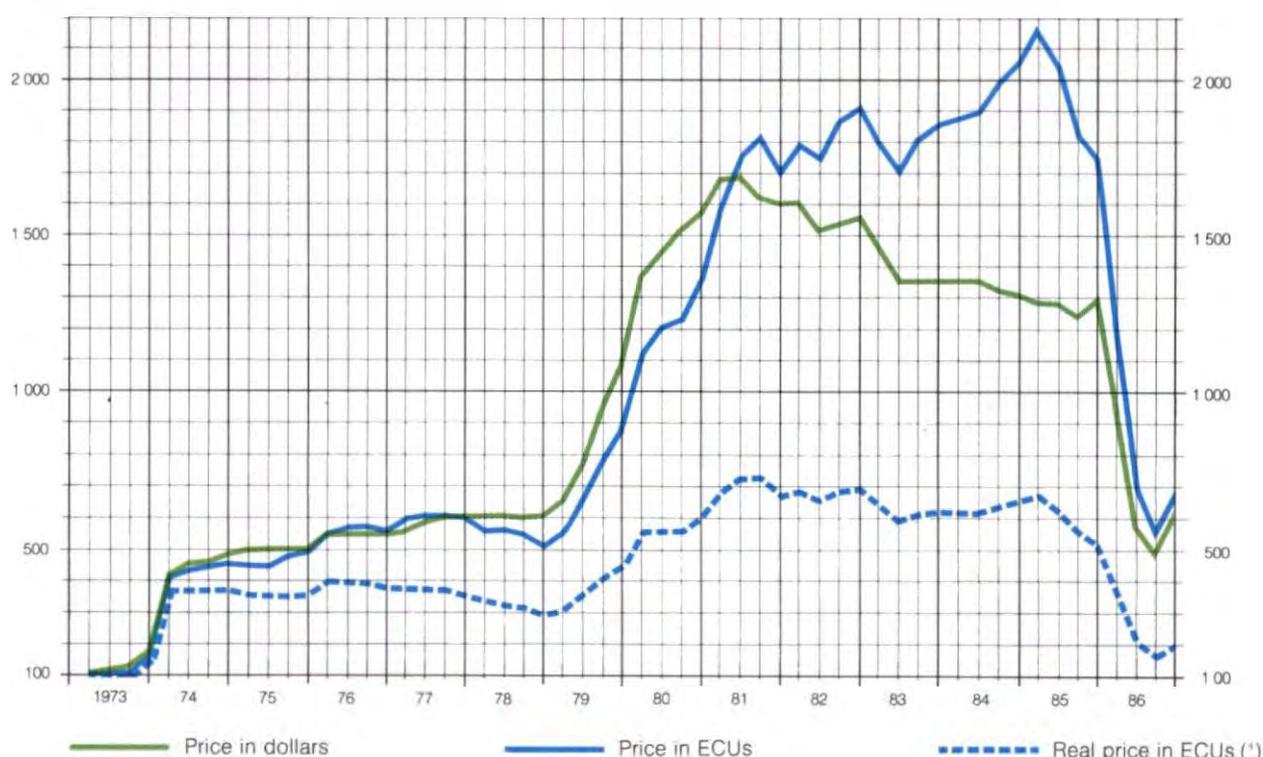
Energy consumption within the Community of Ten

(including stocks)

	1973		1980		1983		1985	
	million toe	%						
Solid fuels	222.0	(23)	222.7	(23)	212.2	(23)	218.0	(23)
Oil	601.3	(62)	520.0	(54)	438.3	(48)	438.8	(45)
Natural gas	115.8	(12)	169.3	(17)	165.2	(18)	181.2	(19)
Nuclear energy	17.7	(2)	42.7	(4)	76.1	(9)	116.4	(12)
Hydroelectric, geothermal and other resources	11.0	(1)	15.4	(2)	15.5	(2)	11.8	(1)
Total	967.8	(100)	970.1	(100)	907.3	(100)	966.2	(100)

The price of oil: average quarterly price of imports into the Community (EUR12)

(1973 index = 100)



(1) Corrected by means of the implicit index of private consumption
Sources: SOEC and Commission of the European Communities.

The Community's economy has traditionally been very open to international trade. This is reflected in the fact that its markets have been penetrated to a greater extent than those of its main trading partners : the ratio of imports of goods from outside countries to total GDP in 1986 was 11.4% for the Community of Twelve, 8.8% for the United States and Japan. Similarly, as a percentage of GDP, Community exports were practically twice those of the United States (11.2% as against 5.5% — but those of Japan were 12.4%).

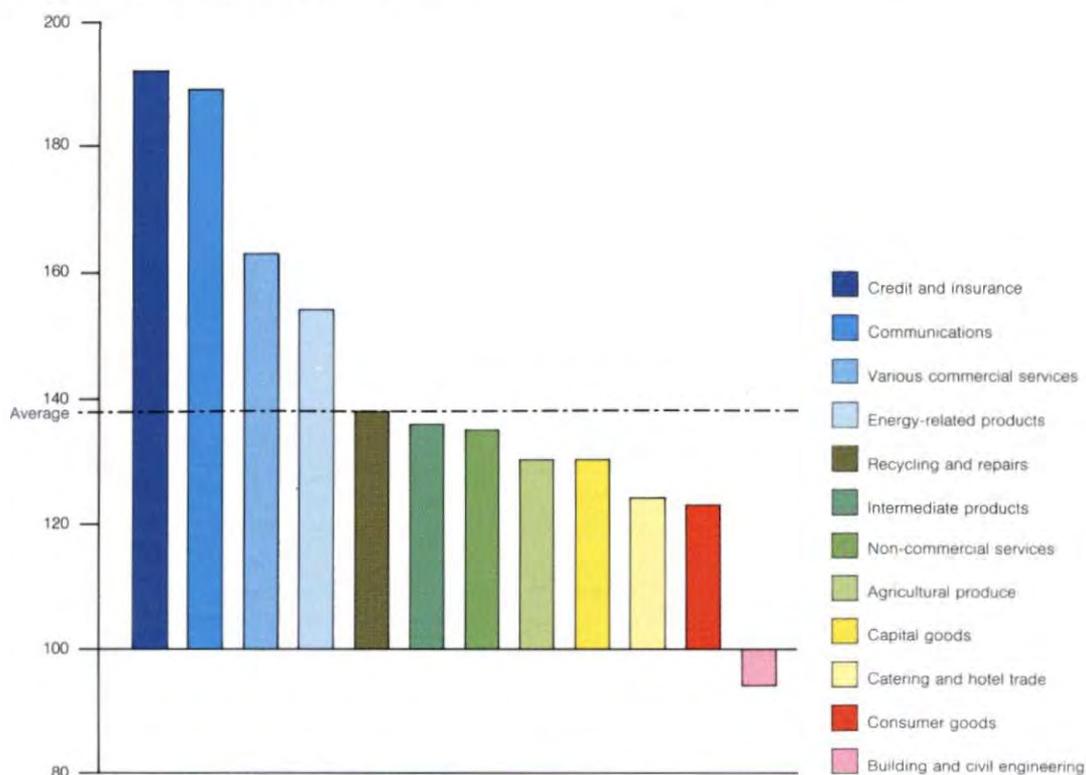
During the period 1967-1985, the EEC and Japan maintained or increased their surpluses in the manufacturing sector in relation to internal demand, unlike the United States which recorded a deficit. The Community achieved its main surpluses in relation to European countries outside the Community (Scand-

inavia, Switzerland and Austria) and African and Middle Eastern developing countries.

Sectoral analysis shows that these apparently favourable results mask disquieting structural weaknesses in the Community's industrial system.

Thus the Community is gaining ground precisely in those sectors which are generally going downhill throughout the world, such as metal products, iron and steel, building materials and foodstuffs. In all these sectors, the United States' falling output makes it a net importer. However, the recent depreciation of the dollar could well reverse this advantage to the Community. The latter also specialises in exporting machinery, transport equipment and chemicals, but its surpluses in these sectors, especially the first two, have been

Variations over period 1970—1984 in value added by branch of activity in the Community
(1970 = 100 on basis of data expressed in 1980 prices)



Source: SOEC

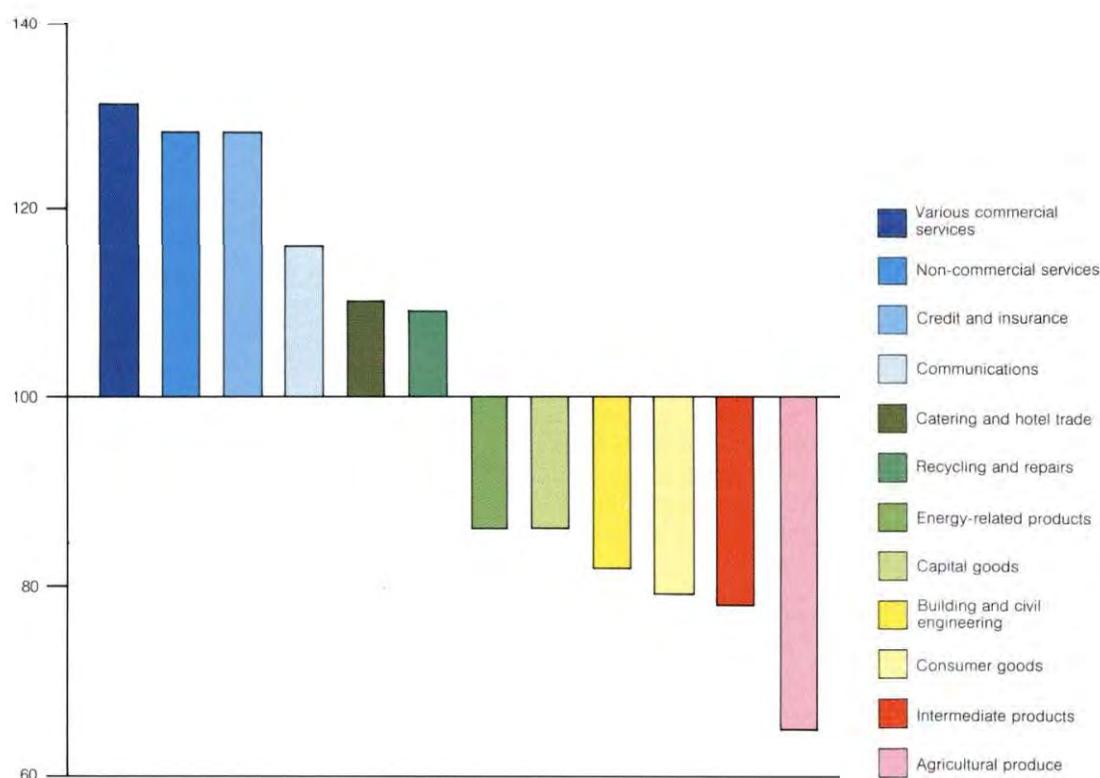
diminishing since 1975. Finally, in high-technology sectors, with the exception of chemicals, the Community is losing ground. Its imports are increasing substantially, especially in data processing equipment (external penetration of the Community market increased by 20% between 1967 and 1983).

This suggests certain weaknesses for which there are many reasons. One of the most important, apart from the partitioning of markets and research activity, is the inadequate level of investment: since 1973, but more especially since 1979, the capital stock of European industry has grown appreciably less quickly than that of American and Japanese industry. This weakness was aggravated, at least during the period 1973-82, by shortcomings in the manner in which investment was distributed between sectors. In those favoured by heavy demand and having a high technological content, a comparison of the average annual rates of increase

in investment in volume terms shows a 4.9% advantage in favour of Japanese industry and a 6.8% advantage in favour of American industry. For industry as a whole, Japanese and American investment growth rates are respectively 3.5% and 3.9% higher than the Community rate. Lastly, despite some progress, comparisons of non-material investment (research and development, marketing networks, etc.) are also no longer favourable to Europe. (See no. 25 of September 1985 of the review "European Economy", which is devoted to the competitiveness of Community industry).

In general, despite certain adjustments and some undeniable successes, sometimes helped by the dollar's high exchange rate, Community industry is still very exposed to international competition. Strengthening its competitiveness clearly remains an essential priority to which the Bank must address itself as well as to development of the less-favoured regions.

Variations over period 1970—1984 in numbers of employees by branch of activity in the Community (1970 = 100)



Source: SOEC

Community Policies

General guidelines

1986 saw the accession of Portugal and Spain, bringing the number of Member States to twelve ⁽¹⁾, the Community's population to about 320 million — one third more than that of the United States — its gross domestic product to about twice that of Japan and its exports — excluding trade within the Community — to one sixth of total world trade.

Nevertheless, this leading group of nations economically and culturally cannot flourish and maintain its rightful place on the world stage unless it strengthens the decision-making capacity of the Community, its internal cohesion and its international competitiveness.

These objectives were at the heart of the negotiations conducted by the national governments and which culminated, at the beginning of 1987, in the signature of **the Single Act**.

Ratification of this act by the national parliaments, complementing and amending the Treaties and thus giving new impetus to unification of Europe's democratic states, should be completed by the summer of 1987; the amendments to the Treaties will then enter into force.

The points on which the Treaty of Rome was amended and which relate to Bank activity are, in the words of the Single Act, as follows :

— 'The Community shall adopt measures with the aim of progressively establishing the internal market over a period expiring on 31 December 1992 . . . The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of this Treaty.' (Article 8 A)

— 'In order to ensure the convergence of economic and monetary policies which is necessary for the further development of the Community, Member States shall cooperate in accordance with the objectives of Article 104. In so doing, they shall take account of the experience acquired in cooperation within the framework of the European Monetary System (EMS) and in developing the ECU, and shall respect existing powers in this field.

In so far as further development in the field of economic and monetary policy necessitates institutional changes, the provisions of Article 236 shall be applicable. The Monetary Committee and

the Committee of Governors of the Central Banks shall also be consulted regarding institutional changes in the monetary area.' (Article 102 A)

— 'In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion.

In particular the Community shall aim at reducing disparities between the various regions and the backwardness of the least-favoured regions.' (Article 130 A)

— 'The Community's aim shall be to strengthen the scientific and technological basis of European industry and to encourage it to become more competitive at international level.' (Article 130 F)

— 'Action by the Community relating to the environment shall have the following objectives:

- to preserve, protect and improve the quality of the environment;
- to contribute towards protecting human health;
- to ensure a prudent and rational utilization of natural resources.' (Article 130 R)

At the meetings of the European Council at the Hague and in London, Heads of State and Government reaffirmed the need to pursue macro- and microeconomic policies aimed at the structural adaptation of the European economies and underlined the importance of service activities and

Community financing for structural purposes within the twelve Member Countries in 1986

(million ECUs)

Loans	
EIB — own resources	6 678.1
— NCI	393.0
European Coal and Steel Community	1 069.0
European Atomic Energy Community	587.0
Total	8 727.1
Grants	
European Regional Development Fund	3 206.0
European Social Fund	2 493.0
European Agricultural Guidance and Guarantee Fund (Guidance Section)	844.0
Total	6 543.0
Grand Total	15 270.1

(1) The six founder States were Belgium, France, Germany, Italy, Luxembourg and the Netherlands; the Community was first enlarged in 1973 by the accession of Denmark, Ireland and the United Kingdom and in 1981 Greece also joined the Community.

small and medium-sized enterprises as sources of employment, as well as the importance of creating a real European market for capital and financial services, including insurance.

As regards the financial resources available to the Community to sustain the structural adaptation of the productive apparatus of the Member Countries, last year saw the adoption by the Council of Ministers of a favourable attitude towards the renewal of the **New Community Instrument for borrowing and lending (NCI IV)**, entailing the allocation of 750 million for financing mainly small and medium-sized innovative enterprises; at the same time the Council invited the Bank to make an identical amount available from its own resources for the same purpose and to manage the NCI resources under mandate from the Community.

The formal decision on this was taken on 9 March 1987 following conciliation between the Par-

liament and the Council. For its part, the Bank's Board of Governors, by decision of 25 February 1987, authorised the Bank to accept the mandate to manage NCI IV and to grant loans for projects implemented by SMEs outside assisted areas.

In consultation with the Bank, the Commission of the European Communities has continued to consider appropriate financing instruments and mechanisms. In this context, the Heads of eleven institutions specialising in long-term credit decided in June 1986, with the Bank's support, to create the 'European Financial Engineering Company' (EFEC) to support ventures, preferably of a transnational nature, undertaken by SMEs in Community Member Countries. The Statutes of this company, which will have its headquarters in Luxembourg, were signed on 20 March 1987.

Some progress was achieved towards the creation of a **single financial zone**, in particular by more

ECU conversion rates (for 1 US \$, 100 yen, DM 1, Ffrs 10, £ 1 and Lit 1 000)

Quarterly average

ECUs



extensive liberalisation of movements of capital⁽¹⁾, by harmonisation of the annual accounts of banks and other financial institutions⁽²⁾ and by the monitoring of the major risks borne by credit institutions⁽³⁾. As regards the **European Monetary System (EMS)**, despite growing convergence between economic policies, the underlying imbalances and the pressures on the international foreign exchange markets, especially those prompted by the sharp depreciation of the dollar, led to a realignment of central rates on 6 April and a more limited readjustment on 2 August 1986, followed by a further realignment on 12 January 1987.

Regional policy

The provisions of Article 130 A and 130 D introduced by the Single Act into the EEC Treaty accord the structural funds a particular role and confirm the Bank's task of promoting the development of the less-favoured regions. The Bank's contribution to regional development is described on page 27. As far as Community support for regional development is concerned, 1986 saw the expansion of financing for programmes by the European Regional Development Fund (ERDF), complementing financing for specific projects. Thus the Council adopted the STAR Programme (improved access to advanced telecommunications services) and the VALOREN programme (exploitation of the regions' energy potential), which were allocated a provisional budget of 1 180 million.

In order to assist the generally less-developed Mediterranean regions to cope with the changes resulting from enlargement of the EEC, the Community introduced the Integrated Mediterranean Programmes. Following much preparatory work and consultation at regional, national and Community levels, a first programme contract was concluded between the Commission and the Hellenic Republic (see also page 44). Also in Greece, following the earthquake which struck the region of Kalamata in the Peloponnese, the Community decided to grant emergency aid and studied how best to provide financing for reconstruction.

Energy objectives

The Community's situation on the energy front benefited from the appreciable fall in the price of imported oil (see graph on page 15). In addition, the

Chernobyl accident revived the debate on the use of nuclear energy as one of the alternatives to dependence on massive imports of primary energy from countries presenting major political risks for western Europe.

In a Council resolution of 16 September 1986⁽⁴⁾, the Community and the Member States pledged themselves to restructure the energy system further; the main objectives to be attained by 1995, confirming previous policies, are :

- to limit reliance on oil to around 40% of total energy consumption and to keep net oil imports at less than one third of the Community's total energy consumption;
- to reduce the proportion of electricity generated from oil to less than 15%;
- to increase the share of solid fuels and to maintain the share of natural gas in the energy balance;
- to improve energy efficiency by at least 20%;
- to increase the contribution made by new and renewable energy sources in place of conventional fuels.

A Council resolution of 26 November 1986⁽⁵⁾ referred specifically to the development of these latter sources of energy; in view of the uncertainties regarding future price trends, the Council confirmed the need for further progress in saving energy, especially in the transport sector with its large petroleum consumption.

In 1986 the Bank continued to finance numerous investment projects helping to attain these Community objectives and to consolidate what had already been achieved (see page 28).

Industrial competitiveness

The ability of the Community's industry to compete successfully on the world markets is an essential condition for sustained and balanced growth. The completion of the internal market, the removal of obstacles to international trade and the adaptation of productive structures represent strategic choices to eliminate certain disquieting weaknesses. In this context, the promotion of innovative and efficient

(1) O.J. L 332 of 26 November 1986.

(2) O.J. L 372 of 31 December 1986.

(3) O.J. L 33 of 4 February 1987.

(4) O.J. C 241 of 25 September 1986.

(5) O.J. C 316 of 9 December 1986.

enterprises, particularly small and medium-sized ones (SMEs), and the development of industrial cooperation are priority measures which the existing Community financing instruments are intended to support, by loans and grants, in accordance with their specific purposes. By providing these for the various Community programmes in favour of research and the multinational initiative, Eureka, the Community can intervene at the different stages of basic and pre-commercial research for the development of and investment in final production.

Open tendering for public works and supply contracts — on which the Commission in 1986 submitted draft directives to the Council intended to widen the scope of existing provisions — should also contribute to strengthening the Community economy.

The gradual creation of a common market for telecommunications equipment was furthered by the adoption of directives concerning the mutual recognition of approvals of telecommunication terminal equipment and common standards for direct satellite television broadcasting. The Council also adopted a recommendation on the coordinated introduction of the integrated services digital network — the basis for the future long-distance transmissions of sound, text or images — and called on the Community's financial instruments to provide support for this type of infrastructure.

With particular regard to SMEs, the Council on 20 October 1986 ⁽¹⁾ adopted a resolution endorsing a programme of action to promote their development, not only financially, but also by legal, fiscal and administrative measures.

The environment

The general tenor of the proposals made by the Commission for a fourth Environment Action Programme for the Community (1987-1992) ⁽²⁾ was approved by the Council on 19 March 1987. They confirmed the principle according to which the objective of environmental protection must in future form an integral part of the various policies adopted at both Community and national level. Measures for the protection of water, air, the soil and human life, including the implementation of international agreements, were also adopted.

Community transport infrastructure

In pursuance of its goal of completing the internal market and achieving greater economic and social cohesion within the Community, the Council adopted conclusions concerning the implementation of a medium-term programme of transport infrastructure benefiting the Community as a whole. The creation by 1992 of a single market for road transport and the progressive definition of Community policies on civil aviation and maritime transport should contribute towards an intensification of intra-Community trade which in turn will call for adaptation of existing transport systems. This approach involves not only the implementation of major cross-border works between Member Countries such as the Channel Tunnel, or transit through non-member countries, but also improvements to many routes, sometimes in the very heart of Member Countries. The projects for which the Bank provided financing in 1986 (see page 33) as in previous years are evidence that the elimination of obstacles to communications caused by inadequate transport and telecommunications infrastructure remain one of its main priorities.

Development Cooperation

The third ACP-EEC Lomé Convention came into force on 1 May 1986 following ratification by the Member States and the necessary number of the 66 ACP States.

The first stage of the Convention's implementation, the programming of Community aid, in which the Community gives a commitment to each ACP State as to amounts of financing to be provided and the sectors to be developed during the life of the convention, was practically completed by the end of 1986. The indicative programmes signed by the ACP States, on the one hand, and by the Commission and the Bank, on the other, reflected the principle of concentrating aid on chosen sectors, usually rural development and programmes to achieve self-sufficiency in food production.

The Convention also recognises the importance of private investment for the development of the ACP countries and emphasises the need to promote and safeguard such investment.

The Association of the twenty-five Overseas Countries and Territories (OCT) having links with France, the Netherlands and the United Kingdom, together with Greenland with its links with Denmark, came into force on 1 July 1986. Largely similar to the arrangements adopted for the ACP States, this association is mainly concerned with free access for

⁽¹⁾ OJ C 267 of 14 November 1986.

⁽²⁾ OJ C 70 of 18 March 1987.

the OCT's products to the Community's market and, except in the case of Greenland, with financial cooperation.

As regards **cooperation with the Mediterranean countries**, implementation of the financial protocols, which remained in force until 31 October, was continued. During the early months of 1987, preparatory work on their renewal was conducted by the Community authorities and negotiations with the Community's partners were commenced; negotiations were resumed on a new financial protocol with Yugoslavia.

Financial cooperation with Turkey was resumed on a limited basis, with the Bank committing the balance of funds made available under the Supplementary Protocol concluded following the first enlargement of the Community, but which did not come into force until 1 March 1986.

The Second Financial Protocol between the EEC and Malta came into force on 1 October 1986; this provides for financial cooperation for an amount of 29.5 million up until 31 October 1988 (16 million in Bank loans, 3 million in loans on special conditions and 10.5 million in grant aid).

Enhancing Community industry's competitive edge — vital for the EEC's future — implies developing advanced technology in numerous sectors. Lending under this heading totalled 574 million ECUs in 1986.



Financing provided in 1986

In the main, the European Investment Bank grants loans from its own resources (principally the proceeds of its borrowings on capital markets) and furnishes guarantees. It also acts as agent of the Community in providing financing from Community funds in non-member countries in furtherance of the Community's policy of economic and financial cooperation and, since 1979, in Member Countries by making loans from the resources of the New Community Instrument for borrowing and lending (NCI); such operations are accounted for off balance sheet in the Special Section and are included in the statistics and reports on Bank activity when the decision to provide financing is the responsibility of the Bank's Board of Directors.

Financing provided by the Bank in 1986 totalled 7 544.8 million ECUs as against 7 184.6 million in 1985 and 6 897.1 million in 1984. Compared with 1985, this represented a 5% increase both at current prices and in real terms (see guide to readers on page 8).

Loans from own resources amounted to 7 059.9 million, that is to say 13.4% more than in 1985 (6 225 million). In contrast, Special Section operations (see page 94) recorded a further sharp drop to 484.9 million compared with 959.6 million, mainly as a result of the approaching exhaustion of available NCI financing.

The 1986 financial year saw the accession of Portugal and Spain to the Community. As is seen from Table 1, financing in the Community of Twelve in 1986 totalled 7 071.1 million, comprising 6 678.1 million from the Bank's own resources and 393 million from NCI resources, and accounted for 93.7% of aggregate new financing.

Financing outside the Community totalled 473.7 million, comprising 381.8 million from the Bank's own resources and 91.9 million from Community budgetary resources.

Table 1: **Financing provided in 1986, from 1982 to 1986 and from 1959 to 1986**

Broad breakdown by origin of resources and project location

	1986		1982—1986		1959—1986	
	million ECUs	%	million ECUs	%	million ECUs	%
Loans from EIB own resources and guarantees ⁽¹⁾	7 059.9	93.6	27 439.4	85.1	46 490.5	87.3
within the Community	6 678.1	88.5	25 015.3	77.6	42 142.8	79.1
outside the Community	381.8	5.1	2 424.1	7.5	4 347.7	8.2
Financing provided from other resources ⁽²⁾	484.9	6.4	4 798.7	14.9	6 746.9	12.7
(accounted for in the Special Section)						
within the Community, from the resources of the New Community Instrument for borrowing and lending (NCI)	393.0	5.2	4 449.1	13.8	5 463.6	10.3
outside the Community from Member States' or Community budgetary funds	91.9	1.2	349.6	1.1	1 283.3	2.4
Grand Total	7 544.8	100.0	32 238.1	100.0	53 237.4	100.0
within the Community	7 071.1	93.7	29 464.4	91.4	47 606.4	89.4
(of which guarantees)			97.6	0.3	622.1	1.2
outside the Community	473.7	6.3	2 773.7	8.6	5 631.0	10.6

(1) Loans in Portugal and Spain have been recorded as being outside the Community until the end of 1985.

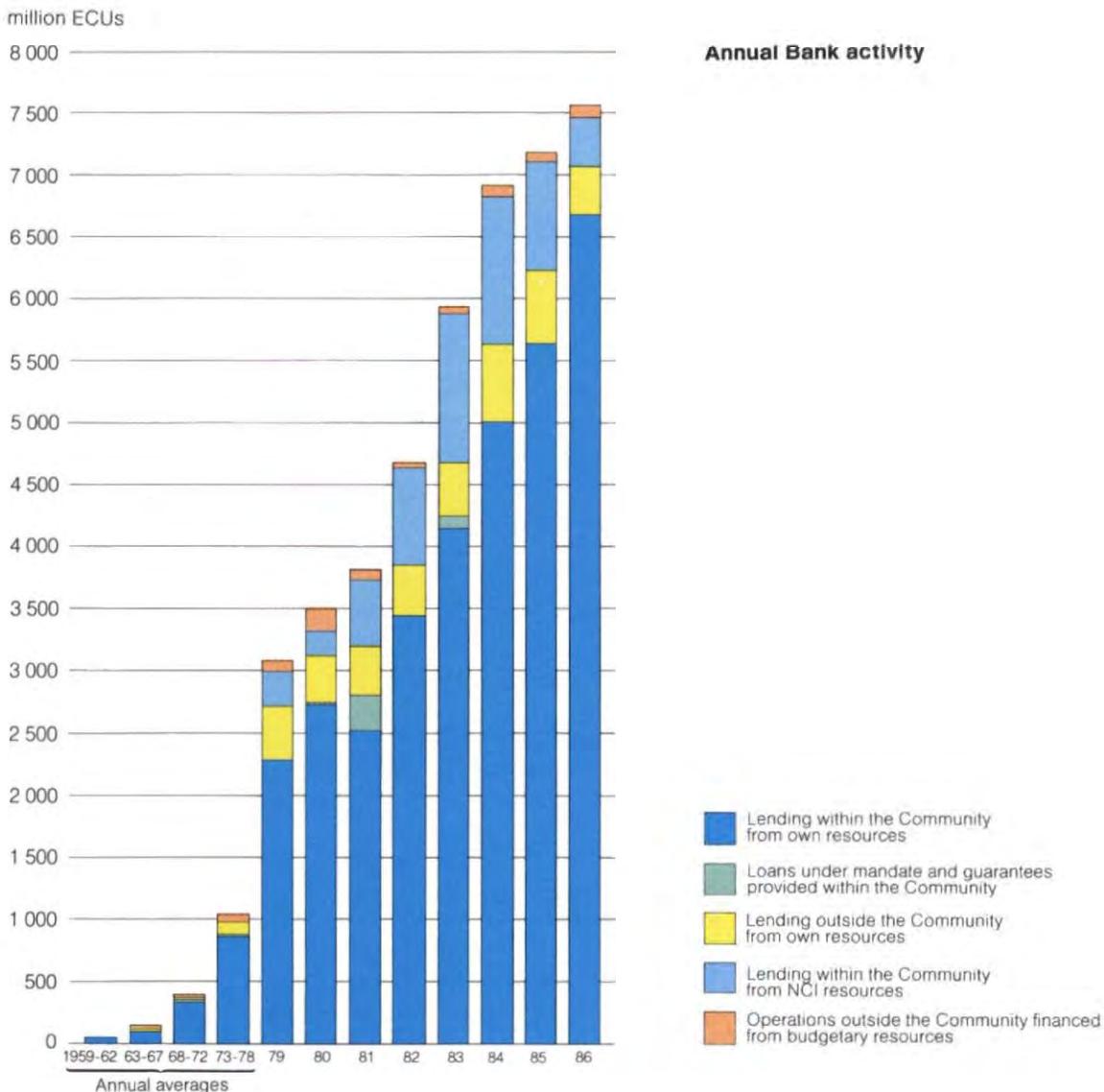
(2) Excluding Euratom loans and loans on special conditions made available under the Lomé Conventions as decided by the Commission of the European Communities.

Financing provided in 1986

The Bank made calls on the capital markets for a total of 6 785.5 million (compared with 5 709.2 million in 1985). In order to finance its lending from own resources, the Bank raised 6 153.1 million by fixed-rate public loan issues and private placements, of which 249.2 million was converted into floating-rate operations by means of currency and interest-rate swaps. It also borrowed 291.4 million directly at floating rates. As a result, funds available for floating-rate operations amounted to 540.6 million or

8 % of the total raised. Interbank operations raised a further 321 million while 20 million was raised by the allocation to third parties of participations in Bank loans, guaranteed by the EIB.

Disbursements on loans from own resources in 1986 totalled 6 942.3 million, comprising 6 657.7 million within the Community and 284.6 million outside the Community.



Loan formulae and interest rates

Loan formulae : the EIB offers borrowers :

- fixed-rate loans
 - disbursed in several currencies in varying mixes tailored to the EIB's holdings and the borrower's preferences;
 - disbursed in a single Community or non-Community currency;
 - disbursed in several currencies, but in standard mixes with the make-up, term and interest rate all fixed in advance;
- loans at variable rates of interest within certain limits.

Loans can be disbursed in ECUs, either wholly or as part of a mix of currencies.

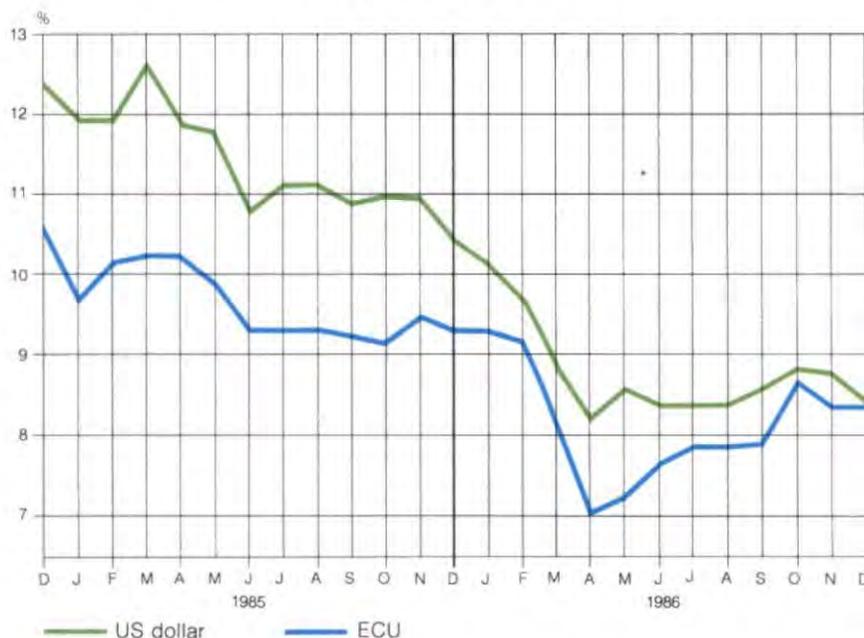
Lending rates - The Board of Directors fixes the interest rates for the EIB's loans. A specific rate is fixed for each of the currencies which the EIB uses, principally the Member States' currencies and the ECU, as well as the US dollar, Yen and Swiss franc. When more than one currency is disbursed, the specific rate for each currency is applied.

As the EIB operates on a non-profit-making basis, its lending rates closely reflect conditions on the financial markets where it obtains the bulk of its funds. The rate or rates charged on each fixed-rate loan are generally those in force on the day when the contract is signed or, in certain cases, on the date of disbursement, and are not subject to revision. The rates charged on variable-rate loans are determined on a quarterly or six-monthly basis. Loans are disbursed at par and capital repayments and payments of interest are made in the currencies received, generally in equal six-monthly instalments.

The following graph shows the trend in 1985 and 1986 of the rates applied by the Bank to its loans in ECUs and United States dollars.

1986 saw a marked fall in interest rates which continued the tendency appearing at the beginning of 1985. This fall was particularly perceptible during the very first months of the year, was subsequently reversed towards the middle of the year, but was gradually resumed during the closing months. Comparison with the graphs on page 78 shows the close correspondence between market conditions and the Bank's lending rates.

Interest rates applicable to 10-year EIB loans denominated in ECUs and in US dollars (six-monthly repayments)



Financing provided in 1986

The amount of loans from own resources and guarantees outstanding ⁽¹⁾ rose from 33 291 million at 31 December 1985 to 36 960 million at 31 December 1986, an increase of 11%. Details of the principal forms of guarantee provided for loans outstanding are given in Annex B (note 2) to the Financial Statements (page 123).

At 31 December 1986, the balance sheet total stood at 40 720.9 million compared with 35 092 million at

(1) Original amount of loans and guarantees after taking into account principal repayments, terminations, cancellations, exchange adjustments and, in the case of operations mounted from own resources, third party participations in Bank loans: see Annex B to the Financial Statements (Note 3).

the end of 1985 (see also Annex E to the Financial Statements, Note A, point 3).

Disbursements during 1986 in respect of financing provided from Community resources came to 634.9 million, of which 543.5 million related to loans from NCI resources and 91.4 million to operations from Community funds mounted in the African, Caribbean and Pacific States and in certain Mediterranean countries.

The amount outstanding in respect of Special Section operations rose from 8 198.2 million at 31 December 1985 to 8 865.4 million at 31 December 1986, an increase of 8%.

In 1986, lending for productive investment, mainly in industry, totalled 1.9 billion ECUs, of which 955 million (including 261 million from NCI resources) was provided in the form of global loans; 3 472 smaller ventures (including 1 365 from NCI resources) were financed from lines of credit already opened.



Operations within the Community

General survey

During the financial year 1986, the first year of the Community of Twelve, financing provided by the Bank from its own resources for projects within or of direct interest to each Member Country totalled 6 678.1 million. In assessing growth in Bank activity over 1986, the enlargement of the Community following upon the accession of Portugal and Spain is a factor that needs to be taken into account. Measured in terms of the former ten Member Countries financing provided by the Bank rose from 5 640.7 million in 1985 to 6 177.7 million in 1986, an increase of 9.5%, but in terms of the Twelve, including financial pre-accession aid to Portugal and Spain in 1985's figures, the growth rate came to 13.2% (i.e. 6 678.1 million as against 5 900.7 million the previous year). Irrespective of the yardstick adopted for measuring the level of Bank activity, operations mounted from the EIB's own resources in 1986 registered substantial growth.

Lending from NCI resources, on the other hand, continued to decline sharply as a result of the progressive commitment of the amounts still available; spread over seven Member Countries, including Portugal and Spain, lending under this heading ran to 393 million as against 883.7 million in 1985.

Total financing in the Community thus climbed from 6 784.4 million in 1985 to 7 071.1 million in 1986 (including lending in Portugal and Spain), an increase of 4.2%.

In 1986, loans totalling 24.4 million and attracting 3% per annum interest subsidies financed from the General Budget of the European Communities were advanced from own resources for reconstruction in the earthquake-stricken areas of Campania and Basilicata. Allowing for financing provided for this purpose in previous years, aggregate subsidised

lending for reconstruction, for which an overall aid package of 1 billion was envisaged (1), now amounts to 927.3 million, including 611.5 million from NCI resources.

(1) Council Decision 81/19/EEC of 20 January 1981

Serving Community policies

The quest for **more balanced regional development** features as one of the principal objectives of the Single Act in advancing along the path towards Community-wide economic and social cohesion (see page 20). The text of the Act relating to structural adjustment of the less-developed and declining industrial regions finds common cause with Article 130 of the Treaty of Rome entrusting the Bank with the task of contributing "to the balanced and steady development of the common market in the interest of the Community" and laying down economic policy objectives for the EIB. As subsequently spelled out and adapted by directives and decisions of the Board of Governors, paramount importance is attached in these objectives to furthering regional development by financing projects in all sectors of the economy (see inside cover page 3).

In the changing conditions facing Europe which pose complex redevelopment problems over wide areas, particular priority needs to be given to support for investment in backward or declining regions. With Portugal and Spain now a part of the Community, those areas with a GDP per head at least 20% below the average for the EEC as a whole embrace a population totalling more than

110 million; at the same time, enlargement has led to greater disparities in terms of output per head, unemployment rates and the degree of endowment with infrastructure and services.

As in the previous year, the Bank conducted its activity in 1986 against an economic backdrop uncondusive to growth in productive investment or infrastructure in the more backward regions.

The volume of lending channelled towards projects furthering **regional development** nevertheless recorded a renewed increase in absolute terms and accounted for the major share of funds deployed by the Bank (54% of loans from own resources in Member Countries). Amounting to 3 685.1 million, including 88.3 million from NCI resources, lending under this heading went primarily (70%) to those regions commanding the highest priority under Community regional policy, namely Portugal, Greece, Ireland, the Italian Mezzogiorno, certain parts of Spain, and Northern Ireland. The Bank continued to support capital investment both in areas with traditional industries on the decline and in other underprivileged regions, particularly in France and the United Kingdom. Taken as a whole, more than 75% of Bank regional development financing

in 1986 was focussed on regions recording unemployment levels at least 20% above the Community average.

Bank financing accounted for about 1% of aggregate capital investment in the Community; given that EIB loans tend on average to correspond to about a third of the cost of individual projects, capital investment which the Bank helped to finance in 1986 can be deemed to represent more than 3% of aggregate capital expenditure in the Community.

In the case of the less prosperous countries or regions, the Bank's contribution to aggregate investment is distinctly higher than 1%; it ranges from 3% in Portugal, 3.3% in Greece and Italy - with 6.1% for the Mezzogiorno alone - to 5.4% in Ireland.

EIB loans helped to underpin investment in industry and, to a lesser extent, in the service, agricultural and fisheries sectors which absorbed a third of the funds advanced (1 211.1 million, including 636.6 million in global loans for SMEs). Basic infrastructure was also a prime beneficiary

(1 871.1 million) with three quarters of lending accounted for by transport and telecommunications schemes.

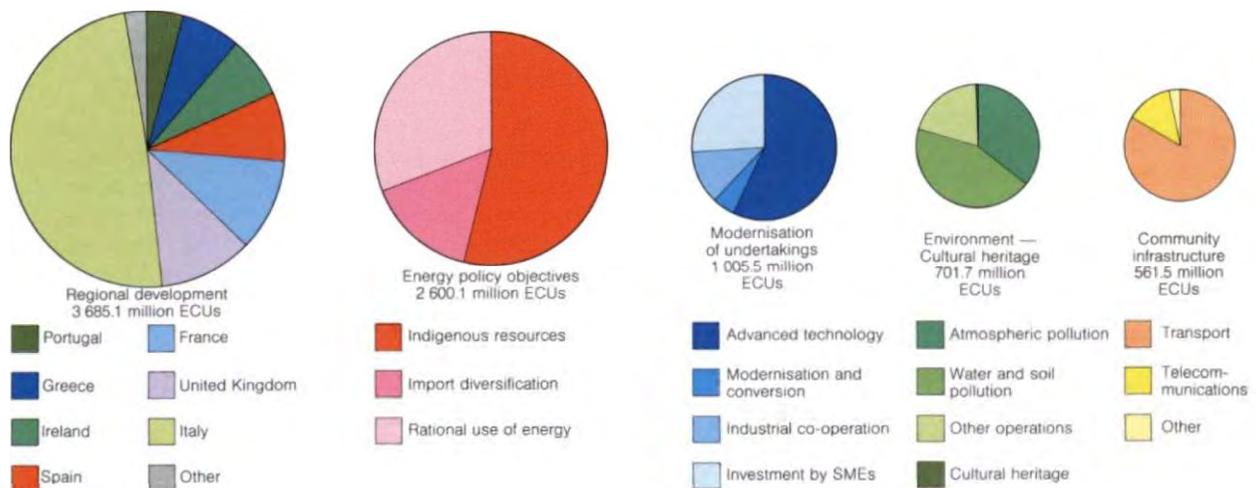
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Both the Community's new **energy objectives** for 1995 adopted at the end of 1986 (see page 20) and the medium-term projections for oil price trends underscore the need for continued adherence to established priorities in terms of firmer control over energy consumption, reducing dependence on oil by boosting production from indigenous sources, pursuing a balanced diversification policy and seeking greater flexibility as regards supplies.

Loans made available by the Bank in 1986 in pursuit of these objectives totalled 2 600.1 million. The main thrust of lending went towards supporting continuance of major programmes embarked upon in previous years, notably in the nuclear energy sector, but also investment in safety equipment together with installations to ensure protection of

Financing provided within the Community in 1986

Breakdown by principal economic policy objective ⁽¹⁾



⁽¹⁾ The various totals cannot meaningfully be added together as certain loans correspond simultaneously to more than one objective.

the environment in line with the rapid development in regulations in this sphere.

In addition, the Bank, acting as agent for Euratom, signed jointly with the Commission seven finance contracts for a total of 586.6 million for nuclear power stations in the United Kingdom, France, Italy and Germany. These operations are accounted for off balance sheet in the Special Section (see page 94) and, while they are appraised and managed by the Bank, are not included in its operating statistics since the financing decisions are taken by the Commission.

Financing designed to foster **rational use of energy** (797.1 million) went chiefly towards district heating systems, harnessing of geothermal resources, interconnection of high-voltage power grids and electrification of railway lines. Lending serving **import diversification**, with credit for gaslines and coal-fired power stations, ran to 402 million. The bulk of energy-sector operations however continued to be given over to increasing the Community's **independence** on the energy front, with a total of

1 400.9 million made available for nuclear energy, hydroelectric schemes, and oil and gas field projects.

Once completed, new projects financed by the Bank will help to cut back the Community's dependence on oil by 6.2 million t.o.e. per annum, including 1.3 million through rational use of energy (RUE). Energy projects financed by the Bank since 1982 will combine to reduce reliance on imported oil by 56 million t.o.e. per annum (including 15.6 million by virtue of more efficient use of energy) which represents about 15% of projected Community oil imports in 1995.

*
* *

The challenge of making the Community a more competitive force on world markets calls for a dynamic and coordinated approach to the structural adaptation of European industry and to the dissemination of advanced technology. Espousing the same objectives as those targeted under

Table 2: **Lending from own resources in the Community in 1986**
Breakdown by country, sector and economic policy objective

	Sector				Economic policy objective (1)				
	Total	Industry, agriculture, services	Energy	Infra-structure	Regional development	Energy	Advanced technology and modernisation of undertakings	Environment	Community infrastructure
Belgium	46.1	46.1	—	—	46.1	—	46.1	—	—
Denmark	198.3	5.0	193.3	—	5.0	193.3	—	—	—
Germany	441.8	—	302.1	139.7	25.7	311.6	—	266.4	62.7
Greece	253.0	178.3	24.4	50.2	253.0	125.0	—	113.2	21.2
Spain	340.0	92.0	27.3	220.8	294.6	27.3	62.7	—	87.3
France	565.0	121.6	22.3	421.1	389.6	22.3	105.8	16.0	65.8
Ireland	214.3	19.2	69.2	125.9	214.3	47.2	—	—	—
Italy	2 912.5	951.5	908.3	1 052.8	1 802.2	814.0	304.0	143.3	232.8
Luxembourg	18.2	—	—	18.2	—	—	—	—	18.2
Netherlands	98.2	94.9	—	3.3	18.1	—	94.9	—	—
Portugal	160.4	34.9	29.1	96.4	160.4	64.0	—	34.9	—
United Kingdom	1 355.3	110.7	866.4	378.1	387.7	874.3	55.5	128.0	61.2
Other (2)	75.0	—	—	75.0	—	—	75.0	—	75.0
Grand Total	6 678.1	1 654.3	2 442.4	2 581.4	3 596.8	2 479.1	744.0	701.7	561.5

(1) The various totals cannot meaningfully be added together as certain loans correspond simultaneously to more than one objective.

(2) Authorised by the Board of Governors, see page 8.

'The Electronics Revolution'

A factor of vital importance for the Community's future is the strengthening of the competitiveness of EEC industry through the development of high technology. In the light of the recommendations endorsed by the Bank's Board of Governors in June 1984 (see Annual Report 1985, page 19), the EIB has been devoting an increasing proportion of its financing to this end.

Loans provided for high-technology projects in 1986 amounted to 574 million as against 325.6 million in 1985 and comprised 530.4 million in individual loans and 43.6 million in global loans. Over half the amount of individual loans (53%) went to the data-processing and electronics sectors, a proportion which rises to 75% if telecommunications projects are included. The balance was divided between the chemical, pharmaceutical, motor vehicle and metallurgical industries.

The past two years have seen 781.3 million lent towards 32 projects deploying high technology (1). The majority of these have led to the development of new products (19 ventures), while in some cases they have at the same time nurtured specific technologies (14 ventures). Five projects centred on computerisation and automation of the production cycle, while six others related to research centres. As many as 13 of the ventures attracting Bank support were located in less developed or declining areas such that the EIB was able to pursue the twin goals of balanced development of the Community and increased competitiveness.

* * *

The electronic components sector alone received finance (see hereafter) worth 149.1 million in 1986 for ventures designed to put the firms concerned on an equal footing with their Japanese and American competitors. Some were joint ventures bringing together firms from different Member Countries and others were mounted in conjunction with European research programmes such as ESPRIT, RACE or EUREKA.

In the Netherlands, the Bank funded construction and fitting out of two buildings to house R&D laboratories, pilot plant and Computer Aided Design (CAD) facilities for the production of semiconductor static memory circuits (SMC) with a very high storage capacity in excess of one million (mega) bits of data per chip. This project forms part of a wider programme undertaken jointly with a German firm with a view to achieving greater integration of the EEC market on a par with the Japanese and American challenge.

In France, the Bank granted a loan for the design and manufacture of integrated circuits with complementary metal oxide semiconductors (C-MOS) to be produced in small custom-made batches. The production cycle will be shortened by recourse to frontier technology both for

designing the circuits by means of the silicon compiler technique and for manufacturing them by using a system of electron beam direct writing on silicon wafers.

In Italy, the Bank supported a venture geared to development, industrialisation and manufacture of two families of circuits, namely linear bipolar circuits, intended principally for highly sophisticated professional functions, and MOS circuits, notably ROM (Read Only Memory), EPROM (Erasable Programmable Read Only Memory) and EEPROM (Electrically Erasable Programmable Read Only Memory) circuits and micro-processors. The project is equivalent to a technological leap forward for both products and manufacturing processes.

The purpose of other data-processing or electronics projects financed by the Bank has been to enable Community firms to consolidate or carve out a leading position on the world market.

A case in point is a project in Belgium for the extension and automation of a factory producing compact disc players. This capital investment also embraces R&D and pre-production development of new generations of products such as apparatus for recording onto and playing erasable compact discs or permitting interactive use of ROM discs.

In France, the Bank provided finance for extending a firm's manufacturing, research and demonstration facilities for its CAD and CAM (Computer Aided Manufacturing) systems, as well as for improving automatic cutting machinery for the clothing and footwear industries.

In Italy, the EIB granted a loan for the introduction of a completely automated production line in a factory producing professional personal computers. This project helped to increase output sharply and to boost key exports to markets outside the EEC, and in particular to the United States.

All of these projects fall within leading-edge high-technology sectors in European markets where outside manufacturers have made significant incursions. In many cases, the ventures concerned are at the very forefront of world research and provide encouraging evidence of the dynamism of European enterprise.

Further advances in sharpening the competitiveness of Community industry call for continued efforts in these directions and for the breaking of new ground on a significant scale in those sectors regarded as traditional where an input of high technology is also necessary if a diversified industrial structure is to remain operative in the Community.

(1) To which should be added the proceeds of global loan allocations worth 59.4 million given over to 18 smaller ventures.

European co-operation programmes such as ESPRIT, EUREKA, RACE and BRITE, the Bank has stepped up its support for investment in these areas, endeavouring, in particular, to promote the application of new technologies not in widespread use, especially among smaller businesses.

Aggregate financing advanced from the Bank's own resources in 1986 for capital investment of this kind amounted to 1 005.5 million, including 744 million from own resources.

Advanced-technology projects claimed the largest share of lending from own resources, with ventures in Italy, France, Spain, the United Kingdom, the Netherlands and Belgium attracting 573.9 million in all. Micro-electronics, data processing and telecommunications featured prominently (see box article), but a substantial number of projects in the pharmaceutical and related industries also benefited from funding for the production of drugs to combat cancer, research laboratory activities, etc. Several of these projects were EEC joint ventures.

In furtherance of large-scale **industrial co-operation** between firms in different Member Countries, the Bank gave its support to projects in the motor industry in Italy and Spain, as well as in the communications sector in France and the United Kingdom (117.3 million).

Three loans totalling 52.7 million were granted in Spain towards assisting firms supplying the motor industry to **adapt** to the new market conditions created by accession.

A total of 261.5 million was lent from **NCI resources** for productive investment by small and medium-sized enterprises, the more modest showing compared to the previous year being attributable to the steadily diminishing level of funds available.

* * *

Another component of Community policy highlighted by the Single Act is the **protection of the environment**. This calls for increasingly concerted

Table 3: **Geographical breakdown of financing provided in the Community in 1986, 1985 and from 1982 to 1986**

	1986				1985				1982—1986			
	Total		Resources		Total		Resources		Total		Resources	
	million ECU	%	million ECU	million ECU	million ECU	%	million ECU	million ECU	million ECU	%	million ECU	million ECU
Belgium	46.1	0.7	46.1	—	77.8	1.2	77.8	—	217.0	0.7	217.0	—
Denmark	258.2	3.7	198.3	59.9	332.5	5.1	264.0	68.5	1 555.1	5.3	1 102.9	452.2
Germany	441.8	6.2	441.8	—	91.4	1.4	91.4	—	840.5	2.9	840.5	—
Greece	253.0	3.6	253.0	—	423.7	6.5	401.7	22.0	1 929.7	6.5	1 628.1	301.6
Spain (1)	409.3	5.8	340.0	69.2	—	—	—	—	409.3	1.4	340.0	69.2
France	623.4	8.8	565.0	58.4	1 247.4	19.1	889.6	357.8	4 427.0	15.0	3 400.7	1 026.3
Ireland	262.1	3.7	214.3	47.8	174.5	2.7	146.6	27.9	1 323.1	4.5	1 044.9	278.2
Italy	3 024.0	42.8	2 912.5	111.4	2 978.0	45.6	2 603.9	374.1	13 686.7	46.5	11 589.0	2 097.7
Luxembourg	18.2	0.3	18.2	—	—	—	—	—	34.7	0.1	34.7	—
Netherlands	98.2	1.4	98.2	—	69.1	1.1	69.1	—	167.3	0.6	167.3	—
Portugal (1)	190.3	2.7	160.4	29.9	—	—	—	—	190.3	0.6	160.4	29.9
United Kingdom	1 371.5	19.4	1 355.3	16.3	1 130.1	17.3	1 096.7	33.4	4 608.8	15.6	4 414.8	194.0
Others	75.0	1.1	75.0	—	—	—	—	—	75.0	0.3	75.0	—
Grand Total	7 071.1	100.0	6 678.1	393.0	6 524.4	100.0	5 640.7	883.7	29 464.4	100.0	25 015.3	4 449.1

(1) Financing provided in Spain and Portugal from 1982 to 1986, including pre-accession aid

	(million ECU)		
	1986	1985	1982—1986
Spain	409.3	160.0	919.3
Portugal	190.3	100.0	535.3

(See also 1985 Annual Report, Table 16, page 111)

Five years of support for protecting the environment

The Community's fourth environment action programme adopted on the eve of the European Year of the Environment marks an important new phase in Community strategy in which protection of the environment, based on strict standards, must now form an integral part of the panoply of Community policies.

Pursuant to Community directives and the recommendations endorsed by the Bank's Board of Governors in June 1984, the EIB has played an increasing role in the financing of environmental protection over the past five years. The Bank satisfies itself that projects financed are in no way detrimental to the environment and endeavours to support capital investment making a major contribution to improving the environment by means, for example, of reducing the level of atmospheric pollution and cleaning up both inland waterways and coastal waters around the Community in line with international agreements such as the Barcelona Convention governing protection of the Mediterranean. The EIB also helps to fund anti-pollution installations in existing or projected industrial plant irrespective of its

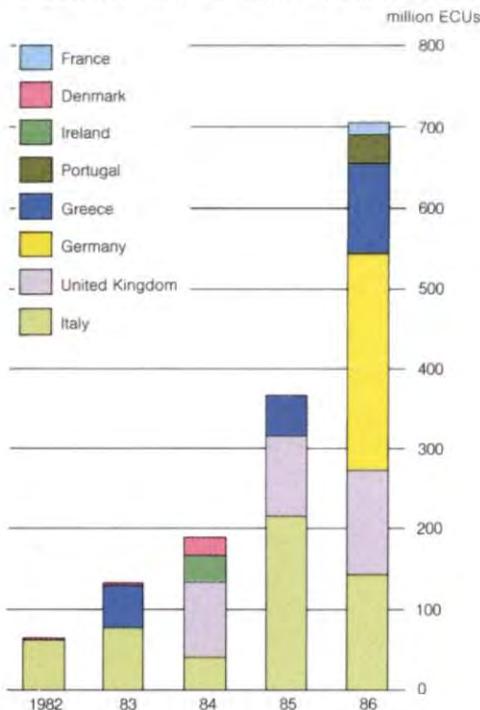
location. In striving to adapt Bank lending to the emergence of pressing needs, the EIB has come to treat schemes designed to increase drinking water supplies as eligible for finance provided that they tie in with co-ordinated development programmes and contribute significantly to rational management of water resources in areas faced with grave shortages.

Similar concern has motivated steps to safeguard the Community's cultural heritage, particularly its architectural treasures, with a view to ensuring the survival of works that enrich our environment and whose worth as tourist attractions is imperilled. Admittedly, Bank financing in this area has been modest in volume but the funds advanced have helped to protect the Doges' Palace in Venice and archaeological sites in Campania.

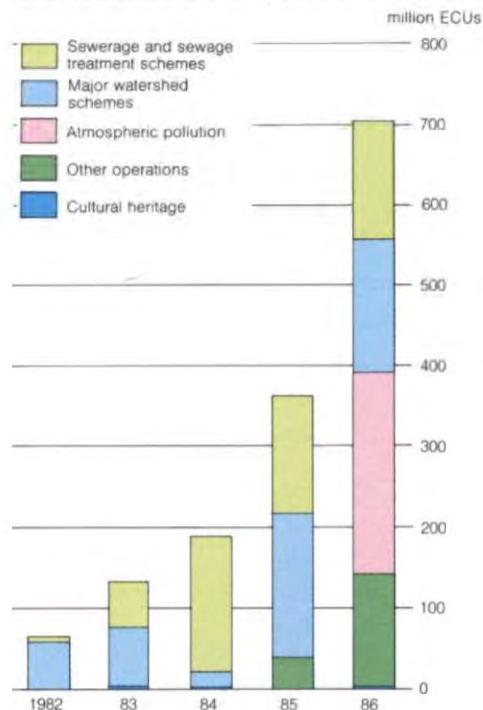
The bar charts below enable one to appreciate not only the mounting scale of Bank support for environmental protection works, but also the broadening range of operations financed and the increasing number of Member Countries covered by this process of diversification.

Loans for environmental protection

1. Development of lending according to country



2. Development of lending according to scheme



action on the part of Member Countries in the light of the cross-border flows of atmospheric and water pollution and the need to avoid distortion of competition.

Yet again, total Bank lending for investment directed towards this twofold objective doubled compared with the previous year to 701.7 million.

The projects financed fall into two main categories. The first comprises large-scale waste water purification schemes or projects designed to improve the quality of drinking water in Italy, the United Kingdom, Germany, Ireland and France (310.1 million). These often form part of longer-term programmes covering several regions such as the watershed management schemes in Italy for developing and cleaning up the Po, Tiber and Arno river basins, foreshadowing similar works that might be undertaken on the Rhine. The second category consists of installations for reducing pollution at power stations and heating plants in Germany as well as at oil refineries in the Greater Athens area and near Cagliari in Sardinia (250.1 million).

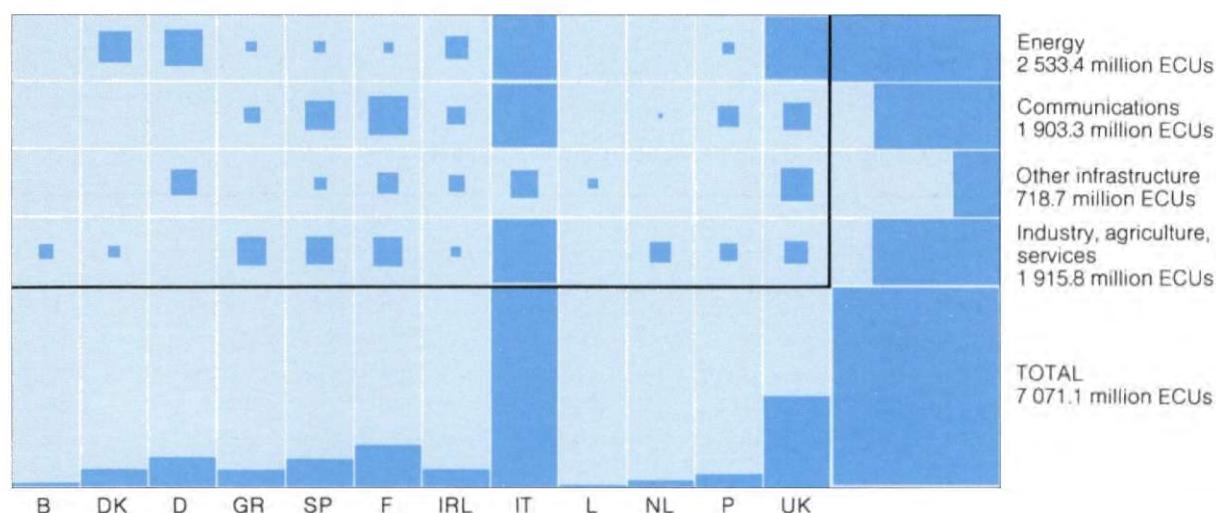
In addition, the Bank has provided global loan financing in Portugal, Germany and Italy either specifically tailored to funding works for protecting the environment or also contributing to other objectives, and in Italy, credit was earmarked for reforestation schemes and investment safeguarding the Community's cultural heritage (141.5 million).

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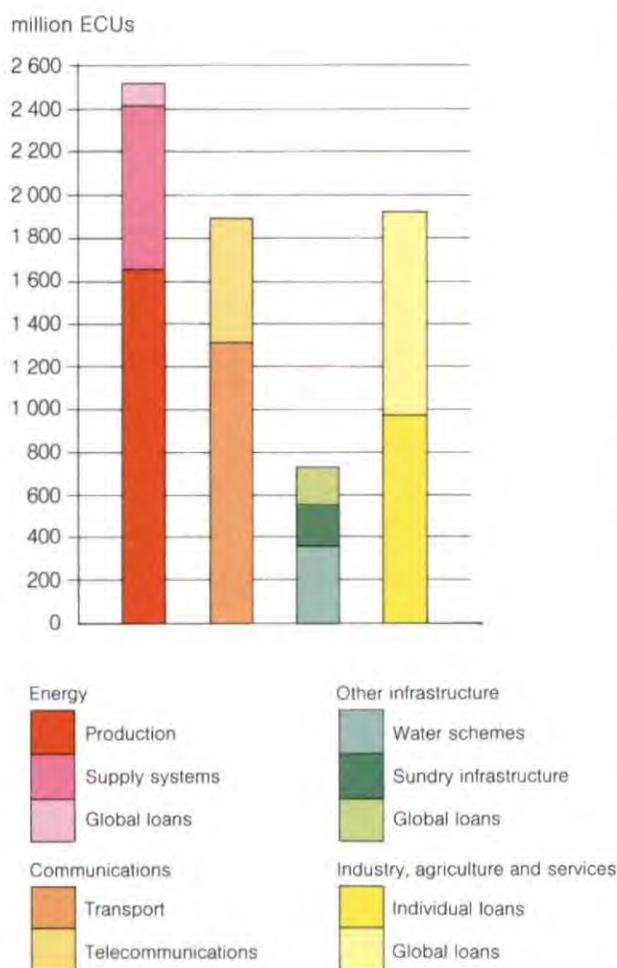
One of the prerequisites for the achievement of a unified internal market is a fully-fledged network of **Community transport infrastructure and telecommunications systems** free of bottlenecks, all the more so now that Spain and Portugal have joined the EEC and are still poorly connected to the other Member Countries' communications networks. Hitherto, the Bank has financed numerous motorway links, Alpine tunnels and airport and harbour facilities. With work already under way on major schemes such as the Eurotunnel Project and

Financing provided within the Community in 1986

Breakdown by country and by sector



Sectoral breakdown of financing provided within the Community in 1986



France's TGV (high-speed train) Project to serve northern Europe, the Bank is faced with no shortage of worthwhile projects for the continuation of its activity in this area. The same holds true of the telecommunications sector, particularly as regards satellites.

EIB financing for projects pursuing the above objectives totalled 561.5 million in 1986. Encompassing a multiplicity of road and motorway links between Italy and Switzerland, Portugal and Spain, and connecting France with Italy, Switzerland and Luxembourg, lending also covered railways in Greece, Spain and Portugal, harbours and airports in the North of Italy, Athens and South-East England, and acquisition of aircraft to add to fleets operating between Italy and the other Member Countries.

Major telecommunications projects funded by the Bank will aid Eutelsat in acquiring, placing into orbit and operating satellites covering Europe and will contribute to linking Europe, on the one hand, with the United States and, on the other, with the Middle East and Singapore via two transoceanic cables.

Sectoral analysis

Viewed in terms of its breakdown by major sector, the pattern of Bank lending in 1986 demonstrated a slight upturn in financing for industry, agriculture and the tertiary sector and sustained growth in credit for basic infrastructural works and for equipping the energy sector (see Table 13).

Loans for **industry, agriculture and the service sector** amounted to 1 915.8 million, or 27 % of total Bank activity within the Community. There was a marked increase in the volume of individual loans

Table 4: **Lending for industry, agriculture and services from 1982 to 1986**

	1982	1983	1984	1985	1986
Individual loans:					
amount (a) — million ECUs	470.8	431.6	506.2	509.0	960.6
Allocations from current global loans:					
amount (b) — million ECUs	438.0	1 010.9	1 381.1	1 582.5	1 023.6
number	1 183	3 172	4 563	5 747	3 569
Total (a + b = c)	908.8	1 442.5	1 887.3	2 091.5	1 984.2
Contribution of global loan allocations to total financing (b/c) (%)	48	70	73	76	52

from own resources which doubled in amount compared with 1985 to 960.6 million. They covered an extremely wide range of projects in eight Member Countries, particularly high technology ventures. The level of global loan financing from own resources stabilised, while the volume of financing from NCI resources declined sharply.

Lending for **infrastructural schemes** came to 2 621.9 million, or 37 % of the total, the significant growth component here being the transport sector, particularly road and railway projects, whereas a certain levelling off occurred in funding of conventional telecommunications networks, water schemes (including waste water treatment) and composite infrastructure. Most of the projects financed were situated in less developed areas.

Credit in the **energy** sector came to 2 533.4 million (36%). Nuclear power stations and nuclear fuel reprocessing and storage facilities accounted for a sizeable proportion of this, albeit somewhat less than previously in overall terms. Other projects financed comprised hydroelectric, geothermal or coal-fired power stations, the exploitation of oil and gas deposits and electricity, gas and heat transmission or supply systems.

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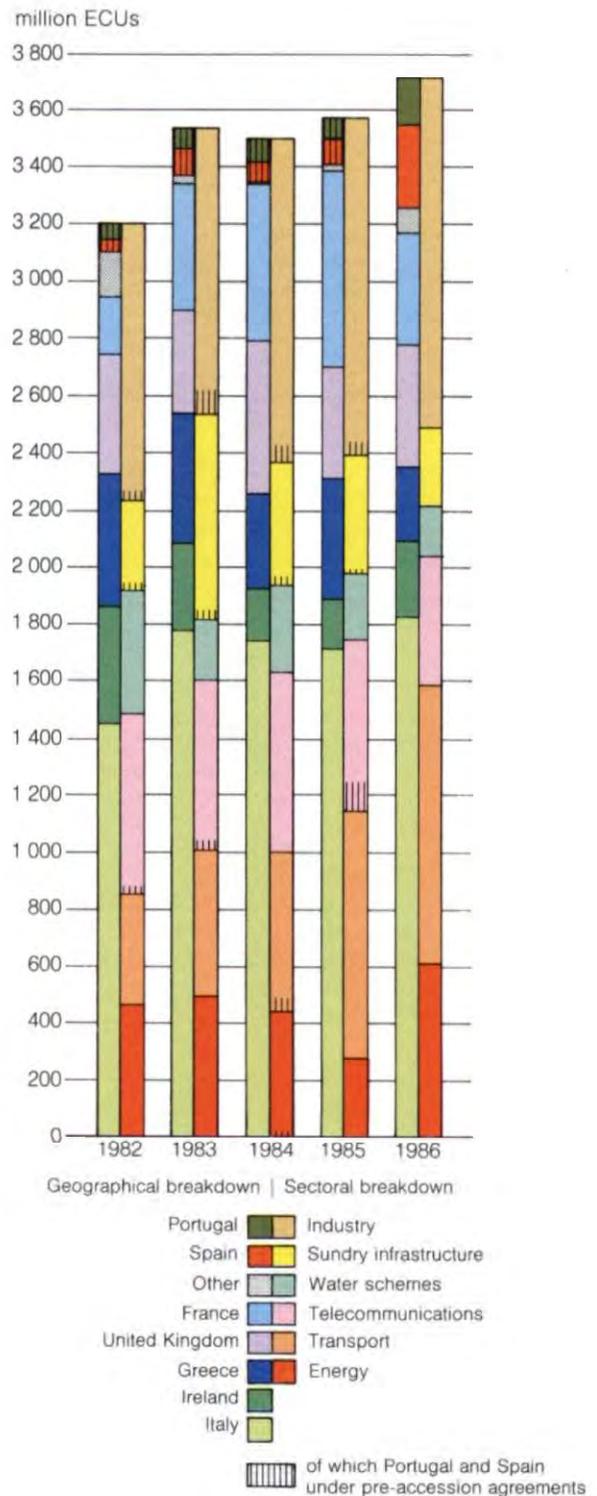
Financing made available by the Bank in 1986 went towards aggregate **capital investment** totalling 23 billion (5.3 billion in industry) with a contribution equivalent to a third of overall capital costs.

According to appraisal data, this aggregate capital investment should directly create around 30 000 permanent **jobs**, including 23 000 in industry. The bulk of these (18 500) should be generated by small and medium-sized businesses funded from global loans.

Bank lending also helped to boost productivity and to safeguard employment in a large number of firms, while the orders and works required to implement projects helped to bolster employment within the Community during sometimes lengthy construction periods.

The average term of loans signed in 1986 was around 13 years in the case of infrastructure projects and energy installations, and from 9 to 10 years for industrial projects.

Financing provided for regional development within the Community from 1982 to 1986



Private industry accounted for 73% of lending for industrial projects which also absorbed the entire proceeds of allocations from global loans concluded with public or semi-public financial institutions. In the energy and infrastructural sectors most projects were mounted by public undertakings or local authorities.

* * *

Global loans and allocations

In 1986, 37 intermediary institutions in eight Member Countries contracted 87 new **global loans** totalling 1 234.4 million (17% of lending in the Community as against 28% in 1985, or 1 858.5 million).

Loans from **own resources** amounted to 964.3 million (1 229.4 million in 1985) and fell into two categories:

— those provided in less advantaged areas for small and medium-scale industrial, service and tourism ventures (595 million) and smaller infrastructural works (103.6 million);

— those directed towards both assisted and non-assisted areas in support of investment in smaller-scale industrial ventures contributing to the introduction or development of advanced technology (43.6 million), investment in industry or infrastructural works answering the Community's objectives as regards energy policy and protection of the environment, or the two purposes simultaneously (222.1 million).

A total of 231.6 million was advanced from **NCI resources** for productive investment by small and medium-sized enterprises outside assisted areas, while a further 38.6 million went for investment in the energy sector (compared with 629.1 million in all in 1985).

There was a sharp drop in the number of **allocations** from global loans currently under drawdown (3 930 allocations as against 6 465 in 1985), such that their amount fell back to 1 267 million compared with 1 877.9 million the previous year and formed a smaller proportion of that of new global loans.

The downturn in allocations over the year was reflected in the amount of credit passed on to SMEs in the different Member Countries: 2 104 allocations totalling 572.7 million were provided in assisted areas and 1 368 worth 304.1 million outside these areas. The tendency also affected infrastructure in assisted areas, where 249 smaller-scale works were financed for a total of 91.2 million, as well as finance for energy installations which accounted for just 180 allocations totalling 218.8 million. The upturn in allocations earmarked for advanced technology and protection of the environment (29 totalling 80.3 million) was insufficient to counterbalance the general tendency.

Industrial investment accounted for 3 569 allocations. In terms of SMEs alone, the breakdown of their 3 472 allocations according to payroll numbers shows a concentration on smaller enterprises: businesses with less than 50 employees received 78% of the number of allocations and 54% of the total advanced. (For a detailed breakdown of global loan allocations see Table 14.)

Whereas the financing of larger firms plays a vital role in giving fresh impetus to Community industry by virtue of the scale of their R&D and export market capacity, it has a necessary complement in support for capital investment by smaller businesses which, through their diversity and dynamism, have a greater impact on employment in relation to the capital invested.

Financing operations by country

Italy

In Italy, lending from own resources rose to 2 912.5 million compared with 2 603.9 million in 1985. Loans from NCI resources dipped from 374.1 million in 1985 to 111.4 million. The figures combine to make for aggregate lending of 3 024 million, close to

the outturn in 1984 and an improvement on the levelling off recorded in 1985 (2 978 million).

In sectoral terms, 1 077 million went for infrastructure, 1 030 million for industry, substantially in the form of global loans, and 916.9 million for energy schemes. Regional development accounted for 60 %

of total lending, and an increasing proportion was made available for capital investment corresponding to the Community's advanced-technology and environmental protection objectives.

* * *

Finance for infrastructure centred on improvements to the transport and telecommunications networks, sewage treatment and disposal schemes and river flow control. In the energy sector, there was marked growth in lending for hydroelectric and geothermal power stations and for developing oil and natural gas deposits.

Notwithstanding the steep drop in global loan financing from NCI resources, lending to industry outstripped the 1985 performance as a result of the vigorous increase in loans from own resources, particularly for individual projects fostering dissemination of advanced technology.

Global loans concluded with 19 credit institutions totalled 673.4 million or 22.3 % of aggregate financing in Italy (20.1 % for loans from own resources), a reflection of the close and long-standing collaboration between the Bank and this country's long and medium-term credit institutions.

The proceeds of these global loans were earmarked chiefly for financing small and medium-sized industrial firms both in the assisted areas (423.9 million from own resources) and, from NCI resources, outside these areas (78.6 million). In all, 1 994 SMEs received 610.5 million in credit from global loans already under allocation.

A total of 43.6 million was committed towards financing 14 projects contributing to the introduction of advanced technology. The list of global loan financing is rounded off by amounts of 97.1 million for investment in industry and infrastructural works tailored to the Community's energy policy objectives and 20.3 million for protection of the environment, the first global loan credit of its kind in Italy.

* * *

Loans supporting **regional development** totalled 1 826.5 million, including 24.2 million from NCI resources, and represented three fifths of aggregate Bank financing in Italy.

Projects located in the **Mezzogiorno** accounted for some 90% of these loans (1 622.6 million), a degree of concentration attributable to renewed backing for industrial investment, more often than not provided via intermediary institutions, and for further work on transport and telecommunications infrastructure embarked upon by the regional authorities or endorsed under the FIO (Investment and Job-creation Fund).

The breakdown of lending in the mainland Mezzogiorno and in the islands was as follows: 273.3 million in Campania, 147.1 million in Sicily, 137.1 million in Latium, 93.5 million in Sardinia, 76.1 million in Abruzzi, 27.9 million in Basilicata, 34.1 million in Apulia, 23.5 million in The Marches and 16.3 million in Molise. The figures for Campania and Basilicata include 24.4 million in loans granted as part of Community aid for reconstruction in areas damaged by the earthquake at the end of 1980, bringing the amount of such aid committed to 93 % of the total set aside.

The Bank also provided 474.3 million in multiregional loans for telecommunications and the natural gas supply grid together with 257.9 million in global loans, principally for small and medium-scale industrial, service and tourism ventures in most of Italy's regions.

Several projects financed in the South of Italy offered wider-ranging benefits, e.g. acquisition of airliners for use on interregional routes (42.7 million), the equipping of emergency air services (9.7 million) and a global loan for craft enterprises throughout Italy (20.8 million).

Developments worthy of note in the regional pattern of lending in Italy were as follows:

In **Campania** the bulk of financing went towards infrastructure in the Greater Naples area. Forming part of a strategic development programme, the schemes financed included construction of a new business district in the city centre, improvements to transport infrastructure in the form of Naples's first underground railway line, extension of the suburban rail network and building of a motorway interchange, together with upgrading of the electricity, water and natural gas mains systems.

Other loans funded modernisation works on factories producing man-made fibres and railway traction units in Naples, typewriters at Pozzuoli,

electronic telecommunications components at Pagani, optical telecommunications cable fibres at Battipaglia, and ice cream at Caivano.

A further loan was made available towards preservation of archaeological sites at Pompeii, Herculaneum and Stabiae. As part of an ongoing process, the Bank also financed reconstruction work on roads and industrial estates in areas damaged by the earthquake at the end of 1980.

Lending in **Sicily** focussed on the hydrocarbons sector: development of Italy's largest oil field, an offshore deposit in the Strait of Sicily, and a gas field in Catania Province, as well as modernisation of an oil refinery at Augusta. The Bank also financed a laboratory for advanced research into nuclear physics for industrial and medical applications.

In **Latium** loans were, in the main, given over to the Rome motorway by-pass scheme designed to bridge gaps in links with the north (Florence-Milan), east (Pescara-L'Aquila) and south (Naples-Reggio Calabria). The industrial sector attracted finance for a factory producing cash registers at Pomezia and for a textile mill at Frosinone.

Operations financed in **Sardinia** ranged from a hydroelectric power station near Sassari, extensions to the electricity grid, improvements to drinking water supplies, modernisation of a refinery with a view to producing lead-free petrol, rationalisation of a textile mill at Villa Cidro, development of fish farming in lagoons near Oristano and reafforestation of 1 800 ha in Cagliari Province.

In **Abruzzi** there was a predominance of lending to industry with credit advanced for a commercial vehicles factory at Atessa, a joint venture mounted in collaboration with French promoters, and a plant at San Salvo manufacturing windows for the motor and building industries. The Bank also financed a marina at Pescara and improvements to drinking water supplies to communities in the Provinces of L'Aquila and Teramo.

EIB lending in **Basilicata** was directed towards extensions to the power supply grid and drinking water mains in Potenza together with reconstruction of a number of stretches of the road network.

In **Apulia**, in addition to further finance for continued work on construction of breakwaters for the coal terminal in the Port of Brindisi, Bank loans assisted investment in industry introducing new technology into a paper mill in Foggia and modernisation of a plant at Lecce producing engineering equipment for public works.

Loans in **Molise** served to finance the exploitation of an oil field in Campobasso Province, extensions to the water supply network and underpinning works on unstable mountain terrain in inland areas.

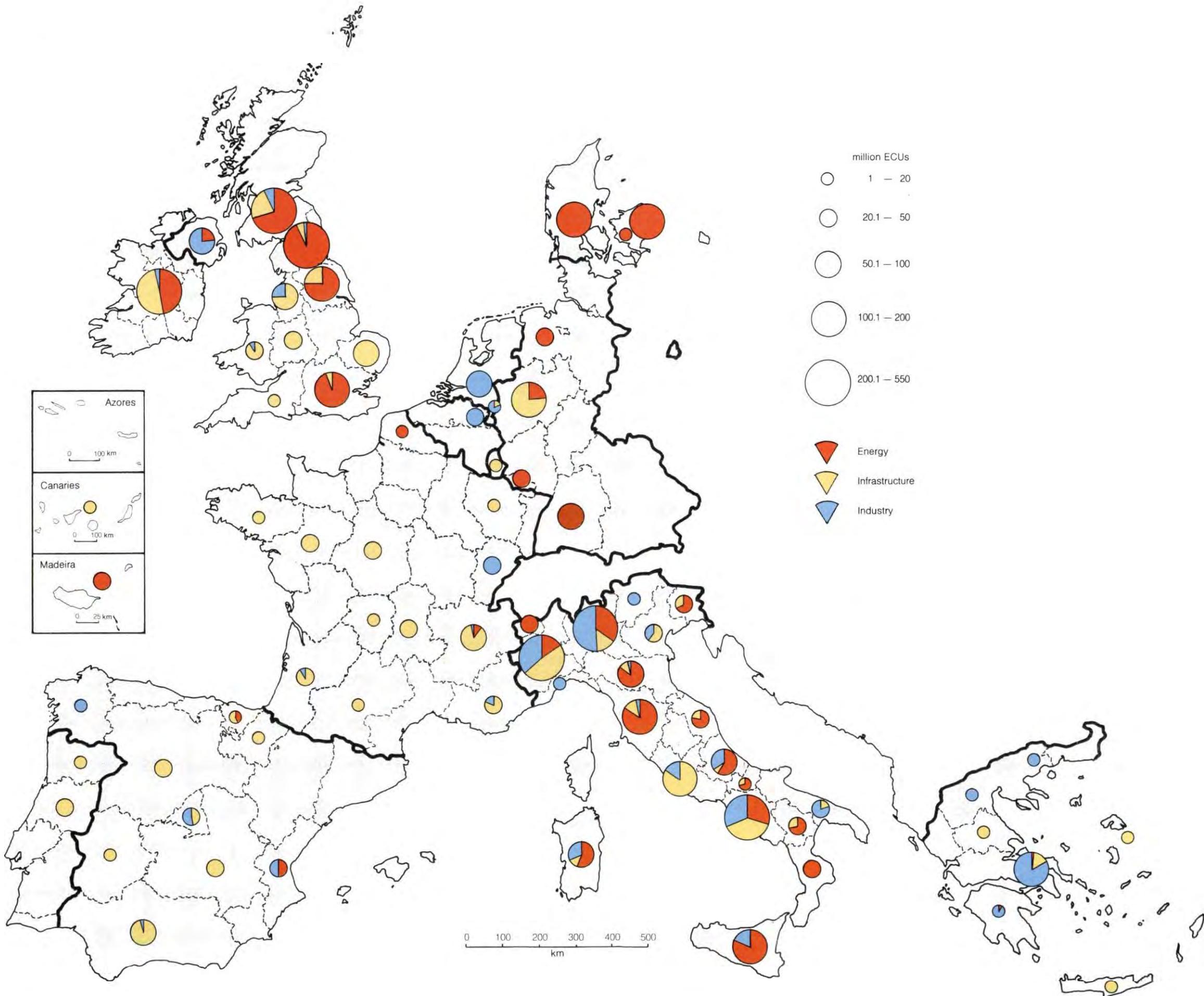
In the less-favoured parts of **Central and Northern Italy**, regional development financing amounted to 170.6 million, comprising 122.8 million in global loans for funding SMEs. Individual loans were granted for the purpose of modernising a paper mill at Riva del Garda, developing the Port of Trieste, constructing service roads for exploiting timber resources in the Provinces of Udine and Pordenone, erecting flood protection works in the Po Valley for the safety of parts of Rovigo, Mantua and Ferrara Provinces, carrying out damming and associated works to control the flow of the Cordevole in the Veneto Region, and extending sewage collection and treatment facilities on the island of Grado and along the Metauro in The Marches.

* * *

Some projects located in assisted areas were also financed on the basis of their contribution to other economic policy objectives. They are not accorded a repeated detailed mention in the following listings.

Lending for projects furthering pursuit of the **Community's energy objectives** came to 822.7 million. Projects in the North absorbed 537.8 million of this total and encompassed schemes harnessing hydroelectric and geothermal potential and a variety of gas projects: working of deposits, expansion of the supply grid, construction of storage systems and installation of distribution networks in the Greater Milan and Turin areas. Other loans in Italy's energy sector helped to fund interconnection of Italy's and France's high-voltage electricity grids, construction of a district heating system in Reggio Emilia and fitting out of a factory producing glass in Veneto with equipment realising improved energy savings.

Projects financed by individual loans in 1986



Financing for **Community transport infrastructure** (232.8 million) embraced the tunnels motorway linking Piedmont with Switzerland, the railway serving Milan International Airport, renovation of Pisa air-terminal, acquisition of MD 82 aircraft for European flights and development of harbour facilities at both Livorno and Trieste to accommodate container and roll-on/roll-off vessels.

Lending for projects designed to **protect the environment** amounted to 143.3 million, of which 121 million was made available in Central and Northern Italy for sewerage and sewage treatment and disposal schemes in the Po and Gorzone basins as well as along the Arno in conjunction with flood protection works and schemes to improve drinking water supplies in the Provinces of Novara and Alessandria.

The list of lending in Italy is concluded with loans worth 304 million for capital investment in **advanced technology** in industry and for projects representing the fruit of **co-operation between industries** in a number of Member Countries. The majority of the ventures concerned are situated in the non-assisted areas of Central and Northern Italy (274.2 million out of a total of 304 million) and relate principally to micro-electronics (factory producing computers at Scarmagno, another turning out components at Agrate), and to advanced processes in the copper metallurgy (Lucca and Pistoia), chemicals (Alessandria) and rubber (Settimo Torinese) industries. The Bank also financed research centres for the development of medical products at Varese, Milan and Nerviano as well as one for telecommunications in Turin.

United Kingdom

Financing in the United Kingdom came to 1 371.5 million, including 16.3 million from NCI resources. The rise of 21 % against 1985 was attributable to continued growth in lending for energy projects (866.4 million, or almost two thirds of the total), followed by infrastructure (394.4 million) and industry (110.7 million).

In the **energy** sector, loans went to Torness Point nuclear power station and its connection to the grid and for fuel storage and reprocessing facilities at Sellafield (660.8 million), development of the Sean and Esmond natural gas fields in the North Sea and of the coal-fired Kilroot power station in Northern Ireland (205.7 million).

A large number of smaller items of **infrastructure** financed by the Bank, generally in the Assisted Areas, are intended to improve communications (158.4 million): these include road development works, mainly in Scotland, near Edinburgh and in the Highland Region, in central England around Birmingham, Coventry, Nuneaton and Bewdley, in Wales around Llandudno and Swansea, and also in Cornwall; railway lines serving Cambridge, Norwich and Glasgow; upgrading of harbour installations at Felixstowe and Wisbech; airport modernisation schemes in Essex and, particularly, in London's old dockland area. Several of these projects will make for better communications links with other Member Countries.

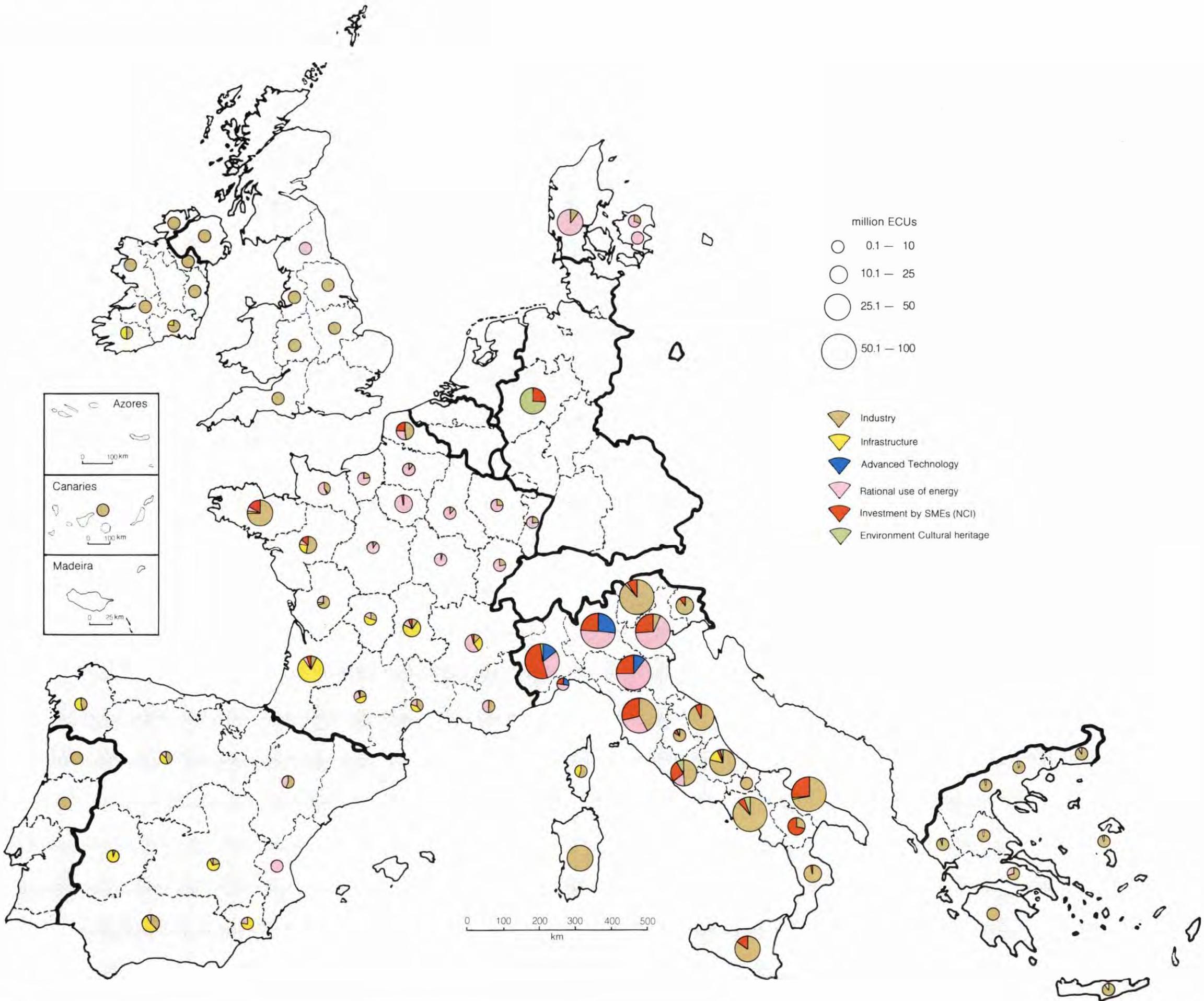
The Bank also helped to finance a technologically advanced cable network in Glasgow, numerous waste water collection and treatment schemes (contributing to protection of the environment or improvements to drinking water) in the North West, Yorkshire, Wales and Scotland, as well as sundry composite projects comprising a combination of industrial estates, road development, sewerage and sewage disposal schemes and other public works.

In **industry**, the Bank financed: the aeronautical engineering sector with loans for construction of a new short-haul aircraft in Northern Ireland as well as facilities for aircraft servicing in Scotland; the metallurgical sector (aluminium rolling in Northumberland and Gwent, manufacture of copper cables on Merseyside); the construction materials sector (a granite quarry in Scotland and a composite panel factory in Wales). Similarly, funds were advanced for tourism (hotels in Manchester and Dundee) and for computerisation of management systems in a chain of co-operative stores.

Small and medium-sized industrial enterprises also benefited from 25 allocations totalling 10.8 million from global loans already on tap.

France

In France the EIB lent 623.4 million, including 58.4 million from NCI resources. The downturn compared with 1985 (1 247.4 million) is explained by the lower level of global loan finance for small and medium-scale ventures (123.7 million in contrast to 678.7 million in 1985) and the reduced amount of credit for energy projects (22.3 million, as against 191.6 million the previous year).



The **manufacturing** sector claimed 180 million in loans for an increased number of industrial ventures deploying advanced technology: development of robotics in a car factory paint shop, production of equipment for computer aided design systems in the textiles industry, in the manufacture of integrated circuits and in that of extruders.

Credit made available via intermediary institutions took the form of global loans from own resources for SMEs in assisted areas, notably in the West, Languedoc-Roussillon and coastal regions, and global loans advanced from NCI resources for capital investment in more developed parts of the country. The lower level of activity under this heading compared with 1985 meant that only 1 078 allocations were drawn down, totalling 165 million. The recipients of sub-loans were mainly in the metal working (29.8 million), printing (16 million), industrial services and fisheries (17.4 million) sectors.

Communications **infrastructure** attracted loans for a total of 281.1 million which were given over principally to: opening up the Massif Central region with completion of the Bourges—Clermont Ferrand section of the A 71 motorway; improved rail and road links with the West and South West (through finance for the 'Atlantic' TGV — high-speed train — service between Paris and Le Mans, the Le Mans—Anger section of the A 11 and the Toulouse motorway by-pass making for an unbroken link between Bordeaux and Narbonne; sundry infrastructural works on roads in Brittany, the Pays de la Loire and the South West); and improvements to the road network in Lorraine, particularly in the Vosges and the iron and steel basin. A number of other roads financed by the Bank will make for enhanced communications with Switzerland and Italy (the Mâcon—Châtillon section of the A 40 and the Lyons eastern by-pass) as well as with Luxembourg (the Thionville by-pass).

In the telecommunications sector, a loan will help to finance the laying of two submarine telephone cables, partly of optical fibre design linking Europe, on the one side, with the United States, and, on the other, with the Middle East and South-East Asia.

A project to construct a plant in Marseilles for treating waste water before its discharge into the sea will also make it possible to use the treated sludge to build up the topsoil on fire-damaged hills around the city and to prepare the ground for re-forestation. Small and medium-scale infrastructural works undertaken by local authorities and contributing to regional development were also financed under the proceeds of a global loan. As many as 214 items of capital investment were funded under this

heading in 1986 absorbing credit worth 56.5 million, mostly for road improvement works.

In addition, the Bank lent 22.3 million for two **energy** projects: a hydroelectric scheme on the Rhône upstream of Lyons and interconnection of the French and British high-voltage electricity grids by means of submarine cables.

Germany

Lending in Germany reached a record level of 441.8 million and funded projects consonant with the Community's **environmental protection** and **energy** objectives. The Bank provided loans for a number of thermal power stations and combined heat and electricity-generating plants (126.7 million) which had to be adapted to comply with current regulations by equipping them either with installations to treat flue gas or with generators contributing less to atmospheric pollution. In common with the district heating system in the Saar and using heat recuperated from industrial processes, these projects combine to make for more rational use of energy.

At the same time, the Bank stepped up its cooperation with the German banking system by concluding a global loan for financing infrastructural works intended to reduce pollution or to achieve energy savings (31.4 million was authorised for lending under this heading during the year in support of 11 items of capital investment).

Construction of a reservoir on the Dhünn near Cologne will serve to improve the quality of drinking water supplies in North Rhine-Westphalia and to cut back on the amount of water drawn from the Rhine which cannot be used without thorough reprocessing.

Loans totalling 149.7 million were also made available for Emsland and Neckarwestheim nuclear power stations and for construction of a gasline supplying the Community from the Soviet Union.

Spain

Lending in Spain during the first year of accession came to 409.3 million, including 69.2 million from NCI resources, mainly for communications infrastructure and projects in industry. This represented a substantial upturn compared with previous financing advanced as part of pre-accession aid.

Transport **infrastructure** accounted for 191.5 million in loans designed to upgrade regional road and rail links between Madrid and Andalusia, particularly those connecting Spain with France and the remainder of the Community: roads, on the one hand, between Madrid, Burgos and Zaragoza and, on the other, between Vilar Formoso, on the border with Portugal, and Burgos; railway lines to France through the Basque country and Catalonia. Port installations at Cadiz and Tenerife also benefited from financing together with smaller-scale infrastructural schemes offering regional benefits and carried out by local authorities: some 19 works were funded for 29.2 million.

Lending for **manufacturing industry** took the form of three global loans (98.5 million) for capital investment by SMEs, as well as finance for industrial projects mounted in the private sector (62.7 million).

The latter category included three factories producing telecommunications equipment in the suburbs of Madrid, at La Coruña and Algeciras, and projects catering for the motor vehicle sector in older industrial areas: two car production plants near Madrid and at Vigo and a factory producing car windows near Valencia.

From global loans already activated, 65.8 million was allocated to 116 ventures (62 for 45.3 million under global loans concluded within the context of pre-accession aid); eleven of the allocations (3.9 million) were granted from a global loan funded from NCI resources.

In the **energy** sector, two loans totalling 27.3 million went towards a major hydroelectric scheme south-west of Valencia and a gasline grid to supply the Basque country with natural gas.

Ireland

At 262.1 million, including 47.8 million from NCI resources, lending in Ireland was considerably above the level of previous years. Infrastructural schemes and essential ancillary works accounted for the best part of this credit. They comprised extension of Moneypoint coal-fired power station and its connection to the grid, chiefly with a view to supplying Dublin (117 million), improvements to the road network, notably around Cork, and a number of water supply and waste water treatment schemes (87.9 million).

The Bank also continued to provide finance for afforestation and reforestation programmes and for construction of advance factories (42.2 million).

The proceeds of three global loans (15 million) will help to fund the capital investment needs of smaller industrial businesses.

Denmark

Loans in Denmark came to 258.2 million, including 59.9 million from NCI resources, and were mainly given over to financing gas supply and district heating systems.

A project to improve the distribution network supplying natural gas from the Danish sector of the North Sea to a large number of municipalities in Southern Jutland and Zealand attracted loans worth 73.2 million. It will serve to make this Member Country more self-reliant on the energy front.

In addition to making for more rational use of energy, loans advanced for district heating systems will also serve to reduce pollution. The systems will be extended to heat residential housing, offices and industrial premises in the Copenhagen conurbation, notably in the municipality of Gentofte, as well as in the towns of Fredericia and Aarhus, and in many municipalities along the Little Belt (154.7 million).

New global loans concluded during the year totalled 30.3 million, the proceeds being earmarked for SMEs, 168 of which received credit worth 49.8 million in all from ongoing global loans.

Greece

The Bank lent 253 million in Greece, comprising 50.2 million for communications infrastructure, 24.5 million for electricity generation and supply, 113.2 million for modernisation of two refineries, 56.5 million in global loan financing and 8.6 million for construction of three vocational and technical training centres designed to contribute to the provision of qualified personnel essential to the running of the economy.

Infrastructural works financed ranged from roads on the islands of Crete, Rhodes and Euboea and in central and northern mainland Greece, to modernisation of Athens International Airport and improvements to the country's railway network. Finance for construction of two small hydroelectric stations at Stratos and Ghiona and for erection of a new high-voltage overhead transmission line

between Macedonia and Athens will result in improved electricity supplies to several parts of the country.

The Bank also provided loans for modernisation works on two refineries near Athens designed to reduce atmospheric and water pollution in the Greater Athens area and permit production of low-lead or unleaded petrol.

The proceeds of one global loan will be deployed towards smaller-scale capital investment in industry and tourism, while credit from another is earmarked for smaller farming and agricultural-processing businesses. Agribusiness and craft ventures received 151 allocations totalling 29 million during the year from earlier global loans.

In the second half of the year the Community and the Greek authorities concluded a 'programme contract' under the Integrated Mediterranean Programme (IMP) for the island of Crete accompanied by a declaration of intent by the Bank with respect to its operations in Crete.

Portugal

In the first year of accession the Bank provided loans totalling 190.3 million in Portugal, including 29.9 million from NCI resources. The breakdown shows 96.4 million going to communications infrastructure, 64.8 million in global loans and 29.1 million for the improvement of electricity generation and supply on Madeira.

Infrastructural schemes financed included improvements to motorway and rail links between Oporto and Lisbon, construction of sections of motorway around Oporto, and road development works in the north and east, particularly on the road joining Aveiro and Coimbra to Vilar Formoso on the Spanish frontier. The EIB also contributed towards upgrading telephone links and telex exchange facilities by funding installations using digital technology.

Three global loans concluded with intermediary institutions will help to fund an increased number of projects initiated by smaller businesses with a view to bringing plant and equipment up to date, reducing energy consumption and, in certain cases, adding to or improving anti-pollution equipment; from global loans already in operation 60 allocations were made (10.5 million), and of these 58 (accounting for 9 million of the total) were drawn down from global loans concluded under pre-accession aid.

Netherlands

Lending in the Netherlands amounted to 98.2 million, most of which (80.1 million) was provided for financing R&D installations at Eindhoven geared to producing mega-chips, i.e. the next generation of semi-conductors with static memories offering an extremely high storage capacity. This advanced-technology project is a collaborative venture pooling the resources of different European firms. The Bank's other loans went for two projects in Limburg: construction of a factory to produce artificial sweeteners, and purchase and installation of a flight simulator to train pilots.

Belgium

In Belgium the Bank granted a loan for 46.1 million for extension and automation of a factory producing compact disc players for sale to the general public. This is a high-technology project using production methods including laser opto-electronic read-out and digital signal-processing. The factory is located at Hasselt in the Province of Limburg where pit closures in the coalmining industry have created serious unemployment problems.

Luxembourg

In the Grand Duchy of Luxembourg the Bank provided a loan for 18.2 million towards enlarging the Court of Justice of the European Communities by constructing new buildings needed partly to enable the Court to cope with the growing volume of cases submitted to it and partly to cater for the consequences of the accession of new Member Countries.

Other financing

The Bank provided a loan for 75 million to Eutelsat (the European Telecommunications Satellite Organisation) for the purchase, placing into orbit and operation of satellites offering high-capacity digital transmission facilities between Member Countries. This particular capital investment was authorised by the Board of Governors, in accordance with the special provisions of Article 18 of the Bank's Statute, by virtue of its interest to the Community as a whole.

Li t of loan provided within the Community (1)

A. Loans provided from the Bank's own resources

Contracts signed in 1986

Loans granted from the Bank's own resources in 1986 in respect of projects within the Community totalled 6 678·1 million. All these operations give rise to financial commitments for the Bank and are included on its balance sheet. The symbols in the columns to the right of each operation listed hereafter refer back to the economic policy objective headings featured in Table 12.

	million ECUs	Modernisation of undertakings	Environment-Cultural heritage	Community infrastructure	Energy	Regional development
BELGIUM	46·1					
2 billion Belgian francs						
1. Expansion and automation of plant producing compact disc players in Hasselt (Limburg)						
N.V. Philips Industrie						
Bfrs 2 billion						
	46·1	•				•
DENMARK	198·3					
1 581 million Danish kroner						
2.—4. Laying of natural gas distribution system to serve 43 of the 53 municipalities in Counties of Vejle, Ribe and Sønderjylland (South Jutland)						
Naturgas Syd I/S — NGS through Kongeriget Danmarks Hypotekbank og Finansforvaltning						
Dkr 200 million						
	25·1	•				
Dkr 162 million						
	20·2	•				
Dkr 150 million						
	18·8	•				
5. Laying of natural gas transmission and distribution system in Counties of West Sjælland and Storstrøm (Zealand)						
Naturgas Sjælland I/S through Kongeriget Danmarks Hypotekbank og Finansforvaltning						
Dkr 72 million						
	9·0	•				
6.—7. Extension of district heating grid to serve five municipalities in Lillebælt Strait						
Trekantområdets Varmetransmissionselskab I/S						
Dkr 100 million						
	12·5	•				
Dkr 100 million						
	12·5	•				
8. Construction of district heating grid to serve Greater Copenhagen area						
Centralkommunernes Transmissionselskab I/S						
Dkr 275 million						
	34·5	•				
9.—10. Construction of district heating grid (68 km) to serve public buildings, industrial premises and apartment blocks in municipality of Gentofte (Copenhagen)						
Municipality of Gentofte						
Dkr 50 million						
	6·3	•				
Dkr 50 million						
	6·3	•				
11. Construction of mains to supply hot water to various urban district heating grids west of Copenhagen						
Vestegnens Kraftvarmeselskab I/S						
Dkr 250 million						
	31·4	•				
12. Expansion of district heating grid serving municipality of Århus (South Jutland)						
Municipality of Århus						
Dkr 100 million						
	12·5	•				
13. Connection of Fredericia urban district heating grid to regional heat transmission system (Vejle)						
Fredericia Fjernvarmecentral a.m.b.a.						
Dkr 32 million						
	4·1	•				
14. Global loan to Danish Government (Regional Development Board) to finance small and medium-scale industrial and tourism ventures in assisted areas						
Dkr 40 million						
	5·0	•				

(1) Finance contracts are generally denominated in the equivalent of the national currency concerned.

Modernisation of undertakings
Environment-Cultural heritage
Community infrastructure
Energy
Regional development
million ECUs

GERMANY

441.8

946 million Deutsche Mark

15. Construction of 1 240 MW Emsland nuclear power station at Lingen in Lower Saxony

Kernkraftwerke Lippe-Ems GmbH

DM 50 million

22.9

16.—17. Construction of Unit 2 (1 230 MW) of Neckarwestheim nuclear power station in Baden-Württemberg

EVS Kernkraft Neckarwestheim GmbH

DM 100 million

45.8

DM 30 million

14.0

18. Construction of coal-fired combined heat and power plant at Stöcken on outskirts of Hanover (Lower Saxony) to replace obsolete plant and reduce pollution

Gemeinschaftskraftwerk Hannover GmbH

DM 100 million

47.8

19.—20. Installation of single coal-fired 300 MW thermo-electric generating set to replace three obsolete units and reduce pollution at Elberfeld (North Rhine-Westphalia)

Wuppertaler Stadtwerke AG

DM 50 million

23.0

DM 50 million

23.3

21. Replacement of three obsolete steam generators fired with gas and/or diesel by one modern, cleaner lignite-fired boiler at power station in Cologne (North Rhine-Westphalia)

Gas- Elektrizitäts- und Wasserwerke Köln AG through **Westdeutsche Landesbank Girozentrale**

DM 40 million

18.6

22.—23. Installation of desulphurisation and denitrification equipment in coal-fired power station at Voerde (North Rhine-Westphalia)

Kraftwerk Voerde STEAG-RWE oHG

DM 10 million

4.7

DM 20 million

9.3

24.—26. Construction of Dillingen and Saarlouis district-heating system drawing on heat recycled from industrial plant (Saarland)

Fernwärme-Verbund Saar GmbH through **Beleggingsmaatschappij C. Floris-Corsten B.V.**

DM 20 million

9.2

DM 20 million

9.2

DM 16 million

7.4

27. Additional section of gasline conveying Soviet natural gas from Waidhaus on Czechoslovak border to Medelsheim on French border

Mitteleuropäische Gasleitungsgesellschaft mbH through **MEGAL Finance Company Ltd**

DM 140 million

67.0

28. Construction of reservoir dam on river Dhünn, pumping stations, water treatment plant and drinking water supply networks in North Rhine-Westphalia

Wupperverband through **Westdeutsche Landesbank Girozentrale**

DM 150 million

69.8

29. Global loan to **Westdeutsche Landesbank Girozentrale** to finance small and medium-scale infrastructural schemes aimed at environmental protection and/or rational use of energy

DM 150 million

69.8

GREECE

253.0

35 billion Drachmas

30. Construction of hydroelectric power plants at Stratos (6 MW) on the Acheloos (Western Central Greece) and Ghiona (8.5 MW) (Eastern Central Greece)

Public Power Corporation

Dr 400 million

2.9

31. Erection of high-voltage power lines (400 kV) between sub-stations at Kardias (Western Macedonia) and Aghios Stefanos (Athens conurbation)

Public Power Corporation

Dr 3 billion

21.6

		Modernisation of undertakings	Environment-Cultural heritage	Community infrastructure	Energy	Regional development
	million ECUs					
32. Upgrading to double track and improvements to existing track on the Athens—Thessaloniki—Idomeni railway line Organismos Sidirodromon Ellados Dr 2 500 million	18.0	●	●			
33. Improvements to trunk and regional roads (290 km) on islands of Crete, Euboea and Rhodes Hellenic Republic (Ministry of the Environment, Town Planning and Public Works) Dr 3 billion	21.8	●				
34. Improvements and upgrading works on some 210 km of trunk and regional roads Hellenic Republic (Ministry of the Environment, Town Planning and Public Works) Dr 1 billion	7.2	●				
35. Modernisation and extension works at Athens airport Hellenic Republic (Ministry of the Environment, Town Planning and Public Works) Dr 450 million	3.2	●	●			
36. Modernisation of oil refinery at Aghii Theodori (south west of Athens); construction of two units producing low-lead and unleaded petrol Motor Oil (Hellas) Corinth Refineries Dr 1 650 million	12.6	●	●			
37. Modernisation of oil refinery at Aspropyrgos near Elefsis (north west of Athens) Hellenic Aspropyrgos Refineries S.A. Dr 14 billion	100.6	●	●	●		
38. Construction and equipping of technological institutes in Kavala (Macedonia) and Piraeus (Central Greece) and a technical college in Thessaloniki (Macedonia) Hellenic Republic (Ministry for National Economy) Dr 1 200 million	8.6	●				
39. Global loan to Hellenic Industrial Development Bank to finance small and medium-scale industrial and tourism ventures Dr 1 billion	7.6	●				
40. Global loan to Agricultural Bank of Greece to finance small and medium-scale agro-industrial and on-farm investment schemes, and capital expenditure by rural-based, smaller industrial undertakings Dr 6 800 million	48.9	●				
SPAIN	340.0					
46 713 million Pesetas						
41. Construction of hydroelectric complex comprising storage reservoirs and two power plants on river Jucar, 50 km south-west of Valencia Hidroeléctrica Española S.A. through Banco de Crédito Industrial and Instituto de Crédito Oficial Ptas 2 750 million	20.0		●			
42. Construction of gas transmission system serving the Basque country Sociedad de Gas de Euskadi Ptas 1 billion	7.3		●			
43.—44. Improvements to main railway line linking Madrid and Andalusia and to Andalusian regional network — RENFE Ptas 5 500 million	40.0	●				
— Ministry of Finance and Ministry of Transport, Tourism and Telecommunications Ptas 3 500 million	25.4	●				
45.—46. Improvements on some 220 km of main railway lines to France via Irún and Port Bou — Ministry of Finance and Ministry of Transport, Tourism and Telecommunications Ptas 4 billion	29.1	●	●			
— RENFE Ptas 4 billion	29.1	●	●			

					Modernisation of undertakings
					Environment-Cultural heritage
					Community infrastructure
					Energy
					Regional development
			million ECUs		
47.	Widening and upgrading of ten sections (180 km) of RN IV Madrid—Andalusia trunk road				
	Kingdom of Spain (Ministry of Finance and Ministry of Public Works and Urban Development)				
	Ptas 3 billion	21.8	●		
48.	Widening, construction and upgrading of 12 sections (215 km) of RN I and II trunk roads linking Madrid with Burgos and Zaragoza and N620 main road from Portugal (Vilar Formoso) to Burgos, northern Spain and France				
	Kingdom of Spain (Ministry of Finance and Ministry of Public Works and Urban Development)				
	Ptas 4 billion	29.1	●	●	
49.	Construction of bulk cargo quay and associated facilities at port of Cadiz (Andalusia); breakwater and development works in docks at Santa Cruz de Tenerife harbour (Canary Islands)				
	Kingdom of Spain (Ministry of Finance and Ministry of Public Works and Urban Development)				
	Ptas 2 338 million	17.0	●		
50.	Construction of plant for production of car windows at Sagunto (Valencia)				
	SIV Española S.A.				
	Ptas 2 750 million	20.0	●	●	
51.	Modernisation and rationalisation of car manufacturing plant in Vigo (Galicia)				
	Citroën Hispania S.A.				
	Ptas 2 billion	14.5	●	●	
52.	Modernisation and rationalisation of car manufacturing plant in Villaverde, near Madrid				
	Automóviles Talbot S.A.				
	Ptas 2 500 million	18.2		●	
53.	Extension of plants manufacturing telecommunications equipment and expansion of research and development capacity at Algeciras (Andalusia), La Coruña (Galicia) and on the outskirts of Madrid				
	Telettra Española S.A.				
	Ptas 1 375 million	10.0	●	●	
54.	Global loan to Banco de Crédito Local de España through Instituto de Crédito Oficial to finance smaller-scale infrastructural schemes implemented by local authorities in less-developed regions				
	Ptas 4 billion	29.3	●		
55.	Global loan to Banco de Crédito Industrial through Instituto de Crédito Oficial to finance small and medium-sized industrial and service-sector enterprises in less-developed regions				
	Ptas 4 billion	29.3	●		
FRANCE		565.0			
	3 854 million French francs				
56.	Construction of 45 MW hydroelectric power station at Sault-Brenaz, 60 km upstream of Lyons (Rhône-Alpes)				
	Compagnie Nationale du Rhône				
	Ffrs 50 million	7.3		●	
57.	Interconnection of French and British high-voltage power grids by laying four pairs of submarine cables under the Channel between Bonningues-lès-Calais (Nord Pas-de-Calais) and Sellindge in Kent				
	Électricité de France				
	Ffrs 100 million	15.0		●	
58.	High-speed train services (TGV-Atlantique); construction of 273 km of electrified railway lines connecting Paris with Le Mans and Tours to serve Brittany and the South-West respectively; introduction of 95 high-speed train sets				
	Société Nationale des Chemins de Fer Français				
	Ffrs 300 million	43.8	●		
59.	Construction of Bourges—Clermont-Ferrand section (182 km) of A 71 motorway between Orléans and Clermont-Ferrand (Auvergne)				
	Société des Autoroutes Paris-Rhin-Rhône through CNA				
	Ffrs 400 million	58.4	●		

					Modernisation of undertakings
					Environment-Cultural heritage
					Community infrastructure
					Energy
					Regional development
				million ECUs	
60.	Construction of Le Mans—Angers section (81.5 km) of A 11 motorway between Paris and Nantes (Pays de la Loire) Société des Autoroutes du Sud de la France through CNA Ffrs 156 million	22.8	●		
61.	Construction of Mâcon—Châtillon section (96 km) of A 40 motorway linking up with Mont Blanc tunnel (Rhône-Alpes) Société des Autoroutes Paris-Rhin-Rhône through CNA Ffrs 400 million	58.4		●	
62.	Construction of motorway by-pass east of Lyons and Rillieux—Neyron section of A 46 motorway (Rhône-Alpes) Communauté Urbaine de Lyon through CAECL Ffrs 20 million	3.0	●	●	
63.	Construction of motorway by-pass east of Toulouse linking A 61 with A 62 (Midi-Pyrénées) Région Midi-Pyrénées, Département de Haute-Garonne and Ville de Toulouse through CAECL Ffrs 30 million	4.4	●		
64.	Improvement works on nine sections (84.4 km) of the road and motorway network, principally in South-Western France, around Marseilles and in the Lorraine iron and steel basin Fonds Spécial de Grands Travaux Ffrs 500 million	73.0	●		
65.	Improvements to road infrastructure over more than 100 km, notably on trunk roads between Rennes and Nantes and between St Brieuc and Quimper Région and Départements de Bretagne, Région du Pays de la Loire and Département de Loire-Atlantique through CAECL Ffrs 88 million	12.9	●		
66.	Improvements to nine sections of the road and motorway network in Lorraine Région Lorraine, Département de Meurthe-et-Moselle and Département des Vosges through CAECL Ffrs 30 million	4.4	●	●	
67.	Laying of transoceanic submarine cables: one, of optical fibres, 6 679 km in length and providing 7 560 telephone circuits between the United States and Europe; the other, 13 473 km, linking France and Singapore and improving connections between Europe, the Middle East and Asia Administration des Postes et Télécommunications through CNT Ffrs 340 million	50.9			●
68.	Construction of waste water treatment plant serving large part of Marseilles urban area and treatment plant for residual sludge (Provence-Côte d'Azur) Ville de Marseille through CAECL Ffrs 110 million	16.0	●	●	
69.	Extension and modernisation of plant producing extruders for foodstuffs and chemical industries at Firminy (Loire) CLEXTRAL S.A. Ffrs 10 million	1.5	●		
70.	General deployment of data-processing systems and robot-based manufacturing methods in motor vehicle paint shop at Sochaux (Franche-Comté) Automobiles Peugeot S.A. Ffrs 300 million	43.8			●
71.	Increase in production and R&D capacity of company turning out computer-aided design and manufacturing systems at Cestas (Aquitaine) Lectra-Systèmes S.A. Ffrs 16 million	2.3	●		●
72.	Construction of plant manufacturing specialised integrated circuits near Aix-en-Provence (Provence-Côte d'Azur) ES2 — European Silicon Structures S.A. France Ffrs 60 million	8.8	●		●
73.	Global loan to CAECL to finance small and medium-scale infrastructural works by local authorities or public agencies in assisted areas Ffrs 500 million	73.0	●		

	million ECUs				
					Modernisation of undertakings
					Environment-Cultural heritage
					Community infrastructure
					Energy
					Regional development
74.—78.	Global loans to regional development companies (SDR) to finance small and medium-scale industrial, tourism and service-sector ventures in assisted areas				
—	SDR de Bretagne				
	Ffrs 20 million	2.9	●		
	Ffrs 40 million	5.8	●		
—	SDR de l'Ouest — Sodero				
	Ffrs 20 million	2.9	●		
	Ffrs 40 million	5.8	●		
—	SDR du Languedoc-Roussillon — Sodler				
	Ffrs 75 million	11.0	●		
79.	Global loan to CEPME to finance small and medium-scale industrial, tourism and service-sector ventures in assisted areas				
	Ffrs 99 million	14.5	●		
80.	Global loan to Caisse Centrale de Cr�dit Coop�ratif to finance small and medium-scale ventures in the fisheries sector in assisted coastal areas				
	Ffrs 150 million	22.4	●		
IRELAND		214.3			
	159.8 million Irish pounds				
81.—82.	Addition of third 300 MW unit at Moneypoint coal-fired power station				
	Electricity Supply Board				
	IR�15 million	21.0	●	●	
	IR�20 million	26.2	●	●	
83.	Extension and upgrading of high-voltage power grid, notably erection of 400 kV lines between Moneypoint power station and Dublin				
	Electricity Supply Board				
	IR�16.8 million	22.0	●		
84.—89.	Improvements to various sections of the main road network				
	Irish Government (Minister for Finance)				
	IR�5 million	7.0	●		
	IR�18.5 million	24.2	●		
	IR�10 million	13.1	●		
	IR�5 million	6.6	●		
	IR�3.5 million	4.6	●		
	IR�7.5 million	9.8	●		
90.	Construction of Athlone by-pass and bridge over Shannon				
	Irish Government (Minister for Finance)				
	IR�3 million	3.9	●		
91.—93.	Water supply and sewage treatment schemes				
	Irish Government (Minister for Finance)				
	IR�4 million	5.6	●		
	IR�4 million	5.2	●		
	IR�6 million	7.9	●		
94.	Construction of advance and custom-built factories				
	Shannon Free Airport Development Company Ltd and Udaras na Gaeltachta through Irish Government (Minister for Finance)				
	IR�3 million	4.2	●		
95.—96.	Forestry development schemes and afforestation works on more than 13 000 ha				
	Irish Government (Minister for Finance)				
	IR�24 million	33.4	●		
	IR�3.5 million	4.6	●		
97.—99.	Global loans to Industrial Credit Corporation plc to finance small and medium-scale industrial and tourism ventures				
	IR�3 million	4.2	●		
	IR�3 million	4.2	●		
	IR�5 million	6.6	●		

		million ECUs	Modernisation of undertakings	Environment-Cultural heritage	Community infrastructure	Energy	Regional development
ITALY		2 912.5					
4 279.9 billion Lire							
100. Construction of hydroelectric power stations offering combined capacity of some 70 MW in Friuli, Emilia-Romagna and Lombardy							
ENEL							
Lit 35 billion		23.5	●				
101. Modernisation and rehabilitation of hydroelectric power station (23.4 MW) at Coghinas in Sassari Province (Sardinia)							
ENEL							
Lit 20 billion		13.6	●	●			
102.—103. Modernisation and upgrading of eight hydroelectric power stations offering combined capacity of some 224 MW in Piedmont, Emilia-Romagna and Lombardy							
ENEL							
Lit 80 billion		54.2		●			
Lit 40 billion		27.7		●			
104. Construction of hydroelectric power station (18.6 MW) on the Braulio (Lombardy)							
Municipality of Milan through IMI							
Lit 7.5 billion		5.0		●			
105.—106. Construction of seven geothermal power stations in Tuscany offering combined capacity of 140 MW							
ENEL							
Lit 100 billion		67.8		●			
Lit 60 billion		41.5		●			
107.—108. Construction of district heating network and combined heat and power generating plant designed to use a variety of fuels at Reggio Emilia (Emilia-Romagna)							
Azienda Gas Acqua Consorziale through BNL-SAFOP							
Lit 10.5 billion		7.3		●			
Lit 4.5 billion		3.1		●			
109.—112. Development of Italy's largest oil field, the 'Vega' field in the Strait of Sicily off Ragusa Province							
Società Energia Montedison, Canada N.W. Italia and Petromarine Italia through MEDIOBANCA							
Lit 56 billion		37.9	●	●			
Lit 24 billion		16.2	●	●			
Lit 28 billion		19.0	●	●			
Lit 12 billion		8.1	●	●			
113. Development of three natural gas deposits: 'Eleonora' off Teramo Province (Abruzzi), 'Pennina' off Ascoli Province (The Marches) and 'Bronte' in Catania Province (Sicily); construction of regional operations centre in Chieti (Abruzzi)							
AGIP S.p.A. through ENI							
Lit 130 billion		89.9	●	●			
114. Development and exploitation of three offshore natural gas fields: 'Barbara' off The Marches and 'Armida' and 'Antares' off Emilia-Romagna							
AGIP S.p.A.							
Lit 80 billion		54.2		●			
115.—116. Development of Torrente Tona oil deposit in Campobasso Province (Molise)							
AGIP S.p.A. through ENI							
Lit 11.9 billion		8.1	●	●			
Lit 5.1 billion		3.5	●	●			
117. Interconnection of Italian and French high-voltage power grids: erection of 138 km section between Rondissone in Valle d'Aosta and the Little Saint Bernard Pass on the French border							
ENEL							
Lit 35 billion		24.4		●			
118. Construction of gasline linking Minerbio underground gas reservoir in Emilia-Romagna with Alessandria in Piedmont; conversion of partially depleted gas deposit at Settala (Lombardy) into gas storage reservoir							
SNAM S.p.A.							
Lit 80 billion		54.2		●			

		million ECUs	Modernisation of undertakings	Environment-Cultural heritage	Community infrastructure	Energy	Regional development
119. Extension of electricity transmission and distribution grids in Campania, Calabria, Basilicata and Sardinia ENEL Lit 200 billion		135.4	●				
120. Construction and development of natural gas distribution networks in different parts of the Mezzogiorno Italgas Sud S.p.A. through Banco di Napoli Lit 50 billion		33.9	●	●			
121.—122. Conversion from town to natural gas and extension of distribution network serving Naples and neighbouring communes (Campania) Napoletana Gas S.p.A. through ENI Lit 14 billion Lit 6 billion		9.5 4.1	●	●			
123.—126. Conversion from town to natural gas and extension of distribution network in Milan area (Lombardy) Municipality of Milan, Azienda Energetica Municipale through BNL Lit 21 billion Lit 9 billion Lit 14 billion Lit 6 billion		14.5 6.2 9.7 4.2		●	●		
127.—130. Construction of natural gas distribution networks in 47 communes and extension of networks in 59 other communes, chiefly in Turin Province (Piedmont) ITALGAS S.p.A. Lit 17.5 billion Lit 7.5 billion Lit 17.5 billion Lit 7.5 billion		12.1 5.2 12.1 5.2		●	●		
131.** Upgrading to double track the railway line between Milan and Saronno with a view to providing for a regular rail service to Malpensa International Airport (Lombardy) Ferrovie Nord Milano Esercizio S.p.A. through Ministry of Transport Lit 30 billion		20.3					●
132.—133. Widening of A 2 Rome—Naples motorway from two to three lanes (176 km) AUTOSTRADE Lit 40 billion Lit 60 billion		27.1 41.5	●				
134.—135. Completion of Rome by-pass (46.9 km) to link A 1 Rome—Milan and A 2 Rome—Naples motorways AUTOSTRADE through IRI Lit 60 billion Lit 40 billion		40.7 27.7	●				
136.—138. Construction of five new sections (54 km) of Tunnels Motorway (Piedmont) leading to Swiss border AUTOSTRADE through CREDIOP Lit 59.5 billion Lit 25.5 billion Lit 100 billion		39.9 17.1 67.8					●
139.** Extension of Vomero interchange on Naples urban motorway (Campania) Campania Regional Authority Lit 10 billion		6.9	●				
140.* Repairs to six viaducts on Naples—Avellino—Bari motorway (A 16) damaged during November 1980 earthquake (Campania) AUTOSTRADE Lit 5 billion		3.4	●				
141.* Repairs to twelve viaducts on Naples—Avellino—Bari motorway damaged during November 1980 earthquake AUTOSTRADE Lit 8 billion		5.5	●				

* Reconstruction loan for area(s) damaged in 1980 earthquake

** Project financed under the **Fondo Investimenti e Occupazione — FIO** (Investment and Job-creation Fund)

Modernisation of undertakings
 Environment-Cultural heritage
 Community infrastructure
 Energy
 Regional development

million ECUs

142.* Continuation of reconstruction work on road network in Campania and Basilicata damaged during November 1980 earthquake
ANAS through Italian Republic
 Lit 20 billion

13.4

143.** Extension of mole VII in Trieste harbour to accommodate container and roll-on/roll-off vessels (Friuli-Venezia Giulia)
Italian Republic (Ministry of Public Works)
 Lit 5 billion

3.4

144.** Strengthening of protection to outer harbour and coal jetties at Brindisi (Apulia)
Italian Republic (Ministry of Public Works)
 Lit 10 billion

6.9

145.** Development of 'Toscana' dock in Livorno harbour to accommodate container and roll-on/roll-off vessels (Tuscany)
Italian Republic (Ministry of Public Works)
 Lit 10 billion

6.7

146.** Construction of a marina at Pescara (Abruzzi)
Abruzzi Regional Authority
 Lit 4 billion

2.8

147.** Extension and renovation of passenger terminal at Pisa International Airport (Tuscany)
Società Aeroporto Toscano 'Galileo Galilei' p.A. through Italian Republic (Ministry of Transport)
 Lit 5 billion

3.4

148.—150. Purchase of ten MD 82 aircraft for increasing and improving flights between Member Countries
Alitalia through:
 — **MEDIOBANCA**
 Lit 35 billion
 Lit 15 billion
 — **IRI**
 Lit 60 billion

23.5

10.1

40.7

151. Purchase of MD 82 aircraft for regional services
Aero Trasporti Italiani through IRI
 Lit 63.1 billion

42.7

152.** Purchase of three aeroplanes and three helicopters for civil defence purposes
Italian Republic (Ministry of Civil Defence)
 Lit 14 billion

9.7

153.** Upgrading of Cumana suburban railway line in Naples and construction of marshalling/repair yard (Campania)
Italian Republic (Ministry of Transport)
 Lit 10 billion

6.9

154.** Construction of first underground railway line in Naples: section of about 9 km linking Secondigliano in northern suburbs with Vomero in city centre (Campania)
Municipality of Naples through Campania Regional Authority
 Lit 15 billion

10.4

155. Reinforcement of telephone network in Abruzzi, Molise, Latium, Campania, Basilicata, Apulia, Calabria, Sicily and Sardinia
SIP through IRI
 Lit 650 billion

440.4

156.** Improvements to drinking water supply system in Potenza (Basilicata)
Basilicata Regional Authority
 Lit 4.6 billion

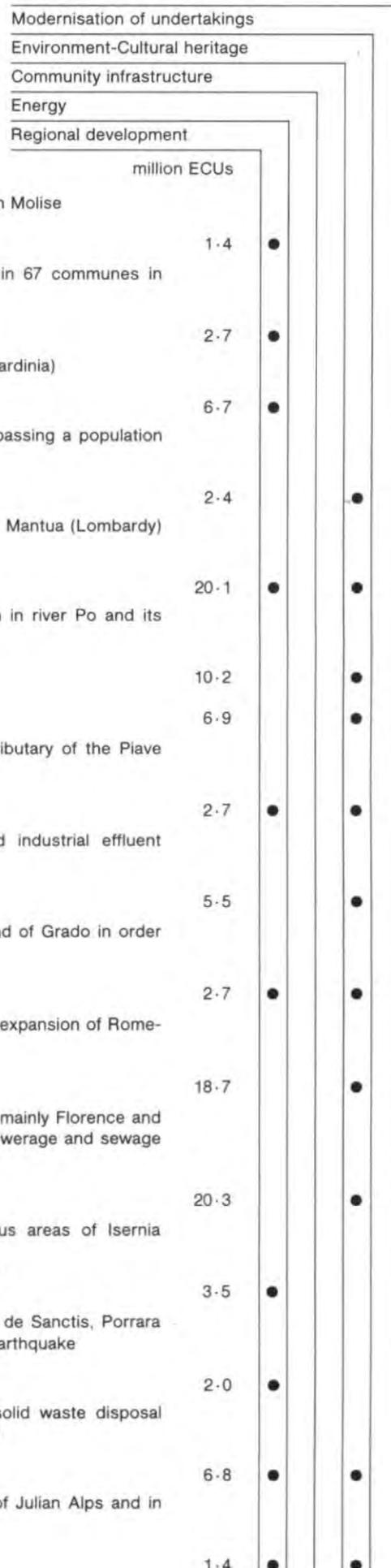
3.1

157. Improvements to drinking water supplies in Naples (city and province), Caserta Province and the island of Ischia (Campania)
Cassa per il Mezzogiorno
 Lit 20 billion

13.5

* Reconstruction loan for area(s) damaged in 1980 earthquake

** Project financed under the **Fondo Investimenti e Occupazione — FIO** (Investment and Job-creation Fund)



* Reconstruction loan for area(s) damaged in 1980 earthquake

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			Modernisation of undertakings	Environment-Cultural heritage	Community infrastructure	Energy	Regional development
million ECUs							
198.—199.	Modernisation of plant producing light commercial vehicles for Fiat and P.S.A. at Atessa (Abruzzi)						
	SEVEL S.p.A. — Società Europea Veicoli Leggeri through CREDIOP						
	Lit 19.6 billion	13.6	●				●
	Lit 8.4 billion	5.8	●				●
200.—201.	Automation and expansion of factory for production of professional micro-computers at Scarmagno (Piedmont)						
	Ing. C. Olivetti & Co. S.p.A. through IMI						
	Lit 89.6 billion	60.1					●
	Lit 38.4 billion	25.8					●
202.	Expansion of research and development centre for telecommunications and electronics in Turin (Piedmont)						
	Centro Studi e Laboratori Telecomunicazioni S.p.A. through IRI						
	Lit 15 billion	10.2					●
203.	Expansion of factory producing integrated manufacturing systems and numerically-controlled machine-tools at Piacenza (Emilia-Romagna)						
	Mandelli S.p.A., Mandelli Industriale S.p.A. and Plasma S.p.A. through IMI						
	Lit 3 billion	2.0					●
204.—205.	Modernisation and conversion of production lines for printed circuits for the telecommunications industry in a factory at Pagani (Campania)						
	Fabbrica Apparecchiature Telefoniche e Materiale Elettrico S.p.A. through ISVEIMER						
	Lit 17.5 billion	12.1	●				
	Lit 7.5 billion	5.2	●				
206.—208.	Extension and modernisation of factory producing electronic components (ICS and MOS linear circuits) at Agrate (Lombardy)						
	SGS Microelettronica S.p.A. through IRI						
	Lit 14 billion	9.7					●
	Lit 6 billion	4.2					●
	Lit 80 billion	55.4					●
209.—210.	Extension of cable factory at Battipaglia (Campania) producing optical fibres for the telecommunications industry						
	Fibre Ottiche Sud S.p.A. through ISVEIMER						
	Lit 7 billion	4.8	●				●
	Lit 3 billion	2.1	●				●
211.—212.	Modernisation and expansion of ice cream factory at Caivano (Campania) and improvements to distribution network						
	SAGIT S.p.A. through ISVEIMER						
	Lit 10.5 billion	7.3	●				
	Lit 4.5 billion	3.1	●				
213.—214.	Improvement in productivity and upgrading of product quality at integrated polyester fibre plant in Naples Province (Campania)						
	Società Italiana Poliestere S.p.A. through INTERBANCA						
	Lit 17.5 billion	11.8	●				
	Lit 7.5 billion	5.1	●				
215.—216.	Modernisation and extension of textile mill in Frosinone (Latium)						
	Klopman International S.p.A. through IMI						
	Lit 13.7 billion	9.2	●				
	Lit 5.8 billion	4.0	●				
217.—222.	Modernisation of factories producing man-made fibres and incorporating new technology at:						
	— Castellaccio (Latium) and Naples (Campania)						
	SNIA Fibre S.p.A. through ISVEIMER						
	Lit 12.6 billion	8.7	●				
	Lit 5.4 billion	3.7	●				
	— Villacidro (Sardinia)						
	SNIA Fibre S.p.A. through CIS						
	Lit 6.3 billion	4.4	●				
	Lit 2.7 billion	1.9	●				
	— Cesano Maderno (Lombardy)						
	Introduction of advanced technology in factory producing man-made fibres						
	SNIA Fibre S.p.A. through MEDIOBANCA						
	Lit 16.1 billion	11.1					●
	Lit 6.9 billion	4.8					●

					Modernisation of undertakings
					Environment-Cultural heritage
					Community infrastructure
					Energy
					Regional development
				million ECUs	
223.—224.	Modernisation and expansion of paper mill at Riva del Garda (Trentino-Alto Adige)				
	Cartiere del Garda through IMI				
	Lit 10.5 billion		7.0	●	
	Lit 4.5 billion		3.0	●	
225.—226.	Reconstruction and modernisation of paper mill at Foggia (Apulia)				
	Istituto Poligrafico e Zecca dello Stato through CENTROBANCA				
	Lit 15.9 billion		10.8	●	
	Lit 6.8 billion		4.6	●	
227.—228.	Necessary improvement of photo- and radiographic products plant at Ferrania to produce high-performance radiographic film and to develop a numerical radiographic system (Liguria)				
	3M Italia S.p.A. through MEDIOBANCA				
	Lit 4.2 billion		2.8		●
	Lit 1.8 billion		1.2		●
229.—230.	Rationalisation of plant at Settimo Torinese and installation of highly automated equipment for production of steel-core radial truck tyres (Piedmont)				
	Pirelli Pneumatici S.p.A. through CREDIOP				
	Lit 14 billion		9.5		●
	Lit 6 billion		4.1		●
231.	Creation of centre for biotechnological research and genetic engineering to develop new drugs at Gerezano near Varese (Lombardy)				
	Gruppo Lepetit S.p.A. through IMI				
	Lit 2 billion		1.4		●
232.—233.**	Modernisation and expansion of laboratories of an institute in Milan for research into drugs and development of diagnostic and therapeutic equipment for the treatment of cancer (Lombardy)				
	Istituto Nazionale per lo Studio e la Cura dei Tumori through Ministry of Public Works				
	Lit 6 billion		4.1		●
	Lit 6 billion		4.2		●
234.**	Construction and fitting out of laboratories in Catania (Sicily) and Milan (Lombardy) for research into nuclear physics, superconductivity and cryogenics with industrial and medical applications				
	Istituto Nazionale di Fisica Nucleare through Italian Republic				
	Lit 5 billion		3.5	●	●
235.**	Development of fish farming in lagoons on west coast of Sardinia, near Oristano				
	Region of Sardinia				
	Lit 8 billion		5.4	●	
236.**	Restoration and protection of archaeological sites at Pompeii, Herculaneum and Stabiae (Campania)				
	Italian Republic (Ministry for Cultural Heritage and the Environment)				
	Lit 5 billion		3.4	●	●
237.	Global loan to ARTIGIANCASSA to finance ventures mounted by craft enterprises in assisted areas of Italy				
	Lit 30 billion		20.8	●	
238.—240.	Global loans to BNL — Industrial Credit Section to finance small and medium-scale industrial and service ventures in the Mezzogiorno				
	Lit 25 billion		16.9	●	
	Lit 10.5 billion		7.3	●	
	Lit 4.5 billion		3.1	●	
241.—243.	Global loans to BNL — SACAT to finance small and medium-scale hotel and tourism ventures in the Mezzogiorno				
	Lit 15 billion		10.1	●	
	Lit 14 billion		9.7	●	
	Lit 6 billion		4.1	●	
244.	Global loan to Banco di Napoli — Industrial Credit Section to finance small and medium-scale industrial and service ventures in the Mezzogiorno				
	Lit 35 billion		24.2	●	

** Project financed under the **Fondo Investimenti e Occupazione — FIO** (Investment and Job-Creation Fund)

	million ECUs	
		Modernisation of undertakings
		Environment-Cultural heritage
		Community infrastructure
		Energy
		Regional development
245. Global loan to Banco di Sicilia to finance small and medium-scale industrial and service ventures in Sicily Lit 13.5 billion	9.1	●
246. Global loan to CIS to finance small and medium-scale industrial and service ventures in Sardinia Lit 35 billion	23.7	●
247. Global loan to IMI to finance small and medium-scale industrial and service ventures in the Mezzogiorno Lit 40 billion	27.1	●
248. Global loan, through IMI , to several firms specialising in leasing facilities for small and medium-scale industrial and service ventures in the Mezzogiorno Lit 30 billion	20.1	●
249. Global loan to IRFIS to finance small and medium-scale industrial and service ventures in Sicily Lit 30 billion	20.3	●
250. Global loan to Istituto di Credito delle Casse Rurali e Artigiane S.p.A. to finance small and medium-scale industrial and service ventures in the Mezzogiorno Lit 7.5 billion	5.1	●
251.—253. Global loans to ISVEIMER to finance small and medium-scale industrial and service ventures in the mainland Mezzogiorno Lit 75 billion Lit 19.4 billion Lit 8.3 billion	50.8 13.4 5.8	● ● ●
254.—257. Global loans to Mediocredito Centrale to finance small and medium-scale industrial and service ventures in the Mezzogiorno Lit 9.2 billion Lit 12.6 billion Lit 13.9 billion Lit 7.7 billion	6.2 8.5 9.4 5.3	● ● ● ●
258.—259. Global loans to BNL — SACAT to finance small and medium-scale hotel and tourism ventures in less-developed parts of Central and Northern Italy Lit 3.5 billion Lit 1.5 billion	2.4 1.0	● ●
260.—261. Global loans to EFIBANCA to finance small and medium-scale industrial and service ventures in less-developed parts of Central and Northern Italy Lit 10.5 billion Lit 4.5 billion	7.3 3.1	● ●
262.—263. Global loans to IMI to finance small and medium-scale industrial, tourism and service ventures in less-developed parts of Central and Northern Italy Lit 28 billion Lit 12 billion	19.4 8.3	● ●
264.—265. Global loans to INTERBANCA to finance small and medium-scale industrial, tourism and service ventures in less-developed parts of Central and Northern Italy Lit 10.5 billion Lit 4.5 billion	7.1 3.1	● ●
266.—269. Global loans to Mediocredito Centrale to finance, via the Regional Mediocrediti , small and medium-scale industrial, tourism and service ventures in less-developed parts of Central and Northern Italy Lit 23.3 billion Lit 25.1 billion Lit 21.8 billion Lit 34.3 billion	15.6 17.0 14.8 23.8	● ● ● ●
270. Global loan to Cassa Depositi e Prestiti to finance public infrastructural works implemented by local authorities in the Mezzogiorno Lit 1.9 billion	1.3	●

	million ECUs	Modernisation of undertakings	Environment-Cultural heritage	Community infrastructure	Energy	Regional development
271.—276. —Global loans to BNL to finance small and medium-scale investment according with the Community's energy policy objectives:						
— in the Mezzogiorno						
Lit 14 billion	9.5	●	●			
Lit 6 billion	4.1	●	●			
— in Central and Northern Italy						
Lit 21 billion	14.2			●		
Lit 9 billion	6.1			●		
Lit 17.5 billion	12.1			●		
Lit 7.5 billion	5.2			●		
277.—278. Global loans to CENTROBANCA to finance small and medium-scale industrial and infrastructural investment according with the Community's energy policy objectives						
Lit 10.5 billion	7.1			●		
Lit 4.5 billion	3.1			●		
279. Global loan to INTERBANCA to finance small and medium-scale industrial and infrastructural investment in Central and Northern Italy according with the Community's energy policy objectives						
Lit 20 billion	13.8			●		
280. Global loan to Istituto Bancario San Paolo di Torino to finance industrial and infrastructural investment according with the Community's energy policy objectives						
Lit 15 billion	10.2			●		
281.—282. Global loans to Mediocredito Centrale to finance, via the Regional Mediocrediti , investment in Central and Northern Italy according with the Community's energy policy objectives						
Lit 6 billion	4.1			●		
Lit 1.4 billion	1.0			●		
283. Global loan to Mediocredito Lombardo to finance small and medium-scale infrastructural works in the energy sector in Central and Northern Italy						
Lit 10 billion	6.7			●		
284.—288. Global loans to IMI to finance smaller-scale industrial ventures deploying advanced technology in Central and Northern Italy						
Lit 27.1 billion	18.2					●
Lit 21 billion	14.2					●
Lit 5.5 billion	3.8					●
Lit 2.3 billion	1.6					●
Lit 8.4 billion	5.8					●
289.—290. Global loans to BNL's (Sezione Speciale per il Credito Industriale, SAFOP, Coopercredito and SACAT) Special Sections to finance small and medium-scale projects designed to protect or improve the environment:						
— in the Mezzogiorno						
Lit 10 billion	6.8	●				●
— in Central and Northern Italy						
Lit 20 billion	13.5					●
LUXEMBOURG	18.2					
800 million Luxembourg francs						
291. Extension of building of the Court of Justice of the European Communities Hochtief — Luxembourg through Caisse d'Épargne de l'État						
Lfrs 800 million	18.2					●
NETHERLANDS	98.2					
242.7 million Dutch guilders						
292. Purchase and installation of flight simulator for training on Fokker F-27 aircraft at Maastricht airport (Limburg) V.o.f. Friendship Simulation co.						
Fl 7.7 million	3.3				●	
293. Construction of plant producing aspartame (artificial sweetener) at Geleen (Limburg) Holland Sweetener Company v.o.f.						
Fl 35 million	14.8				●	●

		million ECUs					
							Modernisation of undertakings
							Environment-Cultural heritage
							Community infrastructure
							Energy
							Regional development
311.	Conversion of Kilroot power station (600 MW) to dual coal/oil firing system; modernisation and extension of electricity transmission and distribution grid						
	Northern Ireland Electricity Service						
	£10 million	14.0	●	●			
312.	Development of Esmond offshore gasfield in the British sector of North Sea						
	Hamilton Oil Great Britain plc						
	£60 million	97.5		●			
313.	Development of Sean offshore gasfield in southern area of British sector of North Sea about 100 km from coast						
	Britoil (P.I.) Ltd						
	£60 million	94.1		●			
314.	Erection of power lines linking Torness Point nuclear power station to British high-voltage grid (Scotland)						
	South of Scotland Electricity Board						
	£20 million	30.7		●			
315.	Construction of vitrification and storage facilities for radioactive waste at Sellafield (North-West England)						
	British Nuclear Fuels plc						
	£100 million	153.3		●			
316.	Modernisation and electrification of main railway lines in East Anglia (serving Cambridge and Norwich)						
	British Railways Board						
	£25 million	38.8			●		
317.	Improvements to main access roads and by-passes in Cornwall (South-West England)						
	Cornwall County Council						
	£2.8 million	4.5		●			
318.	Construction of Sighthill section of Edinburgh by-pass (Scotland)						
	Lothian Regional Council						
	£6 million	9.8		●			
319.	Construction and improvements to roads and bridges in the Scottish Highlands						
	Highland Regional Council						
	£7 million	11.0		●			
320.	Improvements on various sections of major urban roads (18 km in all), principally in Birmingham, Coventry and Wolverhampton (West Midlands)						
	West Midlands County Council						
	£15 million	24.4		●			
321.	Construction of relief road in Nuneaton (West Midlands)						
	Warwickshire County Council						
	£1.4 million	2.3		●			
322.	Construction of Bewdley by-pass and improvements to access road to Hartlebury Trading Estate in Kidderminster (West Midlands)						
	Hereford and Worcester County Council						
	£2.4 million	3.8		●			
323.	Improvements to road network in Dyfed (Wales)						
	Dyfed County Council						
	£0.29 million	0.5		●			
324.	Construction of expressway linking Llandudno with the A 55; improvements to road network in Gwynedd (Wales)						
	Gwynedd County Council						
	£2.2 million	3.5		●			
325.	Improvements to three of the main access roads to Swansea (Wales)						
	West Glamorgan County Council						
	£3 million	4.7		●			

					Modernisation of undertakings
					Environment-Cultural heritage
					Community infrastructure
					Energy
					Regional development
			million ECUs		
326.	Improvements to road network in County Durham (Northern England)				
	Durham County Council				
	£1.85 million		3.0	●	
327.	Construction of Middlesbrough urban by-pass (Northern England)				
	Cleveland County Council				
	£5 million		8.1	●	
328.—329.	Construction of container terminal at port of Felixstowe (East Anglia)				
	Felixstowe Dock and Railway Company				
	£5 million		8.1	●	●
	£5 million		7.8	●	●
330.	Improvements to quay at port of Wisbech (East Anglia)				
	Fenland District Council				
	£0.15 million		0.2	●	●
331.	Improvements to passenger terminal at Southend airport in Essex (South-East England)				
	Southend-on-Sea Borough Council				
	£0.35 million		0.6	●	●
332.	Construction of short take-off and landing airport in old dockland area of London (South-East England)				
	London City Airport Ltd				
	£4 million		5.6	●	●
333.	Installation of broad-band cable network in central and north-west Glasgow (Scotland)				
	Clyde Cablevision Ltd				
	£6 million		8.4	●	●
334.—335.	Sewerage and sewage treatment schemes in basins of Wiske, Don and Calder; improvements to water supplies in four towns in South Yorkshire				
	Yorkshire Water Authority				
	£10 million		16.3	●	●
	£10 million		15.8	●	●
336.—337.	Sewerage and sewage treatment schemes and water supply works in North West				
	North-West Water Authority				
	£10 million		16.3	●	●
	£14 million		22.8	●	●
338.	Improvements to sewerage system in Newcastle-upon-Tyne (Northern England)				
	Northumbrian Water Authority				
	£6 million		8.3	●	●
339.	Improvements to water supply and sewerage systems in Wales				
	Welsh Water Authority				
	£17 million		26.7	●	●
340.	Sewerage and sewage treatment works and construction of sea outfalls aimed at improving the environment in Avon, Somerset and Dorset (South-West England)				
	Wessex Water Authority				
	£10 million		14.0	●	●
341.	Improvements to sewerage systems and waste water treatment facilities in East Lothian (Scotland)				
	Lothian Regional Council				
	£5 million		7.8	●	●
342.	Improvements to 10 sections of road (13.5 km); construction of access road to new technology park and development of industrial innovation centre in Clwyd (Wales)				
	Clwyd County Council				
	£3.5 million		5.5	●	●
343.	Road schemes, construction of a terminal for Liverpool airport and associated facilities, restoration of dockside warehouse to house Merseyside Maritime Museum				
	Merseyside County Council				
	£8.5 million		13.8	●	●

					Modernisation of undertakings
					Environment-Cultural heritage
					Community infrastructure
					Energy
					Regional development
				million ECUs	
344.—345.	Road schemes, industrial estates and coastal protection works in Lancashire (North-West England)				
	Lancashire County Council, Blackpool and Blackburn Borough Councils through Lancashire County Council				
	£3 million		4.9	●	
	£3 million		4.7	●	
346.	Road schemes, extension of technical college and energy-conservation measures in public buildings in Staffordshire (West Midlands)				
	Staffordshire County Council				
	£5 million		7.9	●	●
347.	Construction or extension of craft, industrial and scientific workshop accommodation, car park and access roads in Greater Birmingham area (West Midlands)				
	City of Birmingham Metropolitan District Council				
	£7 million		11.1	●	
348.	Road works, water supply schemes and sewage treatment facilities in Central Scotland				
	Central Regional Council				
	£7.5 million		12.2	●	
349.	Road works, water supply schemes and sewerage facilities in Strathclyde region (Scotland)				
	Strathclyde Regional Council				
	£17 million		27.6	●	
350.	Road works, water supply schemes and sewerage facilities in Dunfermline and Kirkcaldy districts (Scotland)				
	Fife Regional Council				
	£5 million		7.9	●	
351.	Road schemes, water supply networks and sewerage facilities in eastern Scotland				
	Tayside Regional Council				
	£6 million		9.5	●	
352.	Development of granite quarry, construction of storage and ship-loading facilities at Glensanda, Argyll (Scotland); development of terminal at Purfleet (Thames estuary)				
	Foster Yeoman Ltd				
	£10 million		15.7	●	
353.	Modernisation of aluminium production and lamination plant in North-East England and Wales				
	British Alcan Aluminium Ltd				
	£3.4 million		5.4	●	
354.	Modernisation of copper-wire enamelling plant at Huyton (North-West England)				
	BICC Connollys Ltd through BICC Finance N.V.				
	£3 million		4.7	●	
355.	Construction of plant producing composite panels in Flint (Wales)				
	Huurre Oy, Tampere				
	£2.3 million		3.5	●	
356.	Rebuilding of furnace producing glass containers at Wigan, near Manchester (North-West England)				
	Co-operative Wholesale Society Ltd				
	£2.5 million		3.5	●	
357.—358.	Extension of facilities for overhaul of jet aircraft engines and components (Scotland)				
	Caledonian Airmotive Ltd				
	£5 million		7.0	●	
	£5 million		7.0	●	
359.	Development and construction of new short-haul jet aircraft (90—110 seater) in Belfast (Northern Ireland)				
	Short Bros plc				
	£30 million		47.1	●	●

	million ECUs		
		Modernisation of undertakings	
		Environment-Cultural heritage	
		Community infrastructure	
		Energy	
		Regional development	
	million ECUs		
360. Renovation and conversion of 312-room hotel in Manchester (North West England) Midland Hotel and Conference Centre Ltd through Holiday Inns (UK) Inc. £5.4 million	8.5	●	
361. Construction of 104-room business-class hotel in Dundee (Scotland) Stakis plc £2.2 million	3.5	●	
362. Development and installation of new computerised management system in co-operative retail chain Co-operative Wholesale Society Ltd £3.1 million	4.9	●	
OTHER ⁽¹⁾	75.0		
75 million ECUs			
363. Acquisition, launching and operation of new generation of telecommunications satellites providing for high-capacity digital transmissions between European countries Eutelsat — European Telecommunications Satellite Organisation	75.0	●	●

Abbreviations (used in Lists A and B)

<i>Spain</i>	<i>RENFE</i>	<i>Red Nacional de los Ferrocarriles Españoles</i>	<i>CREDIOP</i>	<i>Consorzio di Credito per le Opere Pubbliche</i>
<i>France</i>	<i>CAECL</i>	<i>Caisse d'aide à l'Équipement des Collectivités Locales</i>	<i>EFIBANCA</i>	<i>Ente Finanziario Interbancario</i>
	<i>CEPME</i>	<i>Crédit d'Équipement des Petites et Moyennes Entreprises</i>	<i>EFIM</i>	<i>Ente Partecipazione e Finanziamento Industria Manifatturiera</i>
	<i>CNA</i>	<i>Caisse Nationale des Autoroutes</i>	<i>ENEL</i>	<i>Ente Nazionale per l'Energia elettrica</i>
	<i>CNT</i>	<i>Caisse Nationale des Télécommunications</i>	<i>ENI</i>	<i>Ente Nazionale Idrocarburi</i>
<i>Italy</i>	<i>AGIP</i>	<i>Azienda Generale Industria Petroli</i>	<i>IMI</i>	<i>Istituto Mobiliare Italiano</i>
	<i>ANAS</i>	<i>Azienda Nazionale Autonoma delle Strade</i>	<i>INTERBANCA</i>	<i>Banca per Finanziamenti a Medio e Lungo Termine</i>
	<i>ARTIGIANCASSA</i>	<i>Cassa per il credito alle imprese artigiane</i>	<i>IRFIS</i>	<i>Istituto Regionale per il Finanziamento alle Industrie in Sicilia</i>
	<i>AUTOSTRADE</i>	<i>Autostrade-Concessioni e Costruzioni Autostrade S.p.A.</i>	<i>IRI</i>	<i>Istituto per la Ricostruzione Industriale</i>
	<i>BNL</i>	<i>Banca Nazionale del Lavoro</i>	<i>ISVEIMER</i>	<i>Istituto per lo Sviluppo Economico dell'Italia Meridionale</i>
	<i>BNL/SACAT</i>	<i>Sezione Autonoma per l'Esercizio del Credito Alberghiero e Turistico della Banca Nazionale del Lavoro</i>	<i>ITALGAS</i>	<i>Società Italiana per il Gas p.A.</i>
	<i>BNL/SAFOP</i>	<i>Sezione Autonoma per il Finanziamento di Opere Pubbliche e di Impianti di Pubblica Utilità della Banca Nazionale del Lavoro</i>	<i>MEDIOBANCA</i>	<i>Banca di Credito Finanziario</i>
	<i>CENTROBANCA</i>	<i>Banca Centrale di Credito Popolare</i>	<i>MEDIOCREDITO CENTRALE</i>	<i>Istituto Centrale per il Credito a Medio Termine</i>
	<i>CIS</i>	<i>Credito Industriale Sardo</i>	<i>SIP</i>	<i>Società Italiana per l'Esercizio delle Telecomunicazioni p.A.</i>
			<i>SNAM</i>	<i>Società Nazionale Metanodotti p.A.</i>
			<i>SNIA</i>	<i>Società Nazionale Industria Applicazioni (Fibre)</i>
			<i>VENEFONDIARIO</i>	<i>Istituto di Credito Fondiario delle Venezie</i>

(1) Akin to lending for projects within the Community (see pages 8 and 98).

B. Loans provided from the resources of the New Community Instrument for borrowing and lending (NCI)

Contracts signed in 1986

Loans granted from NCI resources for projects within the Community are signed jointly by the Commission of the European Communities and the Bank. In 1986, they totalled 393 million. These operations are carried out by the Bank under mandate from, on behalf, for the account and at the risk of the European Economic Community and are accounted for off balance sheet in the Bank's Special Section; the Bank's responsibility for these loans is limited to proper performance, in conformity with normal banking practice, of the mandate entrusted to it. The symbols in the columns to the right of each operation listed below refer back to the economic policy objective headings featured in Table 12.

	million ECUs	Investment by SMEs	Energy	Regional development
DENMARK	59.9			
475 million Danish kroner				
364. Construction of district heating grid to serve greater Copenhagen area Centralkommunernes Transmissionselskab I/S Dkr 275 million	34.6	●		
365. Global loan to Finansieringsinstituttet for Industri og Håndværk A/S for financing productive investment by industrial SMEs Dkr 200 million	25.3	●		
SPAIN	69.2			
9 500 million Pesetas				
366. Global loan to Banco de Crédito Agrícola through intermediary of Instituto de Crédito Oficial for financing agro-industrial SMEs throughout Spain Ptas 2 700 million	19.8	●		
367. Global loan to Banco de Crédito Industrial through Instituto de Crédito Oficial for financing productive investment by industrial and service-sector SMEs in less-developed areas Ptas 6 800 million	49.4	●		
FRANCE	58.4			
400 million French francs				
368. Global loan to CEPME for financing productive investment by SMEs Ffrs 400 million	58.4	●		
IRELAND	47.8			
36.5 million Irish pounds				
369.—370. Extension of Moneypoint coal-fired power station by addition of second and third 300 MW units (Mid-West) Electricity Supply Board IR£ 20 million	26.2	●	●	
IR£ 16.5 million	21.6	●	●	
ITALY	111.4			
162.5 billion Lire				
371. Provision of basic infrastructure for new business precinct in Naples (Campania) MEDEDIL — Società Edilizia Mediterranea p.A. through ISVEIMER Lit 35 billion	24.2	●		
372.—373. Global loans to BNL — Industrial Credit Section for financing productive investment by SMEs in Central and Northern Italy outside less-developed areas Lit 17.5 billion	11.9	●		
Lit 7.5 billion	5.0	●		

		Investment by SMEs	Energy	Regional development
		million ECUs		
374. Global loan to Banco di Sicilia for financing productive investment by SMEs in Central and Northern Italy outside less-developed areas Lit 10 billion		6.9	•	
375. Global loan to EFIBANCA for financing productive investment by SMEs in Central and Northern Italy outside less-developed areas Lit 20 billion		13.6	•	
376.—377. Global loans to IMI for financing productive investment by SMEs in Central and Northern Italy outside less-developed areas Lit 24.5 billion Lit 10.5 billion		17.0 7.3	• •	
378. Global loan to Istituto Bancario San Paolo di Torino — Agricultural Credit Section for financing productive investment by agro-industrial SMEs in Central and Northern Italy outside less-developed areas Lit 15 billion		10.2	•	
379. Global loan to Istituto Federale di Credito Agrario per il Piemonte, la Liguria e la Valle d'Aosta for financing productive investment by agro-industrial SMEs Lit 10 billion		6.8	•	
380. Global loan to VENEFONDIARIO for financing small and medium-scale ventures in Central and Northern Italy promoting rational use of energy in infrastructure, industry and the construction sector Lit 12.5 billion		8.6	•	
PORTUGAL		29.9		
4 530 million Escudos				
381. Global loan to Banco de Fomento Nacional for financing productive investment by SMEs in industrial, tourism and service sectors with the object of energy saving and environmental protection Esc. 4 530 million		29.9	•	•
UNITED KINGDOM		16.3		
10 million pounds sterling				
382. Electrification of Glasgow-Ayr rail line serving area south-west of Glasgow and acquisition of rolling stock (Scotland) Strathclyde Regional Council £ 10 million		16.3	•	

Operations outside the Community

Financing outside the Community amounted to 381.8 million from own resources and 91.9 million from budgetary resources, giving a total of 473.7 million.

The Bank mounted operations in nine Mediterranean countries under Financial Protocols concluded between the countries concerned and the Community. Lending came to 231.1 million from own resources and 32.9 million from budgetary resources, or 264 million in all.

Loans provided in the African, Caribbean and Pacific States under the second and third Lomé Conventions and in the Overseas Countries and Territories under Decisions of the Council of the European Communities added up to 150.7 million from own resources and 59 million in the form of risk capital assistance drawn from budgetary resources, i.e. a total of 209.7 million.

Financing in the Mediterranean Countries

The Bank continued and, in most cases, completed deployment of the amounts provided for under the second generation of Financial Protocols which expired at the end of October 1986 in the case of the Maghreb and Mashreq countries and Israel. It also made a loan in Turkey in conjunction with reactivation of the 1973 Supplementary Protocol.

Maghreb Countries

In **Tunisia**, six loans totalling 63.5 million, including three on special conditions from budgetary resources, were granted through the intermediary of the Banque Nationale de Développement Agricole. They centred chiefly on developing tree-crop and

The second generation of Financial Protocols with the Maghreb and Mashreq Countries and Israel

The second generation of Financial Protocols concluded with the Maghreb and Mashreq Countries and Israel provided for a total of 600 million in loans from the EIB's own resources, 155 million in loans on special conditions from either the Bank or the Commission and 260 million in grant aid from the Community budget. In most countries, loans from the Bank's own resources carry interest subsidies funded from grant aid. By the end of 1986, 34 projects had absorbed 545.2 million, or almost the total amount of financing provided for from the EIB's own resources.

Funds were advanced for both energy projects (138.5 million) and infrastructural works (a total of 171.5 million for roads, water supplies, sewerage systems and ports), the operations helping to establish a firmer basis for the industrial and agricultural development of the countries concerned. Projects financed generally Financing for industry came to 263 million, including 28 million from budgetary resources, and focussed on three individual projects (55 million for building materials

in Egypt) plus smaller-scale ventures funded through local development finance companies, mainly using the global loan formula.

During the life of the Protocols, the EIB concluded 17 global loans totalling 143.5 million with 7 regional dfcs which have already on-lent 117.7 million in support of 544 small and medium-sized enterprises. The global loan formula, applied solely to industry under the first generation of Protocols, was extended to embrace on-farm investment, a sector of prime importance for these countries. Seven operations of this type were mounted with local dfcs in Morocco, Tunisia and Jordan, while individual loans were granted via dfcs for larger-scale stockfarming and foodstuffs projects in Tunisia (55.5 million).

Hence, dfcs are, to some extent, the eyes and ears of the EIB and must be in a position to conduct sound analyses of prospective borrowers and their proposals. Special attention is paid to the international competitiveness of ventures financed. Experience has shown that dfcs offer an effective means of reaching the private sector and fostering viable operations.

livestock farming as well as on construction of a dairy at Bou Salem; two global loans will contribute towards financing agricultural and agro-industrial ventures, while 242 allocations involving 10.4 million were drawn down from credit lines already opened. In **Algeria**, the Bank lent 60 million for upgrading to motorway standard National Highway 1 between the exit from Algiers and Blida.

Mashreq Countries

Loans in **Egypt** (62.5 million) were devoted to construction, south of Cairo, of a white cement plant for supplying the local market and to installation, at Shoubrah El Kheima power station, of a fourth generating unit designed for firing with Egyptian natural gas. In **Syria**, a loan for 16 million helped to finance extension of the sewage collection and treatment system in Aleppo, in the north of the country. In **Jordan**, 9.1 million were given over to

improving the sewerage network in the town of Zarqa, North-East of Amman, and to extending an industrial estate near the capital.

Other countries

In **Israel**, a global loan for 20 million served to finance 16 small and medium-sized industrial enterprises. On the island of **Malta**, a loan for 13 million was provided under the first Financial Protocol for modernising and extending national and international telecommunications services with a view to promoting trade and tourism. In **Cyprus**, a loan for 1.2 million from budgetary resources will help with ongoing work on establishing a sewerage system in the two sectors of Nicosia. In **Turkey**, 18.7 million were advanced for construction, in Eastern Anatolia, of Özlüce hydroelectric power station served by a reservoir on the Peri River.

Table 5: Amounts of Community financial aid provided for in conventions, financial protocols and decisions in force or under negotiation at 12 May 1987

(million ECUs)

Agreement	Duration	Loans from EIB own resources	Operations mounted from budgetary resources			Total
			Loans on special conditions	Risk capital operations	Grant aid (2)	
Mediterranean Countries						
Yugoslavia	Financial Protocol	under negotiation				
Turkey	Fourth Financial Protocol	awaiting signature	225	325 (3)	50	600
Maghreb } Mashreq } Israel }	Third Financial Protocols	under negotiation				
Malta	Second Financial Protocol	1. 10. 1986— 31. 10. 1988	16	3 (3)	10.5	29.5
Cyprus	Second Financial Protocol	1. 5. 1984— 31. 12. 1988	28 (1)	6 (3)	10	44
Lebanon	Exceptional aid		50			
ACP States-OCT						
ACP	Third Lomé Convention	1986—1990	1 100 (1)	600 (2)	600 (3)	4 860
OCT	Council Decision	1986—1990	20 (1)	25 (2)	15 (3)	115
Total	ACP—OCT (4)		1 120	625	615	4 915

(1) Loans attracting interest subsidies from the European Development Fund in the case of projects in the ACP States and the OCT and from the General Budget of the European Communities in the case of projects in the Mediterranean countries. Amounts required for interest subsidies are financed from grant aid.

(2) Financing provided by the Commission of the European Communities

(3) Financing provided by the Bank

(4) Excluding transfers from the Fund, STABEX, for the stabilisation of export receipts (925 million for the ACP States and 5 million for the OCT) and from SYSMIN, the special financing facility for mining products in the ACP States (415 million); financing provided by the Commission

Financing in the ACP States and the OCT

Bank activity was influenced to a considerable extent by the persistently delicate economic situation confronting the bulk of these countries, by belated entry into force, on 1 May 1986, of the third Lomé Convention and by the difficulties inherent in launching a new convention. The balance of risk capital resources available under the second Lomé Convention was committed in the early months of the year.

Financing was provided in 18 African, Caribbean and Pacific States and in one OCT, the island of Montserrat.

Over 60% of the amount advanced, including funds earmarked for feasibility studies, benefited industrial investment (125.4 million), chiefly mining and quarrying (50.5 million), manufacturing industry

(47.4 million) and small enterprises via loans to development banks (27.5 million). From global loans already on tap, 85 allocations totalling 41.1 million were drawn down in 1986 in support of small and medium-sized enterprises, mainly in the tourism (7.6 million), foodstuffs (6.6 million) and textiles and plastics processing sectors.

Other loans centred on energy installations (52.3 million, or 25% of the total) plus telecommunications infrastructure and water supply systems (32 million).

Operations involving assistance for the rehabilitation and start-up of enterprises or the restoration of infrastructural works accounted for over 40% of funds made available.

Review of the second Lomé Convention

The period 1981-1985 spanned by the **second Lomé Convention** saw numerous adverse factors confronting the ACP States. Prices for exported raw materials continued to dwindle, the terms of trade consequently deteriorated further and economic growth again contracted. In many ACP States, the situation was exacerbated by poor climatic conditions, with successive droughts in several regions of Africa and cyclones in the Pacific. This environment proved ill-suited to the launching and financing of new productive projects, especially in the industrial and mining sectors. Despite these difficulties, however, the Bank succeeded, during the life of the second Lomé Convention, in committing around 82 % of the ceiling amount set for lending from its own resources (685 million) and the full total of 284 million in risk capital assistance funded from budgetary resources.

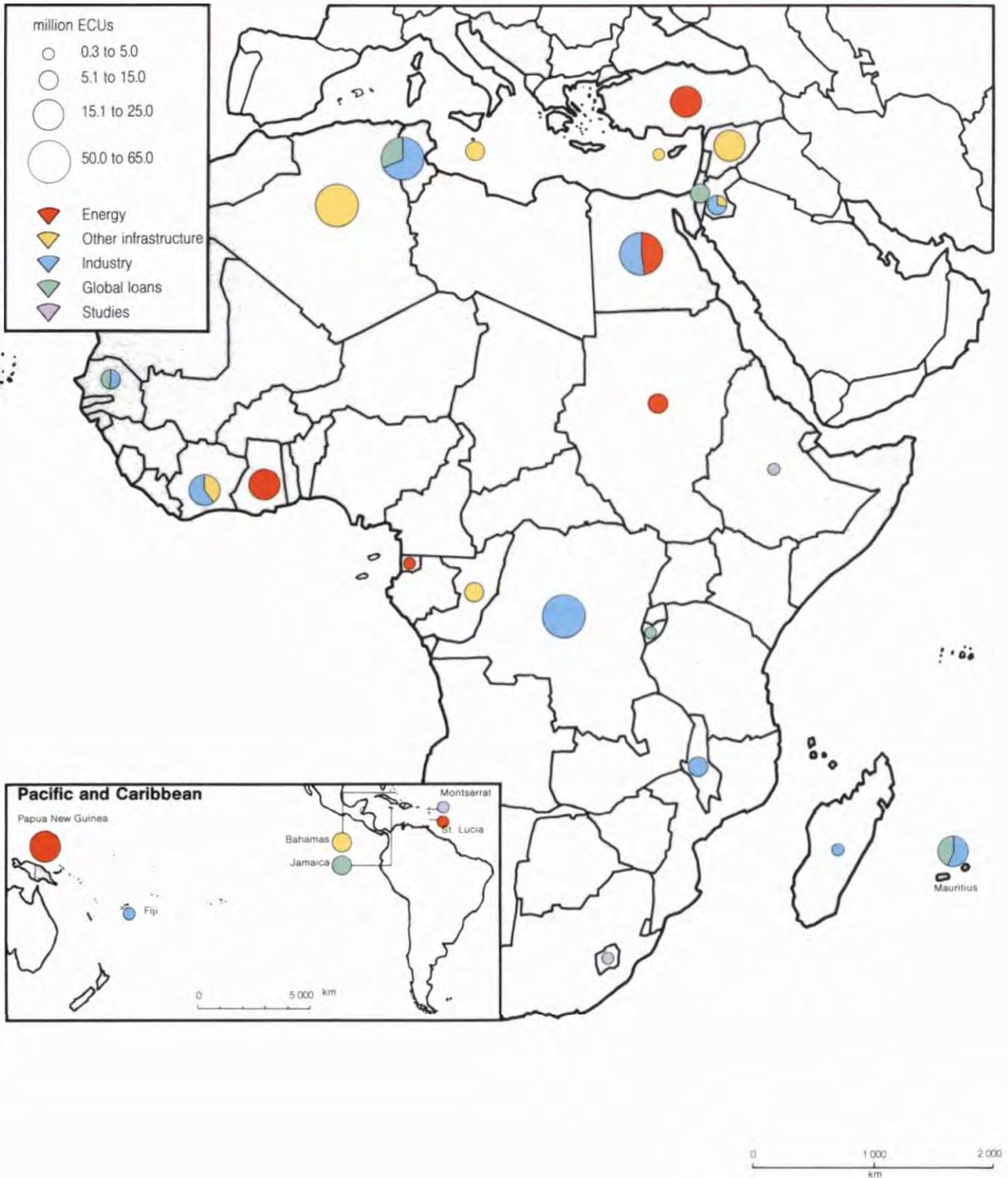
The deterioration in the ACP States' economic and financial situation also led to an increasing volume of financing (around 25 % of funds available under the second Lomé Convention) being devoted to restoring, renovating and modernising existing capital projects. As production plant in the bulk of ACP States operates at only some 50 % of nominal capacity, the main goal was to safeguard and rehabilitate enterprises which might become viable again under certain conditions. Such operations, some of which were mounted through development banks, represented a particularly suitable and effective means of allocating resources in support of economic development in the ACP States.

A further significant feature of Bank financing under the second Lomé Convention was the role played by infrastructure schemes which represented 15 % of all operations. Projects centred on telecommunications, urban water supplies and port facilities, i.e. works underpinning industrial development.

Global loans to development banks absorbed some 22 % of financing made available. One of the aims of these operations was to facilitate the participation of both private and public promoters in ACP countries in implementing and funding productive investment.

Building on past experience, the **third Lomé Convention** entrusts the Bank with practically the same spheres of activity, placing emphasis not only on project financing, but also on rehabilitation schemes and help with action programmes connected with the industrial, agro-industrial, including large-scale crop growing, tourism and mining sectors, along with energy production, transport and telecommunications. Implementation of the second Lomé Convention also enabled the authors of its successor to underscore the need for restoring the production capacities of economically viable enterprises and for maintaining installations. Hence, co-operation will focus, more than in the past, on assistance for the start-up or rehabilitation of capital investment schemes, be these specific projects or sectoral programmes. Financing under the third Lomé Convention will again be provided through loans from the Bank's own resources, carrying interest subsidies from Community budgetary resources, up to a ceiling of 1 100 million as well as in the form of risk capital assistance from budgetary resources (600 million).

Projects financed in the Mediterranean Countries, the ACP States and the OCT in 1986



In 1986, the Bank provided a total of 164.4 million in 13 countries in **Africa**, including 55.7 million from risk capital resources. The bulk of operations focussed on countries in **Central and Western Africa**. In **Zaire**, in particular, a loan for 50 million was given over to rehabilitating copper and cobalt mine production capacities. In the **Ivory Coast**, 24.2 million went towards enhancing the telecommunications network, constructing a cotton ginnery and extending a factory producing corrugated paperboard. In **Senegal** too the emphasis was on industrial projects, with 13.5 million from risk capital resources being devoted to restructuring a chemicals complex processing phosphates and to financing small and medium-sized enterprises operating in the tourism and fisheries sectors.

In the **Congo**, a loan for 10 million from risk capital resources will help to improve the water supply situation in Pointe-Noire, while operations in two other countries in the region were geared to enhancing energy supplies: reinforcement of the high voltage electricity grid in **Ghana** towards the Centre and North of the country (17 million) and construction of a hydroelectric power station on the Riaba River in **Equatorial Guinea** (4 million from risk capital resources).

In **Southern Africa**, apart from a study on the feasibility of developing water resources in **Lesotho** (3.5 million from risk capital resources), lending centred on industrial projects; in **Mauritius** (18.5 million, including 3.5 million from risk capital resources), establishment of a mill producing cotton and polyester fabrics and working in collaboration with a Madagascan firm as well as a global loan to the Development Bank of Mauritius; in North-Western **Madagascar**, rehabilitation of a textile mill (3.3 million from risk capital resources); in **Malawi** (8 million, including 5.5 million from risk capital resources), construction of an integrated sawmill and plywood panel mill in the north of the country and rehabilitation of a cementworks in the south.

In **Eastern Africa**, the Bank drew on risk capital resources to finance part of the cost of a new unit at a hydroelectric power station on the Blue Nile in **The Sudan** (9 million) as well as a study on the feasibility of working a gold mine in **Ethiopia** (500 000 ECUs).

In the **Caribbean**, financing was given over to implementing smaller ventures in **Jamaica** (10 million), improving the water supply and sewerage systems on an island in the **Bahamas**

Table 6: Financing provided in the Mediterranean Countries, the ACP States and the OCT in 1986

	(million ECUs)						
	Total	Own resources	Budgetary resources	Energy	Infra-structure	Sector	
						Individual loans	Global loans
Algeria	60.0	60.0	—	—	60.0	—	—
Tunisia	63.5	50.5	13.0	—	—	43.5	20.0
Egypt	62.5	62.5	—	30.0	—	32.5	—
Jordan	9.1	9.1	—	—	2.6	6.5	—
Syria	16.0	16.0	—	—	16.0	—	—
Cyprus	1.2	—	1.2	—	1.2	—	—
Israel	20.0	20.0	—	—	—	—	20.0
Malta	13.0	13.0	—	—	13.0	—	—
Turkey	18.7	—	18.7	18.7	—	—	—
Total Mediterranean	264.0	231.1	32.9	48.7	92.8	82.5	40.0
Africa	164.4	108.7	55.7	30.0	20.0	96.9	17.5
Caribbean	23.5	21.5	2.0	5.0	8.5	—	10.0
Pacific	21.5	20.5	1.0	17.0	—	4.5	—
OCT	0.3	—	0.3	—	—	0.3	—
Total ACP—OCT	209.7	150.7	59.0	52.0	28.5	101.7	27.5
Grand Total	473.7	381.8	91.9	100.7	121.3	184.2	67.5

Operations outside the Community

(8.5 million), constructing a power station and erecting an overhead line in **Saint Lucia** (5 million, including 2 million from risk capital resources) and conducting a study on the feasibility of harnessing wind power in **Montserrat** (260 000 ECUs).

In the **Pacific**, the Bank helped to finance construction of a storage dam and extension of a power station in Central **Papua New Guinea** (17 million) plus establishment and modernisation of sawmills on Vanua Levu and Viti Levu in **Fiji** (4.5 million, including 1 million from risk capital resources).

A breakdown of financing according to the level of development of the countries concerned reveals

that nearly 55 % of overall lending from the Bank's own resources was directed towards projects in ACP States with both income per head higher than the US\$ 400 level and above-average borrowing capacity, while 66% of risk capital assistance was channelled to ventures in the most disadvantaged ACP States where GDP amounts to some US\$ 400 or less per head.

The majority of projects in the ACP States involved cofinancing operations mounted mainly with bilateral financial institutions in Member Countries, the European Development Fund, the World Bank and other development aid agencies.

Sewage treatment in Jordan (see list of financing operations, No. 393, p. 73);
Part of the treated water is recycled for local irrigation purposes.



List of financing operations outside the Community ⁽¹⁾

A. Loans from the Bank's own resources

Contracts signed in 1986

Loans provided from the Bank's own resources in 1986 in respect of projects outside the Community totalled 381.8 million, of which 231.1 million went to countries in the Mediterranean region and 150.7 million to the African, Caribbean and Pacific (ACP) States and the Overseas Countries and Territories (OCT). These operations are included in the Bank's balance sheet.

All loans in the ACP States and the OCT carried an interest subsidy financed from the European Development Fund.

		million ECUs		
EGYPT		62.5	ISRAEL	
38.8 million Egyptian pounds			390. Global loan to Industrial Development Bank of Israel for financing industrial SMEs	
383. Installation of fourth unit (320 MW) at Shoubrah El Kheima thermal power station			26.6 million Shekels	20.0
Egyptian Electricity Authority			SYRIA	
LE 18.6 million		30.0	391. Construction of sewers and sewage treatment plant at Aleppo, main town in Northern Syria	
384. Construction of white cement plant near Samalut, 220 km south of Cairo			Government of Syrian Arab Republic (Ministry of Housing and Public Utilities)	
Hewlan Portland Cement Company			58.8 million Syrian pounds	16.0
LE 20.2 million		32.5	MALTA	
ALGERIA			392. Modernisation and extension of telephone and telex services	
385. Upgrading to motorway standard of Boufarik (southern exit from Algiers) — Blida section (18 km) of National Highway 1			Telemalta Corporation	
Democratic and Popular Republic of Algeria (Ministry of Public Works) through Banque Algérienne de Développement			5.1 million Maltese pounds	13.0
271.9 million Algerian Djnars		60.0	JORDAN	
TUNISIA		50.5	9.1	
36.1 million Tunisian Dinars			2.9 million Jordanian Dinars	
386. Construction of dairy producing long-life (UHT) milk, cheese and butter at Bou Salem, 130 km west of Tunis			393. Construction of 77 km of sewers and sewage treatment plant at Zarqa, 25 km north-east of Amman	
Société Laitière du Nord-Ouest (LAINO) through Banque Nationale de Développement Agricole			Jordan Water Authority through Hashemite Kingdom of Jordan	
D 1.7 million		2.5	JD 0.8 million	2.6
387. Global loan to Banque Nationale de Développement Agricole for financing small and medium-scale ventures in agricultural and agro-industrial sectors			394. Extension of industrial estate for small and medium-scale industry at Sahab, south of Amman	
D 9.7 million		14.0	Jordan Industrial Estates Corporation through Hashemite Kingdom of Jordan	
388. Development of livestock and tree crop farming at five agricultural complexes			JD 2.1 million	6.5
Development companies concerned through Banque Nationale de Développement Agricole			ACP States and OCT — Africa	
D 10.8 million		14.0	million ECUs	
389. Development of livestock and tree-crop farming at five farms covering over 23 000 ha			ZAIRE	
Office des Terres Domaniales through Banque Nationale de Développement Agricole			395. Rehabilitation of production capacities at copper and cobalt processing plants	
D 13.9 million		20.0	Générale des Carrières et des Mines — Exploitation — GECAMINES	
			2 743.3 million Zaires	50.0
			IVORY COAST	
			24.2	
			8 120.5 million CFA francs	
			396. Extension of factory producing corrugated paperboard at Yopougon, near Abidjan	
			Société Nouvelle Abidjanaise de Carton Ondulé	
			CFAF 1 540.3 million	4.5

(1) Finance contracts for operations mounted under the heading of financial cooperation with countries outside the Community are denominated in ECUs. Amounts shown in national currencies are given solely as a guide and are based on the equivalents in ECUs used by the Bank at the dates of contract signature (see page 8).

397. Construction of cotton ginnery and storage facilities at Seguela Republic of the Ivory Coast — Compagnie Ivoirienne pour le Développement des Textiles CFAF 3 240 million	9.7
398. Rehabilitation and reinforcement of national and international telecommunications system Republic of the Ivory Coast — Office National des Télécommunications CFAF 3 340.2 million	10.0
<hr/> GHANA <hr/>	
399. Extension and modernisation of electricity transmission network in north of country Volta River Authority 1 575.3 million Ghanaian cedis	17.0
<hr/> MAURITIUS <hr/>	
201.1 million Mauritian Rupees	
400. Global loan for financing SMEs in industrial, agro-industrial and tourism sectors plus industrial buildings in rural areas Development Bank of Mauritius Mau Rs 78.7 million	6.0
401. Establishment of cotton and polyester weaving mill SOCOTA Textile Mills through Development Bank of Mauritius Mau Rs 122.4 million	9.0
<hr/> MALAWI <hr/>	
402. Rehabilitation and modernisation of cementworks in south of country Portland Cement Company Ltd through Malawi Development Corporation 5.1 million Malawi kwacha	2.5

ACP States and OCT — Caribbean

million ECUs

<hr/> JAMAICA <hr/>	
403. Global loan to National Development Bank for financing SMEs in industrial, agro-industrial, mining and tourism sectors National Development Bank 53.6 million Jamaica dollars	10.0

<hr/> BAHAMAS <hr/>	
404. Improvements to water supply and sewerage systems on New Providence Island; extension of drinking water production and transport facilities on Andros Island Water and Sewerage Corporation 8.8 million Bahamian dollars	8.5

<hr/> SAINT LUCIA <hr/>	
405. Construction of 5 MW diesel power station and erection of overhead power line St Lucia Electricity Services Ltd 8.3 million East Caribbean dollars	3.0

ACP States and OCT — Pacific

million ECUs

<hr/> PAPUA NEW GUINEA <hr/>	
406. Construction of storage dam and installation of two 15 MW units at Ramu power station in north-east of Island Papua New Guinea for Electricity Commission 18 million kina	17.0

<hr/> FIJI <hr/>	
407. Modernisation and restructuring of sawmill and veneer and plywood mills; construction of new sawmill Fiji Forest Industries Ltd 4.2 million Fiji dollars	3.5

B. Financing operations from Community budgetary resources

Contracts signed in 1986

Operations concluded in 1986 from Community budgetary resources totalled 91.9 million, of which 32.9 million took the form of loans on special conditions in the Mediterranean region, while 59 million was advanced as risk capital in the ACP States and the OCT. Financing is provided by the Bank under mandate from, on behalf, for the account and at the risk of the European Economic Community and is accounted for off balance sheet in the Special Section (see page 94); the Bank's responsibility for these operations is limited to proper performance of the mandate entrusted to it.

		million ECUs			
TURKEY			THE CONGO		
408. Construction of Özlüce hydroelectric power station in Eastern Anatolia Republic of Turkey (Ministry for Energy and Natural Resources) 13.5 billion Turkish liras	18.7	415. Rehabilitation of water supply facilities at Brazzaville and Pointe-Noire Conditional loan to Société Nationale de Distribution d'Eau through People's Republic of the Congo 3 427.5 million CFA francs	10.0		
TUNISIA			THE SUDAN		
13.0					
9.6 million Tunisian Dinars			416. Installation of seventh 40 MW unit at Roseires hydroelectric complex Conditional loan to National Electricity Corporation through Government of the Sudan 21.1 million Sudanese pounds		
409. Global loan to Banque Nationale de Développement Agricole for financing small and medium-scale ventures in agricultural and agro-industrial sectors D 4.2 million	6.0				
410. Development of livestock and tree farming at five agricultural complexes Development companies concerned through Banque Nationale de Développement Agricole D 5.4 million	7.0	MALAWI			
			5.5		
CYPRUS			9 million Malawi kwacha		
411. Construction of sewerage system serving 18 000 inhabitants of central Nicosia Republic of Cyprus (Sewage Board of Nicosia) 0.6 million Cyprus pounds	1.2	417. Rehabilitation and modernisation of cementworks in south of country Conditional loan to Malawi Development Corporation MK 3.1 million			
			418. Construction of sawmill and panel mill at Chikangawa in Viphya forest in north of country Conditional loan to State of Malawi for acquiring shares in Viphya Plywood and Allied Industries Ltd through Viphya Pulp and Paper Corporation Ltd MK 5.9 million		
ACP States and OCT — Africa			4.0		
			EQUATORIAL GUINEA		
13.5					
4 627 million CFA francs			419. Construction of hydroelectric power station on Riaba river Conditional loan to Republic of Equatorial Guinea (National Electricity Company) 1 371 million CFA francs		
412. Global loan for financing studies and equity participations Conditional loan to Société Financière Sénégalaise pour le Développement de l'Industrie et du Tourisme CFAF 514.1 million	1.5	MAURITIUS			
			3.5		
413. Global loan for financing SMEs in industrial, agro-industrial, tourism and fisheries sectors Conditional loan to Société Financière Sénégalaise pour le Développement de l'Industrie et du Tourisme CFAF 1 713.7 million	5.0	46.6 million Mauritian Rupees			
414. Restructuring of complexes producing sulphuric and phosphoric acid at Darou Khoudoss and fertilisers at M'bao, near Dakar Conditional loan to Republic of Senegal CFAF 2 399.2 million	7.0	420. Establishment of cotton and polyester weaving mill Conditional loan to SOCOTA Textile Mills through Development Bank of Mauritius Mau Rs 20.4 million			
			421. Global loan providing resources for export-oriented enterprises Conditional loan to Development Bank of Mauritius Mau Rs 26.2 million		
			1.5		
			2.0		

LESOTHO

422. Engineering studies on development of water resources in highlands region
Conditional loan to **Government of Lesotho** for **Lesotho Highlands Development Authority**
8 million maloti 3.5

MADAGASCAR

423. Rehabilitation of textile mill at Mahajanga in north-west of island
Conditional loan to **Société Textile de Majunga** through **Democratic Republic of Madagascar**
2 500.9 million Malagasy francs 3.3

BURUNDI

424. Global loan for financing studies, equity participations and loans to enterprises
Conditional loan to **Banque Nationale pour le Développement Économique**
360.3 million Burundi francs 3.0

ETHIOPIA

425. Study on feasibility of working gold mine in Lega Dembi deposits
Conditional loan to **Agricultural and Industrial Development Bank for Ethiopian Mineral Resources and Development Corporation**
1 million Ethiopian birr 0.5

ACP States and OCT — Caribbean

million ECUs

SAINT LUCIA

426. Construction of 5 MW diesel power station and erection of overhead power line
St Lucia Electricity Services Ltd
5.6 million East Caribbean dollars 2.0

MONTSERRAT

427. Study on feasibility of harnessing windpower for electricity generation on island of Montserrat
Conditional loan to **Montserrat Electricity Services Ltd** (Ministry for Energy)
0.7 million East Caribbean dollars 0.3

ACP States and OCT — Pacific

million ECUs

FIJI

428. Modernisation and restructuring of sawmill and veneer and plywood mills; construction of new sawmill
Conditional loan to **Native Land Trust Board**
1.2 million Fiji dollars 1.0

Copper production at Gécamines plant in Zaire (see list of financing operations, No. 395, p. 73).



Resources

This section deals with the evolution of capital markets and funds raised by the Bank for lending operations mounted from its own resources and accounted for in its balance sheet and for which it assumes financial responsibility. The 'Resources' section, however, does not cover resources

administered by the Bank under mandate from and on behalf of third parties, which are accounted for off balance sheet in the Special Section (see page 94), in particular loans from NCI resources and financing provided in the ACP States and the Mediterranean countries from Community budgetary funds.

Evolution of capital markets

Continuation during the early months of 1986 of the general decline in nominal interest rates which began in the previous year revived demand for credit, a development welcomed by investors in view of the conditions offered. Primary markets in fixed-interest securities were consequently very active during this period when they saw the launching of a number of unusually long-dated issues.

Investors' expectations of a further fall in interest rates were sustained for a while by cuts in discount rates in a number of countries, including in particular the USA, despite the slide in the value of the dollar. By mid-year, however, the depreciation of the dollar coupled with fear that a tightening of monetary policy might result from a more buoyant economic recovery in the USA than previously expected led to disquiet among non-US-based investors in dollar securities. This uncertainty spread to other markets which, together with dollar markets, were already suffering from the weight of issuing activity earlier in the year. The downward movement in interest rates was halted by the summer and a temporary upward reaction was even experienced in some markets. Investors became more selective with a clear preference for short-dated, first-class fixed-interest securities and, in view of the uncertainty over the possible direction of interest rates, they also turned to floating-rate note issues for their long-term investments.

Following the fall in the cost of borrowing on fixed-interest terms, despite some reaction at mid-year, issuers found it advantageous to refinance previous higher coupon issues, a scenario which applied equally to the sector of floating-rate notes (FRNs) denominated in dollars. Demand for floating-rate notes strengthened to the extent that large long-dated issues were successfully launched and interest rate spreads over the customary inter-bank reference rates⁽¹⁾ contracted and even became

negative. A number of financial institutions made use of the temporarily very favourable conditions to issue perpetual FRNs which their monetary authorities were prepared to regard as a source of subsidiary capital. Later in the year, investors reacted against the systematic pursuit of lower borrowing costs and even more strongly against the issue of perpetual FRNs. As a result, issues of euro-commercial paper and interest rate swaps regained their ascendancy as lower cost sources of variable-rate finance.

These tensions in the FRN sector were still present at the end of the year. Thanks to the general fall in rates of inflation, however, real interest rates remained at historical highs in most major markets. This, coupled with declining petroleum prices and the US/Japan agreement on stabilising the dollar/yen exchange rate, led to the revival of expectations of a further fall in interest rates in markets dealing in fixed interest rate securities and issuing activity in these securities showed signs of picking up once more. Nevertheless, when allowance is made for the growth of new issues for the purpose of refinancing and of bonds convertible into equity or carrying equity warrants, the expansion in new issues on the international bond market and in foreign bond sectors of national markets, taken together, was probably less than in previous years. The fall in the value of the dollar on the foreign exchange markets and the uncertainty and tensions it produced, not least in the European Monetary System, could probably be held partly responsible for this.

The **international Deutsche Mark bond market** saw primary activity expanding strongly, albeit at a somewhat lesser rate than in the previous year. The process of reducing interest rates continued, occasionally interrupted by temporary rises.

In 1986, the central bank's monetary policy was geared to consolidating progress already achieved in stabilising the level of German prices while ensuring adequate growth in money supply with an

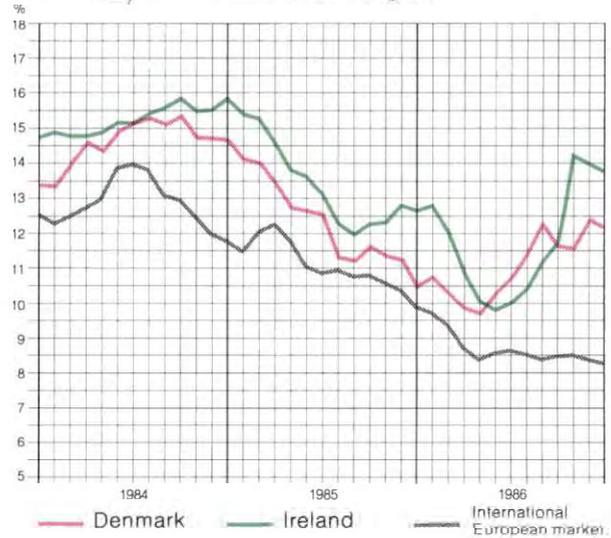
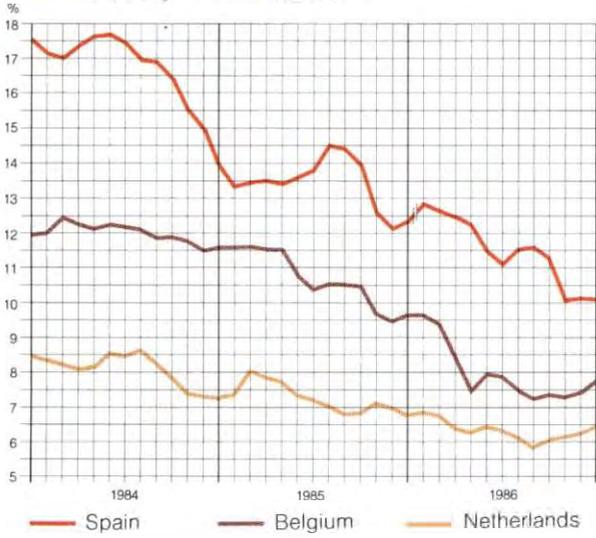
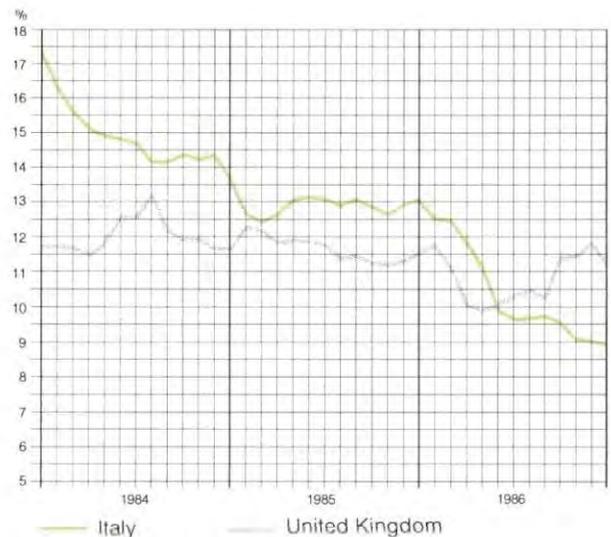
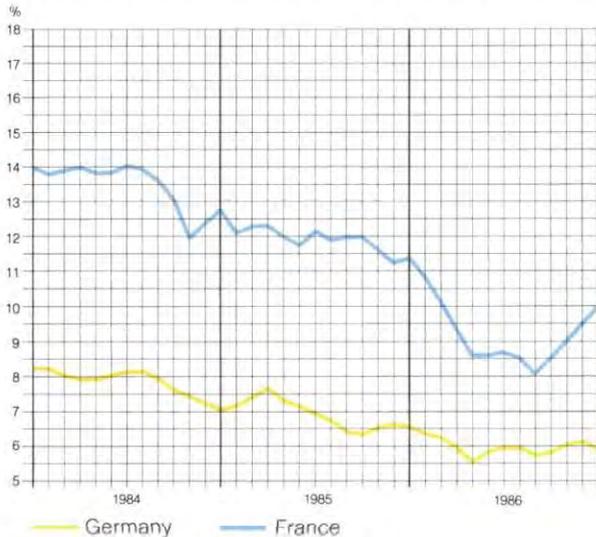
⁽¹⁾ LIBOR: London inter-bank offered rate; LIMEAN: London inter-bank mean rate; LIBID: London inter-bank bid rate.

eye to sustained economic growth in real terms. Hence, the federal bank allowed stronger growth in money supply in 1986 than originally forecast; in so doing, it took account, wherever possible, of the trend in the exchange rate for the DM vis-à-vis the US dollar and other EMS currencies.

Fairly substantial issuing activity in DM zero coupon bonds was recorded during the early months of 1986 although this came to a virtual standstill in the second half of the year. FRN issues were also launched, chiefly during the first half, these accounting for a far larger market segment overall

Gross yields on bonds

quoted on the various financial markets in the Community that offer the closest comparison with those issued by the European Investment Bank. For the United Kingdom and Ireland, yields have been calculated, for purposes of comparability, on the basis of an annual rather than a semi-annual compounding of interest.



than zero coupon issues. The growth in the international DM market could, however, be traced primarily to issues of convertible or equity linked bonds.

The DM came to play a generally greater role on the international issues markets.

In the **Netherlands**, long-term interest rates followed much the same pattern as in Germany and even moved temporarily below the rates in that country. Issuing activity on the Guilder bond market was substantially higher than in 1985, helped by the liberalisation measures introduced at the beginning of the year which both facilitated access by non-residents to this capital market and significantly enlarged the range of financial instruments authorised.

Interest rates declined in **France** until late summer under the influence of favourable trends in prices and external accounts. Later, both foreign and domestic developments led to some upward pressure on rates. Bond issuing activity, although exposed to temporary strains, increased and the recently opened euro-franc market saw a steady flow of issues including the first FRN issue as well as several convertibles.

Primary market activity in the **euro-sterling** and foreign (Bulldog) bond markets was heavily affected by the large downturn in the price of oil which tended to reduce investors' interest in securities denominated in this currency. Thus, after holding up relatively well in the first half of the year, issuing activity on the Bulldog market during the second half was virtually non-existent, while the third quarter saw no euro-sterling issues. It was thus only the FRN issues, launched almost exclusively by building societies, which maintained market buoyancy throughout the whole year and permitted substantial progress in the overall results. The much-heralded technical and institutional revolution in the London market (the Big Bang) which took place on 26 October 1986 had had little significance for foreign borrowers by the end of the year.

The Italian euro-lira and foreign bond markets continued to offer attractive but limited funding opportunities and were by and large free from significant strains. A sharp fall in the rate of inflation was instrumental in reviving demand for fixed-interest securities. In **Spain**, slack private sector demand for credit reduced inflationary pressures and for the second year in succession, a large external accounts surplus induced an improvement in borrowing conditions on the domestic bond market.

In **Belgium**, bond market conditions also improved sharply during the spring as a result of progress with disinflation. Later in the year, recurring uncertainty partly offset the positive influence of further economic stabilisation measures and made for irregular interest rate movements, with bond market conditions remaining vulnerable. In **Luxembourg**, a prolonged decline during the first half of the year was followed by a period of stability during which interest rate developments were calmer.

In **Denmark**, deteriorating external accounts reversed the tendency towards improving conditions on the bond market in the spring, although a tightening of budgetary measures induced a temporary let-up in the upward pressure on bond yields later in the year. In **Ireland**, an initial decline in interest rates was followed by a sharp rise mainly caused by exchange rate uncertainty due to the rapid depreciation of sterling and, to a lesser extent, the US dollar and despite a downward adjustment by 8% of the Irish pound's central rate against other EMS currencies in August. Towards the end of the year, bond market conditions improved and yields began to fall as sterling steadied and the Government announced policies designed to ensure a reduction in borrowing in 1987 and the maintenance of a stable exchange rate in the EMS. In **Greece**, credit conditions tightened, while, in **Portugal**, the authorities led interest rates lower.

Total issuing activity of 6.6 billion in the **ECU sector** did not approach the level of 1985 when it stood at 9.4 billion. The market suffered from the successive weakening of certain component currencies.

The slowdown in issuing activity was particularly noticeable in the first quarter of 1986 ahead of the 6 April general realignment within the EMS which was widely anticipated by the market. Activity accelerated anew thereafter and was not affected by the devaluation of the Irish pound, but gradually tapered off in subsequent months, reaching a virtual standstill in November. Partly driven by swap opportunities, borrowers tended to approach this market with very low nominal coupons which investors were reluctant to accept in view of not too dissimilar yields available in other currency sectors. December, however, saw a partial recovery of issuing activity mostly determined by renewed interest from Japanese and, to a lesser extent, Swiss investors. By and large, the problems encountered by the ECU bond market in 1986 indicated short-run operating difficulties rather than signs of structural weakness.

The **US dollar's** share in overall new international bond offerings fell substantially last year. This could be traced to the important effects of the fall in the exchange value of the dollar against all major currencies, the downturn recorded in the mostly dollar-denominated FRN sector and stagnant activity on the foreign bond (Yankee) sector of the US capital market. A possible reason for this stagnation was the substantial volume of bonds issued throughout the year by American borrowers seeking to refinance earlier, more costly borrowings which thus left scant funds available for foreign borrowings. Only as the year drew to a close did investors become more receptive to foreign issues.

The fall in the dollar's share of the bond markets would have been even more noticeable had it not been for a number of special factors, for instance the issue of bonds targeted at Japanese investors carrying above-market coupons (and above-par pricing) especially during August and September. Furthermore, mortgage-backed securities, nearly all of them appearing in the dollar sector, also limited the fall in this currency's share of the market as investors became more familiar with their sometimes complicated structures.

Activity in the **yen** markets progressed strongly last year, increasing this currency's market share. The

distribution of issuing activity between the foreign (Samurai) and the euroyen markets, which was almost perfectly balanced in 1985, was however uneven, being highly in favour of the latter. Among the reasons which explain this evolution are the less cumbersome registration procedures which characterise the euroyen bond market, its higher level of secondary market liquidity and the fact that it was the object of far wider liberalisation measures than the foreign bond market on which the amount of new issues in fact fell.

Equity-linked bond issues, offered in particular by Japanese and US borrowers, were one of the factors which fuelled the extremely vigorous expansion of the **Swiss** foreign market. Traditional dual currency bond offerings were also prominent, especially in the first half of the year, as were the newly introduced 'undated' bond issues. Although there were instances of truly straight perpetual issues, most of the undated bond offerings carried an interest rate usually reset every ten years, and often had put or call options attached. The bulk of issuing activity was, however, accounted for by straight bond issues but subject, at times, to indigestion. Nevertheless, the strength of the currency continued to appeal very much to non-residents despite the fact that the trend in long-term interest rates was almost flat.

Bank activity on the capital markets in 1986

The relative abundance of funds available on the capital market at least during the first half of 1986 and the concomitant downward trend of interest rates enabled the Bank to boost the volume of its borrowings on all markets without too much difficulty. Its calls on the various sectors totalled 6 785.5 million, or over 18% more than in the previous year (5 709.2 million) and over 50% up on the 1984 figure (4 360.9 million).

The new borrowing resulted in an increase in the amount of borrowings outstanding (after

redemptions and adjustments for changes in conversion rates) of 3 438.7 million which, together with the surplus of the profit and loss account (576.5 million) plus Member States' contributions to the Bank's capital, lifted the EIB's total resources as at 31 December 1986 to 35 860.5 million as against 31 561.5 million twelve months previously.

Barring certain strains apparent on some markets at the end of 1986 and the uneven spread of its calls in keeping with demand from its clients, the Bank encountered no major problems in raising the

resources required. Its presence on certain markets, notably those for the dollar and the yen, was influenced not only by demand from its clients but also, to a greater extent, by scope for **early redemption** of previous higher coupon borrowings. In 1986, issues redeemed early totalled 1 089.7 million, as against 509.6 million in 1985. The bulk of these conversions (758.2 million, or around 70% of the total) was funded either by new bond issues (436.1 million), where the periods to maturity of borrowings redeemed early were fairly long, or by shorter-dated interbank operations (322.1 million). In view of the appreciable fall in dollar interest rates in 1986 coupled with investors' acceptance of the issuer availing himself of redemption clauses contained in the relevant contracts, dollar-denominated issues accounted for the majority of early redemptions in 1986 (696.7 million). The EIB also redeemed early borrowings in yen and, for lesser amounts, in Swiss francs, Luxembourg francs, EURCO and Guilders. It also renegotiated private placings, notably in yen.

As in the previous year, the Bank had recourse to **swap operations** (interest-rate swaps, currency swaps or a combination of both), albeit on a very cautious basis. These enabled it to obtain floating-rate dollars on advantageous terms as well as fixed-rate currencies required for its loan disbursements — ECUs and French francs — and which market

conditions prevented it from raising on a basis compatible with its clients' requirements. The swap technique again allowed the EIB to make calls on the markets for currencies not offered to its clients (Canadian dollar issues) and to take advantage of either the abundance of funds on certain markets (public issues or private placings in yen) or specific demand for issues by first-class borrowers (dollar-denominated issues).

In 1986, the Bank raised variable-rate resources, solely in dollars, for the equivalent of 540.7 million, compared with 899.2 million in the previous year. After several years' absence — its sole floating-rate dollar-denominated borrowing dated from 1971 — the EIB returned to the FRN market for the equivalent of 291.4 million, turning to good effect the fairly advantageous terms on offer at the start of the final quarter. The balance of variable-rate resources was obtained through the swap operations mentioned earlier.

Although a dip was recorded in the Bank's variable-rate activity mainly in the wake of slacker demand from its clients, **fixed-rate** fund raising, including interbank operations and the allocation of fixed-rate participation certificates, brought in 6 244.8 million (borrowings: 5 903.8 million; interbank operations: 321 million; participation certificates: 20 million), or 30% more than in 1985 (4 810 million). Except in

Table 7: **Funds raised from 1982 to 1986** ⁽¹⁾

Year	Funds raised	Number	Medium and long-term borrowing				Short-term operations		
			Total	Private borrowings	Interbank operations	Public issues	Commercial paper	ECU denominated certificates of deposit	Participation certificates
1982	3 205.2	91	3 145.7	1 213.7	105.7	1 826.3	—	—	59.5
1983	3 619.4	81	3 508.4	1 130.9	62.1	2 315.4	—	—	11.0
1984	4 360.9	104	4 049.7	822.2	—	3 227.5	189.1	100.0	22.1
1985	5 709.1	75	5 324.5	1 095.5	—	4 229.0	374.0	—	10.6
1986	6 785.5	77	6 765.5	1 009.7	321.0	5 434.8	—	—	20.0

(1) In 1986, the Commission of the European Communities concluded borrowings totalling 2 714.7 million, of which NCI: 477.4 million; European Atomic Energy Community: 638.5 million; European Coal and Steel Community: 1 598.8 million. (conversion rates at 31. 12. 86).

Resources

certain cases where the prevailing climate precluded the EIB from borrowing on favourable terms (the 'Yankee bond market', the American domestic market in foreign securities) or where temporary disruptions were observed in 1986 (ECU and French franc markets at the end of the year), the Bank continued to consolidate its position on the main capital markets both within and outside the Community. While continuing to adopt a cautious

approach to market innovations, the EIB did not shun new formulae wherever these served to mitigate certain risks to which it is exposed. Such was the case with a Eurosterling issue with delayed rate setting which enabled the Bank to provide against the interest rate risks inherent in frequent revision of the EIB's lending rates in keeping with market trends. In addition, Bank borrowing activity on the various capital markets consistently reflected

Table 8: **Breakdown by currency of funds raised in 1986**

	Before swaps		Swaps million ECUs	After swaps	
	million ECUs	%		million ECUs	%
MEDIUM AND LONG-TERM FIXED-RATE BORROWINGS					
Community					
ECUs	827.0	12.2	+ 70	897.0	13.2
DM	859.4	12.7		859.4	12.7
Lit	594.1	8.7		594.1	8.7
Fl	515.0	7.6		515.0	7.6
Ffrs	218.8	3.2	+ 194	412.8	6.1
£	304.1	4.5		304.1	4.5
Bfrs	262.6	3.9		262.6	3.9
Lfrs	56.5	0.8		56.5	0.8
	<u>3 637.5</u>	<u>53.6</u>	<u>+ 264</u>	<u>3 901.5</u>	<u>57.5</u>
Non-Community					
US\$	1 117.4	16.5	- 194	923.4	13.6
Yen	686.9	10.1	- 172.8	514.0	7.6
Sfrs	510.5	7.5		510.5	7.5
Can.\$	146.4	2.2	- 146.4		
Austr. Sch.	54.4	0.8		54.4	0.8
	<u>2 515.6</u>	<u>37.1</u>	<u>- 513.3</u>	<u>2 002.3</u>	<u>29.5</u>
Total	6 153.1	90.7	- 249.2	5 903.8	87.0
SHORT, MEDIUM AND LONG-TERM FLOATING-RATE BORROWINGS					
Non-Community					
US\$ FRN	291.4	4.3		291.4	4.3
Other resources			+ 249.2	249.2	3.7
Total	291.4	4.3	+ 249.2	540.6	8.0
INTERBANK OPERATIONS					
US\$	296.2	4.3		296.2	4.3
Lfrs	24.8	0.4		24.8	0.4
Total	321.0	4.7		321.0	4.7
PARTICIPATION CERTIFICATES					
DM	20.0	0.3		20.0	0.3
Grand Total	6 785.5	100.0		6 785.5	100.0

the quest for the best possible terms for the currencies, durations and amounts corresponding to EIB clients' requirements.

The already important role played by **Community currencies** in 1985 in relation to overall resources raised by the EIB was further consolidated in 1986 when 3 946.3 million, or 58.2% of total fixed-rate resources, were mobilised in these currencies (compared with 2 942.1 million, or 51.5% of resources during the previous year), mainly through public issues and private placings (3 901.5 million).

With a total of 897 million tapped, the **ECU** again occupied pride of place among Community resources borrowed by the Bank at fixed rates in 1986. Despite a market background adversely affected by the fall in issue yields and the dip in ECU rates resulting from fluctuations in certain component currencies, the Bank nevertheless succeeded in maintaining its presence on traditional markets, while also broaching new ones. The EIB featured on the international ECU market at the beginning of 1986 with an issue of 180 million whose success served to revive what until then had proven very subdued demand. Thereafter, it approached the markets both in Community countries (France and Germany) and in Japan. On the French market, the Bank resumed activity commenced in 1985 by launching a second issue, quoted in Paris, for 300 million, of which 250 million were placed through the domestic French banking network. It also called on the German market with an international issue of which a substantial percentage was taken up by German clients. In addition, the EIB placed a substantial proportion of an international issue for 125 million with Japanese investors for whom the ECU represented an attractive means of diversifying their portfolios. The balance of fixed-rate resources was provided both by private borrowings totalling 122 million and by a swap operation for the equivalent of 70 million.

The **Deutsche Mark**, whose weighting in relation to fixed-rate funds mobilised by the Bank increased sharply in 1986 (equivalent of 879.4 million compared with 617.1 million in 1985), ranked second on the list of Community currencies raised, behind the ECU. Apart from an allocation of participation certificates early in the year, all funds tapped in this currency were borrowed through fixed-rate issues as the interest rate differential affecting private placings in the form of 'Schuldscheindarlehen' precluded the EIB from approaching this segment of the market in 1986. In order to contend with demand for this currency on the part of its clients, the Bank mounted operations throughout the year,

lengthening the duration of issues whenever the market and demand from clients so permitted. During 1986, it launched, inter alia, two exceptionally long-dated 30-year bond issues with low coupons.

In the wake of strong demand from EIB clients coupled with the significant amount of Bank lending in Italy and the abundance of funds available on this country's capital market, the **lira** occupied third place among Community currencies borrowed, with 594.1 million raised as against 342 million in 1985. The EIB made calls mainly on the domestic capital market on which it launched four public issues, one at the start of the year and three during the last four months of 1986 when rates eased considerably. As in the previous year, the Bank again featured on the Euroaira market, tapping 101.5 million. It also concluded a private placing on the domestic market.

The fixed-rate **Guilder** market brought in 515 million, an increase on the previous year (424.3 million). EIB operations were divided equally between private placings (269.1 million) and public issues (245.9 million).

In **France**, exemption from withholding tax on bonds facilitated the Bank's access to the capital market where it launched a single issue for 218.8 million at the end of the third quarter. The balance of resources was raised through two swap operations bringing the total amount of French francs tapped to the equivalent of 412.8 million.

The EIB continued to raise lesser amounts at fixed rates on various other capital markets within the Community. An increase was recorded in borrowing in **pounds sterling** which rose to 304.1 million in 1986 compared with 217.7 million in the previous year. When borrowing in this currency, the Bank approached both the UK domestic market in foreign securities and the Eurosterling market depending on the durations and rates best suited to its requirements. Taking advantage of the deregulation which accompanied the 'Big Bang', the Bank was the first issuer to use the 'bought deal' technique (the guaranteed placement of bonds on pre-arranged terms) successfully on the domestic market.

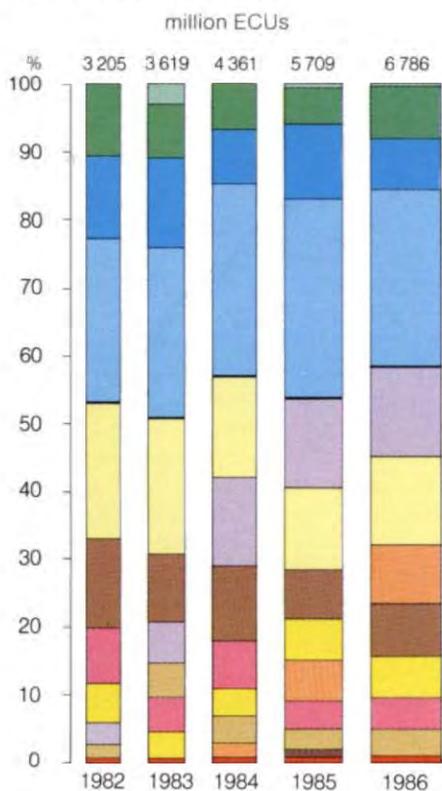
The relative weighting of the **Belgian franc** in fixed-rate resources mobilised by the Bank was much on a par with the previous year, the EIB concluding a public issue, private placings and bank loans for a total of 262.6 million. Resources raised in **Luxembourg francs** more than doubled compared with 1985, reaching 81.4 million, chiefly as a result of the size of early redemptions financed through interbank operations.

With regard to **non-Community currencies**, the United States **dollar's** share of fixed-rate resources used by the Bank increased in 1986 mainly following negotiation of interbank operations designed to fund early redemptions. Total funds raised amounted to 1 219.6 million, as against 984.4 million in 1985. The dollar was also used on two occasions in currency swaps which enabled the Bank to obtain currencies temporarily unavailable.

Although the more advantageous terms on offer prompted the EIB to favour the Euro-market, it

endeavoured, wherever possible, to extend its calls to embrace **other markets**. Four public issues were launched on the Eurodollar market, bringing in a total of 606.9 million. As in previous years, these borrowings were concluded after inviting bids from a small number of banks or were negotiated through a banking syndicate. Given the favourable climate prevailing in New York at the end of the first quarter of 1986, the Bank ended a two-year absence on the American domestic market for foreign issuers with an issue of 225.2 million for a longer duration than that obtainable on the Eurodollar market. By

Funds raised, 1982–1986



Amount of medium and long-term borrowings outstanding at 31 December 1986

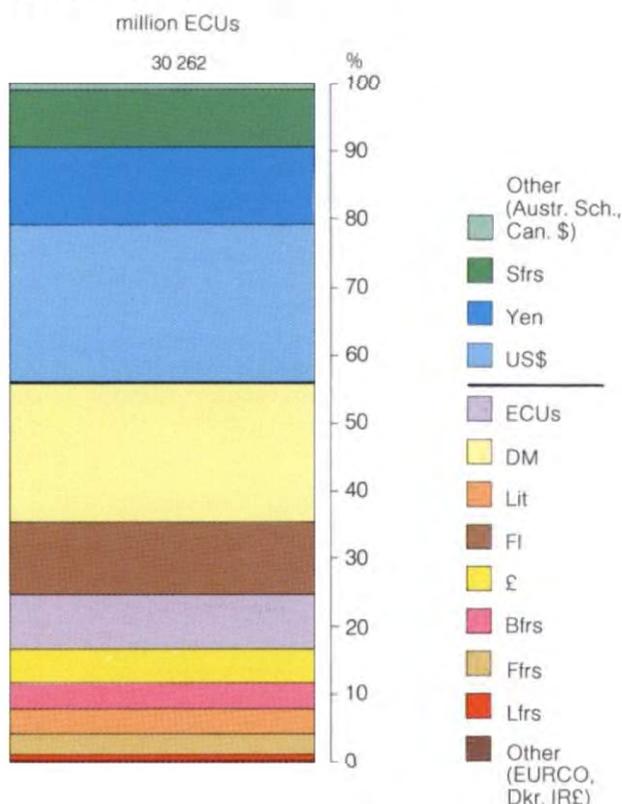


Table 9: Details of funds raised in 1986

I. Medium and long-term fixed and floating-rate operations

PUBLIC BORROWING OPERATIONS

Month of issue	Place of issue	Subscription currency	Amount in national currency (million)	Amount in ECUs (million)	Life (years)	Coupon %
January	Luxembourg	Lfrs	1 000.000	22.399	7	8.625
January	Japan	Yen	30 000.000	168.344	12	6.60
January	Germany	DM	300.000	137.371	10	6.375
January	Luxembourg	US\$	200.000	225.244	10	9.5625
February	Luxembourg	ECU	180.000	180.000	7	8.625
March	United Kingdom	£	25.000	40.628	10	10.50
March	Italy	Lit	150 000.000	100.675	8	12.75
March	Luxembourg	Yen	25 000.000	140.286	10	6.125
March	USA	US\$	200.000	225.244	12	8.25
March	Germany	DM	300.000	137.371	10	5.625
March	Netherlands	Fl	300.000	121.885	10	6.50
April	Germany	DM	150.000	69.081	12	5.50
April	Switzerland	Sfrs	200.000	110.072	10	4.875
May	France	ECU	300.000	300.000	12	6.50
May	Germany	DM	150.000	69.081	30	5.75
May	Luxembourg	Can \$	100.000	76.389	10	9.00
June	Luxembourg	Lit	150 000.000	101.525	8	10.50
June	United Kingdom	£	100.000	158.209	15	9.00
June	Germany	DM	300.000	138.162	10	6.125
June	Luxembourg	US\$	250.000	266.884	10	7.75
July	Belgium	Bfrs	4 000.000	91.075	8	7.25
September	Germany	DM	200.000	93.115	30	6.00
September	Netherlands	Fl	300.000	123.986	15	6.00
September	Switzerland	Sfrs	150.000	85.473	12	4.875
September	France	Ffrs	1 500.000	218.822	10	7.20
September	Italy	Lit	200 000.000	135.511	10	9.00
October	Luxembourg	US\$	150.000	145.689	7	7.75
October	Germany	DM	300.000	143.500	10	6.125
October	Italy	Lit	150 000.000	103.785	9	9.00
October	Japan	Yen	40 000.000	251.458	10	6.10
October	Luxembourg	ECU	125.000	125.000	7	7.75
November	Luxembourg	US\$	300.000	291.378	10	variable
November	Switzerland	Sfrs	175.000	103.124	15	5.125
November	Luxembourg	Can \$	100.000	69.985	5	9.50
November	Austria	Sch	800.000	54.363	10	7.00
December	Luxembourg	ECU	100.000	100.000	5	7.375
December	Luxembourg	US\$	100.000	97.126	7	7.625
December	Italy	Lit	200 000.000	138.381	9	9.00
December	Germany	DM	150.000	71.750	10	6.125
December	United Kingdom	£	75.000	105.260	8	11.50
December	Luxembourg	US\$	100.000	97.126	7	7.625
(41)				5 434.757		

PRIVATE BORROWING OPERATIONS

Number	Subscription currency	Amount in national currency (million)	Amount in ECUs (million)	Life (years)	Rate of interest %
10	Fl	646.000	269.120	8-15	6.45-7.125
5	Bfrs	7 500.000	171.514	6-12	7.75-9.83
5	Lfrs	1 500.000	34.139	5-6	6.75-8.625
2	US\$	53.350	60.084	1-10	5.925-7.50
3	Sfrs	375.000	211.806	5-7	4.625-4.875
2	Yen	20 800.000	126.843	8-10	6.30-7.20
3	ECU	122.000	122.000	9-15	7.54-8.875
1	Lit	21 000.000	14.213	8	10.85
36			1 009.719		

II. Interbank operations

US\$	296.234
Lfrs	24.799
321.033	

III. Third party participations in EIB loans

DM	19.990
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Total **6 785.499**

attuning the terms of its issue to the preferences of Japanese investors and paying interest, for example, on a six-monthly basis, the EIB succeeded in early 1986 in launching a public issue for 225.2 million on attractive terms which was placed in Japan. In addition, interbank operations for less than five years ran to 296.2 million, while private borrowings totalled 60.1 million.

In 1986, the Bank took advantage of expansion of the fixed-rate **yen** markets — both the Japanese domestic market and the Euroyen market — by borrowing a total of 686.9 million, of which 514 million comprised fixed-rate resources and 172.8 million were swapped into floating-rate dollars. Part of the resources mobilised at fixed rates enabled the EIB to finance early redemption of previous issues totalling 217.8 million.

On the expanding **Swiss** market, where liberalisation measures embarked upon in 1985 continued last year, the Bank tapped the equivalent of 510.5 million, as against 354.8 million in 1985, with operations encompassing both public issues (298.7 million) and private borrowings (211.8 million). In calling on its traditional banking syndicates, the EIB nevertheless widened, when inviting bids, the range of financial institutions participating in its borrowings.

The euro-**Canadian dollar** market was approached by the Bank on two occasions when it raised a total of 146.4 million through public issues (compared with 80.1 million in 1985), the proceeds of which were swapped for fixed or variable-rate currencies.

Finally, after a three-year gap, the EIB returned to the **Austrian** capital market with a public issue of 54.4 million.

Results for the year

In 1986, the Bank's operating results reflected, on the one hand, the broader margin between the cost of borrowings and interest on loans, influenced as in previous years by the use made of the EIB's own funds, and, on the other, the downturn in investment income brought about by the drop in interest rates.

Receipts of interest and commission on loans ran to 3 197 million compared with 2 937.2 million in 1985, whilst interest and charges on borrowings totalled 2 713.6 million as against 2 582.6 million in 1985. Management commission remained steady at 15 million compared with 15.6 million the previous year.

The slight dip in investment income (interest and commission), running to 196.4 million in 1986 compared with 199.5 million in 1985, is ascribable to the fall in short and long-term rates on the majority of markets in 1986.

The margin between financial income and financial charges shrank from 38 million in 1985 to 22.1 million in 1986, under the combined effect of slack rates which for most of 1986 limited the scope for the Bank to buy back its own bonds and a deterioration on some markets at the end of the fourth quarter

resulting in a write-down in the book value of the Bank's investment portfolio.

Taking into account exchange differences and after allowing for amortisation of issuing charges and redemption premiums totalling 69.1 million, depreciation of property, fixtures and fittings amounting to 4.9 million and the net decrease of 2.3 million arising from the re-evaluation of net Bank assets not subject to adjustment under Article 7 of the Statute, the balance of the profit and loss account amounted to 576.5 million as against 515.8 million in 1985.

The Board of Directors has recommended that the Governors decrease the provision for ECU conversion rate adjustments by an amount of 2 314 120 representing the net decrease arising at 31 December 1986 from the re-evaluation of net Bank assets not subject to adjustment under Article 7 of the Statute, and appropriate the 1986 operating surplus of 578 765 599 to the Additional Reserves.

At 31 December 1986, the balance sheet total stood at 40 720.9 million compared with 35 092.1 million at 31 December 1985, an increase of 16%.

Administration

Board of Directors

The Board was deeply saddened by the death on 23 May 1986 of Sir Malcolm WILCOX, a Director from whose experience and competence the EIB had benefited since September 1981; to fill the vacancy so occurring, the Board of Governors appointed Mr Alexander James Otway RITCHIE.

Messrs Paul ARLMAN, Karl BREDAHL, José María GARCÍA ALONSO, Julián GARCÍA VARGAS, Pierre MATHIJSEN, Ian PLENDERLEITH and Jean-Claude TRICHET tendered their resignations from the Board during 1986 and Messrs David DELL, José António GIRÃO and Jean SAINT-GEOURS in 1987. To fill the vacancies created, the Board of Governors appointed Messrs Jos DE VRIES and Erling JØRGENSEN, Miss Elizabeth LLEWELLYN-SMITH, Messrs Pedro MARTÍNEZ MÉNDEZ, Luis MORENO and Miguel MUÑIZ DE LAS CUEVAS as Directors and Messrs Kaj BARLEBO-LARSEN and Alastair CLARK as Alternate Directors, each to complete his or her predecessor's term of office. Mr Denis SAMUEL-LAJEUNESSE, appointed Director to succeed Mr Jean-Claude TRICHET, has been replaced as Alternate Director by Mrs Ariane OBOLENSKY.

The Board of Directors wishes to thank Messrs Arlman, Bredahl, Dell, García Alonso, García Vargas, Girão, Mathijsen, Plenderleith, Saint-Geours and Trichet for their valued contributions to Bank activity.

Audit Committee

At its Annual Meeting on 16 June 1986, the Board of Governors decided to renew the term of office of the outgoing member of the Audit Committee, Mr Albert HANSEN, for the 1986, 1987 and 1988 financial years.

Mr Constantinos THANOPOULOS has taken over chairmanship of the Committee until the Bank's balance sheet and profit and loss account for the 1986 financial year are approved at the 1987 Annual Meeting.

Organisation and Structure

In 1986, the Management Committee continued its reorganisation of the Bank's structure embarked upon in 1985 to adapt to the changing requirements of the Bank and the accession of Spain and Portugal.

The Directorate for Operations outside the Community has been restructured such that the whole sequence of project appraisal and monitoring and loan administration is now concentrated into divisions established on a geographical basis, rearranged into three departments, one for the Mediterranean countries and the other two for the countries signatory to the Lomé Convention. To ensure that financial analyses and project completion reports are consistent throughout the Directorate, a monitoring support division has been created reporting to the Manager of the Directorate.

In the interests of efficiency and in order to provide a better service for the operational directorates, the Technical Advisory Service has been regrouped on a sectoral basis. Lastly, the reorganisation of the Research Directorate has been implemented.

These changes are reflected in the organisation structure of the Bank as shown on pages 6 and 7.

Supervision

In an increasingly complex economic climate, the Bank's decision-making bodies continue to devote great attention, at all stages of Bank operations, to ensuring that the EIB's financing operations are conducted in a proper manner with due regard to their rate of return and to conformity with the objectives assigned by the Treaty of Rome and the conventions and protocols concluded with non-Community countries. The procedures for following up projects (see box, page 89) are to be revised within the general context of the Bank's audit structures.

These supervisory procedures come into play at several levels, including that of the Board of Directors and Audit Committee within the terms of their respective statutory functions. The latter body ensures that the prescribed formalities and procedures have been carried out in accordance with the requirements of the Bank's Statute, on the basis of reports established by the external auditors as well as the Bank's internal audit division, which submit all their reports to the Audit Committee.

The Audit Committee gives the seal of its agreement to the internal audit division's annual work programme, which is drawn up in close cooperation with the external auditors. This programme concentrates in particular on evaluation of the audit systems and procedures applied on the budgetary side and follows developments on the data-processing front.

Project appraisal and monitoring

From first contact to contract signature

The Bank provides finance for specific projects by granting loans either directly or through a financial intermediary, a characteristic of its operations reflecting the role entrusted to it by its founders as an investment bank serving the Community and third countries with association agreements.

Evaluation of a project is conducted after contacts between the promoter or intermediary and the Bank. Once the capital investment has been defined, a process of in-depth appraisal is set in train undertaken by a team generally comprising an engineer, an economist, a financial analyst and a lawyer.

Information required for project appraisal is gathered in the course of discussions with the promoter and especially of on-site visits:

- assessment of a project from the technical and commercial angle is designed to ensure that it is technically feasible, the cost estimates and timetable are realistic and, in the case of industrial projects, it accords with the market outlook and complies with environmental protection regulations and tendering requirements;

- economic appraisal centres on the project's economic return and compliance with the Bank's lending criteria and the Community's policy objectives;

- financial appraisal takes in the promoter's financial position, the outlook as regards cash flow and guarantee cover. The terms and conditions attaching to loans (amount, term, grace period, currencies of disbursement) are worked out with promoters in the light of their specific requirements, taking into account the Bank's holdings in the various currencies and, in some cases, the place occupied by the EIB loan within a broader financing package.

After appraisal has been completed, the Board of Directors, having received opinions from the Commission

and the Member State concerned, decides whether to grant a loan on the basis of a proposal by the Management Committee.

If a promoter or intermediary becomes a regular borrower from the Bank, appraisal of financing applications may be streamlined. Similarly, the global loan device was established to cater for smaller-scale investment and, in particular, the needs of SMEs.

From contract signature to final repayment

After contract signature and following the customary checks, the funds are disbursed in one or several instalments depending on progress with the works. Regular supervision during project implementation provides an opportunity to verify that the works are being carried out correctly and to keep an eye on developments in the cost profile and, where appropriate, procurement procedures.

A report is drawn up after completion of each individual project. This essentially goes into the technical aspects (including environmental factors) and the financial and commercial features of the project, providing the Bank with comparative figures regarding the plans at the initial appraisal stage as against the final outcome.

Throughout the term of the loans, a watchful eye is kept on the financial situation of promoters and guarantors and their exposure.

As regards global loans, supervision implies in particular regular scrutiny, on the basis of visits and documentation, of the intermediaries' financial situation, the conditions attaching to the application of sums disbursed and the use to which they are put in financing ventures.

Thus, the following up of projects financed by the Bank is undertaken in a constructive spirit, in contact with the promoters and, where appropriate, with intermediaries and co-lenders.

In the Member States, the Monitoring Department vets implementation of projects financed from both the Bank's own resources and from NCI and Euratom resources. Appraisal reports or, in the case of global loans, reports on allocations are completed for each operation.

Outside the Community, a project completion report is drawn up in respect of all operations mounted. With a view to a more comprehensive analysis of the impact of projects financed and in order to benefit from past experience in the operational sphere, an initial series of ex-post appraisal studies has just been embarked upon, in appropriate cases with the support of external consultants and in some instances jointly with other lenders.

Staff

Numerous changes have arisen among the Bank's executive staff, as a result of the departure of several staff members under a special early retirement scheme and of normal retirements.

Administration

In the Directorate for Operations in the Community — PM2, Mr Dennis KIRBY has been replaced by Mr Christopher LETHBRIDGE as Head of the Department for Operations in Ireland, Portugal, the United Kingdom and the North Sea. The latter's former position as Head of the Department for Operations in Denmark, Germany and Spain has been filled by Mr José OLIVA MARÍN.

In the Directorate for Operations outside the Community, Mr Thomas OURSIN and Mr Rex SPELLER have been appointed Heads of the ACP 1 and ACP 2 Departments respectively. Mr Robert CORNEZ, Head of the Monitoring Department, has taken his retirement.

In the Finance and Treasury Directorate, Mr Wolfgang THILL has retired and been replaced as Head of the Issues Department by Mr Ulrich DAMM.

Mr Herbert CHRISTIE has taken over as Manager of the Research Directorate following Mr Henri LEROUX's retirement. Mr Luigi GENAZZINI has been promoted to Head of the Department for Economic Research outside the Community. Mr Michel DELEAU has been engaged as Head of the Department for Economic Research within the Community and Mr Alfred STEINHERR has joined the Bank to assist and subsequently succeed Mr Desmond McCLELAND on the latter's retirement as Head of the Department for Financial Research.

In the General Administration Directorate, Mr Hans HITZLBERGER, Special Adviser to the Management Committee until 31 May 1987, and Mr Jean EQUINET have both retired and have been replaced by Mr Ronald STURGES as Head of Personnel and Mr Roger ADAMS as Head of the Management Services Department.

In the Technical Advisory Service, Mr Walter LOWENSTEIN-LOM has retired. Mr Filippo BARILLI, Deputy Chief Technical Adviser, has assumed responsibility for coordinating industrial projects.

At 31 December 1986, the Bank's staff totalled 678 comprising 313 female and 365 male employees, an increase of five for the year. At the end of the year, 46 members of staff were taking advantage of the Bank's part-time working arrangements.

The breakdown between executive and other staff over the past five years is as follows:

Year	Executive staff		Non-executive staff secretaries, technicians	
	M	F	M	F
1982	209	16	104	232
1983	223	22	108	243
1984	240	26	111	261
1985	259	34	106	274
1986	259	38	106	275
Total 1986	297 (43.8 %)		381 (56.2 %)	

In 1986, 3 404 days were given over to training activities. Furthermore, two non-executive female staff members embarked on full-time career development courses.

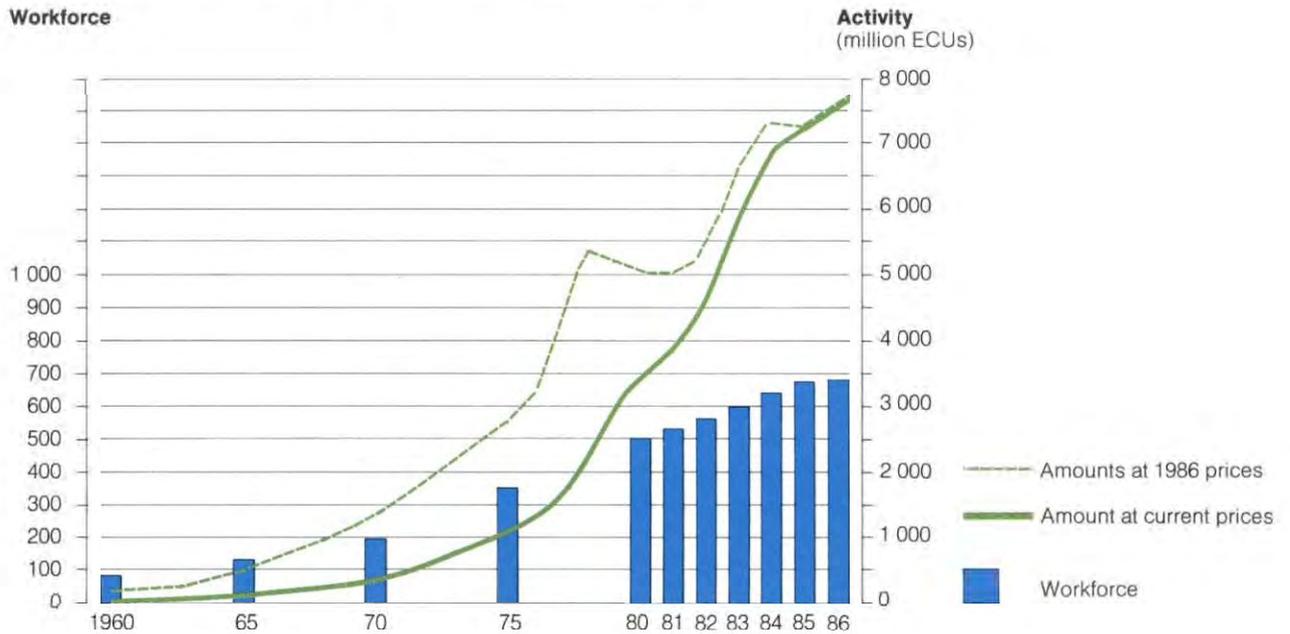
At the start of 1986, a partial revision of staff appraisal procedures was undertaken and was completed by the end of the year. In tandem with this development, initial studies began on the possibility of rewarding merit to a greater extent within the system of remuneration, work which will continue in 1987.

The elected staff representatives were involved in consultation on matters of interest to staff and have contributed actively to the development of personnel policies.

Recruitment is continuing apace in the two new Member States to ensure an appropriate participation of Portuguese and Spanish nationals in the Bank's staff.

* * *

Staff complement related to total Bank activity (1960—1986)



The Board of Directors thanks the Bank's staff and expresses its entire satisfaction with the high standard of their work, their unstinting efforts and their readiness to adapt to a constantly changing environment.

Luxembourg, 12 May 1987

The Chairman of the Board of Directors
Ernst-Günther BRÖDER

Balance Sheet at 31 December 1986

in ECUs — see notes to the financial statements, Annex E

Assets	31. 12. 1986	31. 12. 1985
Receivable from Member States on account of called capital (Annex A)	1 203 762 091	270 000 000
Receivable on account of reserves and provisions (Note N)	154 123 642	—
Cash and bank deposits		
At sight and up to one year's notice	1 599 240 761	1 362 821 758
At more than one year's notice	973 284	78 033
	1 600 214 045	1 362 899 791
Investments (Note B)		
For not more than one year	251 800 316	161 304 848
For more than one year	599 546 399	704 400 598
	851 346 715	865 705 446
Borrowing proceeds to be received	458 899 455	91 270 285
Receivable from Member States for adjustment of capital contributions (Annex D)	12 903 290	13 121 193
Loans (Annex B)		
Total outstanding	36 344 373 008	32 531 641 659
less: undisbursed balance	2 240 235 350	2 305 176 694
	34 104 137 658	30 226 464 965
Contra accounts to guarantees		
In respect of loans under mandate excluding those in respect of loans granted by third parties: 1986: 410 478 536; 1985: 512 253 660	14 780 117	23 055 507
In respect of participations by third parties in Bank loans: 1986: 190 196 341; 1985: 223 900 583		
Land and buildings (Note C)	41 106 263	42 235 457
Accrued interest and commission	917 155 716	850 455 142
Receivable in respect of EMS interest subsidies paid in advance (Note H)	256 010 991	275 594 058
Unamortised issuing charges	371 290 530	324 303 678
Unamortised redemption premiums	6 991 517	9 224 135
	378 282 047	333 527 813
Special deposits for service of borrowings (Note D)	648 366 877	690 911 979
Miscellaneous (Note G)	79 846 691	46 814 611
	40 720 935 598	35 092 056 247

Liabilities

	31. 12. 1986	31. 12. 1985
Capital (Annex A)		
Subscribed	28 800 000 000	14 400 000 000
Uncalled	<u>26 204 061 724</u>	<u>12 934 285 000</u>
	2 595 938 276	1 465 715 000
Reserve fund (Note N)	2 880 000 000	1 440 000 000
Additional reserves (Note N)	332 206 336	1 000 598 914
Provision for ECU conversion rate adjustments (Note N)	15 725 159	14 669 916
Staff pension fund (Note E)	77 823 730	64 376 775
Payable to Member States for adjustment of capital contributions (Annex D)	2 780 888	9 047 354
Short-term notes (Annex C)	562 688 033	659 383 128
Medium and long-term borrowings (Annex C)		
Bonds and notes	24 476 585 704	21 403 488 331
Other	<u>5 785 441 716</u>	<u>5 320 838 116</u>
	30 262 027 420	26 724 326 447
Redemption premiums	<u>9 074 707</u>	<u>11 430 363</u>
	30 271 102 127	26 735 756 810
Sundry creditors (Note F)	625 476 893	282 837 705
Guarantees		
on loans under mandate	14 780 117	23 055 507
on loans granted by third parties: 1986: 410 478 536; 1985: 512 253 660		
on participations by third parties in Bank loans: 1986: 190 196 341; 1985: 223 900 583		
Interest subsidies received in advance (Note H)	820 331 636	923 047 187
Interest subsidies received in advance for the account of third parties (Note H)	<u>108 290 204</u>	<u>126 886 507</u>
	928 621 840	1 049 933 694
Accrued interest and commission and interest received in advance	1 163 071 796	1 118 365 480
Coupons and bonds due and not yet paid (Note D)	648 366 877	690 911 979
Miscellaneous (Note G)	25 902 047	21 614 056
Balance of profit and loss account (Note N)	<u>576 451 479</u>	<u>515 789 929</u>
	<u>40 720 935 598</u>	<u>35 092 056 247</u>

Memorandum accounts

Special Section

Trust management fund		
— for the account of Member States	284 311 245	295 986 908
— for the account of the European Communities	8 002 808 640	7 275 996 775
Securities received as guarantee for loans under mandate	14 780 117	17 560 649
Securities received on deposit	56 054 859	78 835 310

Statement of Special Section (1) at 31 December 1986

in ECUs — see notes to the financial statements, Annex E

Assets	31. 12. 1986	31. 12. 1985
Member States		
<i>From resources of the European Atomic Energy Community</i>		
Loans		
— undisbursed	132 663 166	—
— disbursed	<u>2 398 218 069</u>	<u>1 988 341 853</u>
Total (2)	2 530 881 235	1 988 341 853
<i>From resources of the European Economic Community (New Community Instrument for borrowing and lending)</i>		
Loans		
— undisbursed	206 855 052	382 395 392
— disbursed	<u>4 993 510 883</u>	<u>4 757 896 039</u>
Total (3)	5 200 365 935	5 140 291 431
Turkey		
<i>From resources of Member States</i>		
Loans		
— undisbursed	18 433 873	—
— disbursed	<u>284 311 245</u>	<u>295 986 908</u>
Total (4)	302 745 118	295 986 908
Mediterranean Countries		
<i>From resources of the European Economic Community</i>		
Loans		
— undisbursed	41 078 663	79 444 129
— disbursed	<u>262 121 337</u>	<u>209 555 871</u>
	<u>303 200 000</u>	<u>289 000 000</u>
Risk capital operations		
— Amounts to be paid up	3 000 000	3 000 000
— Amounts disbursed	<u>5 000 000</u>	<u>5 000 000</u>
	<u>8 000 000</u>	<u>8 000 000</u>
Total (5)	311 200 000	297 000 000
African, Caribbean and Pacific States and Overseas Countries and Territories		
<i>From resources of the European Economic Community</i>		
First and Second Yaoundé Conventions		
Loans disbursed	100 751 997	104 806 250
Contributions to the formation of risk capital		
— Amounts disbursed	<u>1 236 357</u>	<u>1 267 760</u>
Total (6)	101 988 354	106 074 010
First, Second and Third Lomé Conventions		
Risk capital operations		
— Amounts to be paid up	177 277 519	161 410 158
— Amounts disbursed	<u>241 969 997</u>	<u>209 129 002</u>
Total (7)	419 247 516	370 539 160
Grand Total	<u>8 866 428 158</u>	<u>8 198 233 362</u>

N.B.

Total amounts outstanding on loans on special conditions made available by the Commission in respect of which the Bank has accepted an EEC mandate for recovering principal and interest:

* Under the First and Second Lomé Conventions: at 31 December 1986: 701 323 070; at 31 December 1985: 598 273 563

* Under Financial Protocols signed with the Mediterranean Countries: at 31 December 1986: 93 939 289; at 31 December 1985: 76 767 195

(1) The Special Section was set up by the Board of Governors on 27 May 1963; under a decision taken on 4 August 1977 its purpose was redefined as being that of recording operations carried out by the European Investment Bank for the account of and under mandate from third parties.

(2) Initial amount of contracts signed under the Decisions of the Council of the European Communities of 29 March 1977 (77/271/Euratom), 15 March 1982 (82/170/Euratom) and 5 December

1985 (85/537/Euratom) providing for an amount of three billion for financing commercially-rated nuclear power stations within the Community under mandate, for the account and at the risk of the European Atomic Energy Community:

	2 562 985 528
Add: exchange adjustments	+ 148 489 948
Less: repayments	— 180 594 241
	<u>2 530 881 235</u>

Liabilities

31. 12. 1986

31. 12. 1985

Trust management funds

Under mandate from the European Communities

European Atomic Energy Community	2 398 218 069	1 988 341 853	
European Economic Community			
— New Community Instrument	4 993 510 883	4 757 896 039	
— Financial Protocols with the Mediterranean Countries	267 121 337	214 555 871	
— First and Second Yaoundé Conventions	101 988 354	106 074 010	
— First, Second and Third Lomé Conventions	241 969 997	209 129 002	
	8 002 808 640		7 275 996 775
<i>Under mandate from Member States</i>			<u>295 986 908</u>
Total	8 287 119 885		<u>7 571 983 683</u>

Funds to be paid up

On European Atomic Energy Community loans	132 633 166	—	
On New Community Instrument loans	206 855 052	382 395 392	
On loans to Turkey under the Second Supplementary Protocol	18 433 873	—	
On loans and risk capital operations in the Mediterranean Countries	44 078 663	82 444 129	
On risk capital operations under the First, Second and Third Lomé Conventions	177 277 519	161 410 158	
Total			626 249 679
Grand Total	8 866 428 158		<u>8 198 233 362</u>

(3) Initial amount of contracts signed under Council Decisions 78/870/EEC of 16 October 1978 (New Community Instrument), 82/169/EEC of 15 March 1982 and 83/200/EEC of 19 April 1983 for promoting investment within the Community, as well as 81/19/EEC of 20 January 1981 for reconstructing the areas of Campania and Basilicata (Italy) stricken by an earthquake on 23 November 1980, and 81/1013/EEC of 14 December 1981 for reconstructing areas stricken by earthquakes in Greece in February and March 1981, under mandate, for the account and at the risk of the European Economic Community: 5 549 586 190

Add: exchange adjustments + 112 209 086
 Less: cancellations 83 873 427
 repayments 287 555 914 — 371 429 341
5 200 365 935

(4) Initial amount of contracts signed for financing projects in Turkey under mandate for the account and at the risk of Member States: 400 215 000

Add: exchange adjustments + 10 483 980
 Less: cancellations 215 000
 repayments 107 738 862 — 107 953 862
302 745 118

(5) Initial amount of contracts signed for financing projects in the Maghreb and Mashreq countries, Malta, Cyprus, Turkey and Greece (10 million lent prior to accession to EEC on 1 January 1981) under mandate, for the account and at the risk of the European Economic Community: 311 200 000

(6) Initial amount of contracts signed for financing projects in the Associated African States, Madagascar and Mauritius, and the

Overseas Countries, Territories and Departments (AASMM—OCTD) under mandate, for the account and at the risk of the European Economic Community:

— loans on special conditions 139 483 056
 — contributions to the formation of risk capital 2 502 615 141 985 671
 Add:
 — capitalised interest 1 178 272
 — exchange adjustments 7 748 300 + 8 926 572
 Less:
 — cancellations 1 573 609
 — repayments 47 350 280 — 48 923 889
101 988 354

(7) Initial amount of contracts signed for financing projects in the African, Caribbean and Pacific States and the Overseas Countries and Territories (ACP—OCT) under mandate, for the account and at the risk of the European Economic Community:

— conditional and subordinated loans 428 235 000
 — equity participations 11 232 498
 — subscription of convertible bonds 2 499 606 441 967 104
 Add:
 — capitalised interest + 60 371
 Less:
 — cancellations 10 514 107
 — repayments 9 980 681
 — exchange adjustments 2 285 171 — 22 779 959
419 247 516

Profit and Loss Account for the year ended 31 December 1986

in ECUs — see notes to the financial statements, Annex E

Income	1986	1985
Interest and commission on loans	3 196 964 589	2 937 209 467
Interest and commission on investments	196 412 611	199 484 300
Management commission (Note I)	15 033 435	15 565 292
Financial and other income (Note L)	38 920 996	39 350 295
Exchange differences	760 591	—
	3 448 092 222	3 191 609 354
Expenditure		
Administrative expenses and charges (Note K)	65 021 642	55 770 557
Interest and charges on borrowings	2 713 603 269	2 582 625 671
Amortisation of issuing charges and redemption premiums	69 062 946	59 916 231
Financial charges (Note L)	16 772 462	1 368 962
Depreciation		
— of net purchases of furniture and equipment	3 185 304	2 931 193
— of buildings	1 681 000	1 667 000
Exchange differences	—	219 234
	2 869 326 623	2 704 498 848
Operating surplus	578 765 599	487 110 506
Net decrease arising from the re-evaluation of net Bank assets not subject to adjustment under Article 7 of the Statute (Note J)	— 2 314 120	— 10 213 093
Exceptional income (Note M)	—	+ 38 892 516
Balance (Note N)	576 451 479	515 789 929

Statement of changes in financial position as at 31 December 1986

in ECUs — see notes to the financial statements, Annex E

	1986	1985
Source of funds		
Balance of profit and loss account	576 451 479	515 789 929
Items not involving movement of funds:		
Depreciation of buildings, net purchases of furniture and equipment	4 866 304	4 598 193
Amortisation of issuing charges and redemption premiums	69 062 946	59 916 231
Increase in accrued interest and commission payable and interest received in advance	44 706 316	43 559 049
Increase in accrued interest and commission receivable	— 66 700 574	— 83 350 025
	628 386 471	540 513 377
Other sources:		
Borrowing proceeds	6 301 189 196	5 875 566 869
Loan repayments to the Bank	2 269 880 430	1 851 850 634
Capital, reserves and provisions paid in by Member States	299 210 279	135 000 000
Exchange adjustments in respect of loans	944 269 262	2 015 164 031
Increase (decrease) in sundry creditors, miscellaneous liabilities, staff pension fund and net interest subsidies	258 645 347	— 268 959 700
Total	10 701 580 985	10 149 135 211
Use of funds		
Cash was used for:		
Net loan disbursements	7 091 822 385	6 397 737 379
Redemption of borrowings	2 397 449 493	1 788 216 394
Issuing costs and redemption premiums in respect of borrowings	113 817 180	71 345 058
Additions to land, buildings and furniture	3 737 110	2 931 193
Exchange adjustments in respect of borrowings	832 718 651	1 807 593 508
Net increase in capital adjustment accounts of Member States	6 048 563	3 335 973
Increase (decrease) in sundry debtors	33 032 080	— 8 955 906
Increase in cash, bank balances and investments	222 955 523	86 931 612
Total	10 701 580 985	10 149 135 211

Annex A — Statement of subscriptions to the capital of the Bank

at 31 December 1986

in '000 ECUs — see notes to the financial statements, Annex E

Member States	Subscribed capital ⁽¹⁾	Available for call ⁽²⁾	Paid in at 31 December 1986	To be paid in ⁽¹⁾	Total paid in and to be paid in
Germany	5 508 725	5 011 195·625	291 093·750	206 435·625	497 529·375
France	5 508 725	5 011 195·625	291 093·750	206 435·625	497 529·375
Italy	5 508 725	5 011 195·625	241 312·500	256 216·875	497 529·375
United Kingdom	5 508 725	5 011 195·625	291 093·750	206 435·625	497 529·375
Spain	2 024 928	1 843 594·060	46 848·236	134 485·704	181 333·940
Belgium	1 526 980	1 390 237·750	76 654·687	60 087·563	136 742·250
Netherlands	1 526 980	1 390 237·750	76 654·687	60 087·563	136 742·250
Denmark	773 154	703 917·450	38 812·500	30 424·050	69 236·550
Greece	414 190	377 098·250	20 793·125	16 298·625	37 091·750
Portugal	266 922	243 018·914	6 175·450	17 727·636	23 903·086
Ireland	193 288	175 978·900	9 703·125	7 605·975	17 309·100
Luxembourg	38 658	35 196·150	1 940·625	1 521·225	3 461·850
Total	28 800 000	26 204 061·724	1 392 176·185	1 203 762·091	2 595 938·276

(1) As from 1 January 1986, the subscribed capital was increased from 14 400 000 000 ECUs to 28 800 000 000 ECUs. This doubling of the capital incorporates the increased contributions of the Ten, the alignment of Italy's share of the subscribed capital with the shares of Germany, France and the United Kingdom (decision of the Board of Governors of 11 June 1985) and the contributions of the two new Member States, Spain and Portugal (Article 2 of Protocol No 1 to the Act of Accession signed on 12 June 1985).

(a) The Ten will pay in 7.5% of their share in the capital increase, i.e. a total of 908 111 250 ECUs, in twelve equal six-monthly instalments of 75 675 937·50 ECUs beginning on 30 April 1986 and ending on 31 October 1993.

(b) As regards the alignment of its share of subscribed capital, Italy will pay in an additional amount of 16 875 000 ECUs in four equal six-monthly instalments of 4 218 750 ECUs beginning on 30 April 1986 and ending on 31 October 1987.

(c) Following their accession, the Kingdom of Spain and the Portuguese Republic will pay in an amount of 103 379 526 ECUs, corresponding to their share in the capital paid in by the Member States at 1 January 1986, in five equal six-monthly instalments of 20 675 905·20 ECUs beginning on 30 April 1986 and ending on 30 April 1988, as well as an amount of 78 513 750 ECUs in twelve equal six-monthly instalments of 6 542 812·50 ECUs beginning on 30 April 1988 and ending on 31 October 1993.

(d) As regards the amount remaining to be paid in under the capital increase decided on 15 June 1981, the twelve Member States will pay in an amount of 293 343 750 ECUs in four equal six-monthly instalments of 73 335 937·50 ECUs beginning on 30 April 1986 and ending on 31 October 1987.

Hence, at 31 December 1986 the amount still to be paid in of 1 203 762 091 ECUs comprises: the twelve equal instalments of 75 675 937·50 to be paid in under (a) above; the two equal instalments of 4 218 750 under (b) above; the three equal instalments of 20 675 905·20 and the twelve equal instalments of 6 542 812·50 under (c) above; the two equal instalments of 73 335 937·50 under (d) above.

(2) Could be called by decision of the Board of Directors to such extent as may be required to meet the Bank's obligations towards lenders in respect of borrowings.

Annex B — Analysis of loans outstanding

at 31 December 1986

in ECUs — see notes to the financial statements, Annex E

Countries and Territories in which projects are located	Number of loans	Total outstanding (1) (2) (3)	Amount undisbursed	Amount disbursed	% of total outstanding
1. Loans for projects within the Community and related loans:					
Germany	45	942 937 327	109 821 300	833 116 027	2.59
France	222	4 576 917 786	154 908 415	4 422 009 371	12.59
Italy	879	14 917 633 825	470 677 435	14 446 956 390	41.05
United Kingdom	346	5 628 278 219	28 900 933	5 599 377 286	15.49
Spain	43	843 026 665	48 455 200	794 571 465	2.32
Belgium	22	631 289 184	46 261 493	585 207 691	1.74
Netherlands	9	179 826 936	12 793 832	167 033 104	0.49
Denmark	104	1 349 431 738	—	1 349 431 738	3.71
Greece	123	1 842 761 621	32 983 619	1 809 778 002	5.07
Portugal	45	722 185 439	288 065 120	434 120 319	1.99
Ireland	150	2 144 987 179	114 404 807	2 030 582 372	5.90
Luxembourg	3	35 688 301	—	35 688 301	0.10
Related loans (*)	8	270 661 568	—	270 661 568	0.74
Sub-total	1 999	34 085 625 788	1 307 272 154	32 778 353 634	93.78
2. Loans for projects outside the Community:					
<i>Mediterranean Countries</i>					
Yugoslavia	6	288 991 381	105 692 496	183 298 885	0.79
Egypt	10	225 202 501	98 179 907	127 022 594	0.61
Algeria	4	152 467 948	108 716 242	43 751 706	0.41
Morocco	8	142 041 472	27 099 725	114 941 747	0.39
Tunisia	14	114 268 693	60 202 090	54 066 603	0.31
Syria	5	96 243 817	60 095 000	36 148 817	0.26
Turkey	9	82 907 933	—	82 907 933	0.23
Jordan	12	49 293 598	16 450 000	32 843 598	0.14
Cyprus	3	45 392 840	22 342 118	23 050 722	0.12
Lebanon	7	28 814 688	—	28 814 688	0.08
Malta	2	14 507 080	13 000 000	1 507 080	0.04
<i>ACP Countries/OCT</i>					
Ivory Coast	21	113 155 936	50 012 828	63 143 108	0.31
Cameroon	13	109 569 525	37 546 485	72 023 040	0.30
Kenya	11	76 839 223	25 516 794	51 322 429	0.21
Nigeria	3	72 517 535	30 577 000	41 940 535	0.20
Papua New Guinea	4	63 306 963	36 362 550	26 944 413	0.17
Zaire	2	55 894 148	50 000 000	5 894 148	0.15
Fiji	6	51 749 337	13 485 180	38 264 157	0.14
Trinidad and Tobago	5	38 354 547	19 107 594	19 246 953	0.11
Zimbabwe	2	34 567 756	15 099 366	19 468 390	0.10
Zambia	4	32 891 867	—	32 891 867	0.09
Botswana	5	32 466 352	16 077 237	16 389 115	0.09
Senegal	4	30 193 574	—	30 193 574	0.08
Gabon	4	29 222 481	3 829 178	25 393 303	0.08
Ghana	3	28 280 089	17 000 000	11 280 089	0.08
Congo	3	28 149 256	23 073 285	5 075 971	0.08
Mauritius	7	28 063 628	15 368 000	12 695 628	0.08
Mauritania	1	22 427 804	—	22 427 804	0.06
Togo	4	18 925 442	—	18 925 442	0.05
Malawi	6	17 495 826	9 170 000	8 325 826	0.05
Jamaica	2	14 003 190	11 934 765	2 068 425	0.04
Benin	1	13 500 000	13 500 000	—	0.04
Swaziland	3	13 292 119	—	13 292 119	0.04
Barbados	4	13 182 721	5 097 408	8 085 313	0.04
Niger	3	11 746 289	—	11 746 289	0.03
Guinea	2	10 491 139	1 414 018	9 077 121	0.03
Bahamas	1	8 500 000	8 500 000	—	0.02
New Caledonia	2	7 943 814	—	7 943 814	0.02
Liberia	3	7 854 959	1 201 000	6 653 959	0.02
Netherlands Antilles	1	7 100 000	7 100 000	—	0.02
Burkina Faso	1	6 532 568	—	6 532 568	0.02
West Africa	1	4 307 194	—	4 307 194	0.01
French Polynesia	1	4 000 000	4 000 000	—	0.01
Saint Lucia	1	3 000 000	3 000 000	—	0.01
Central Africa	1	2 600 000	2 600 000	—	0.01
Cayman Islands	1	2 351 734	—	2 351 734	0.01
Belize	1	1 671 065	106 000	1 565 065	0.01
Caribbean region	1	1 072 311	—	1 072 311	0.01
Montserrat	1	857 322	506 930	350 392	0.01
Tanzania	1	537 555	—	537 555	0.01
Sub-total	220	2 258 747 220	932 963 196	1 325 784 024	6.22
Grand Total	2 219	36 344 373 008	2 240 235 350	34 104 137 658	100.00

(*) Loans authorised under the second paragraph of Article 18 (1) of the Statute and relating to projects on the Norwegian continental shelf and in Austria and Tunisia as well as the acquisition and operation of satellites in geostationary orbit.

(1) Currencies in which loans are repayable:

Currency	Amount
Currencies of Member States	20 708 189 555
Other currencies	13 395 948 103
Disbursed portion of loans	34 104 137 658
Add: undisbursed portion of loans:	
fixed-rate of interest and standard currency mix, as specified in finance contract	401 430 505
fixed-rate of interest, as specified in finance contract, with the Bank selecting the currency mix	1 070 431 498
open rate, with the Bank selecting the rate of interest and currency mix	768 373 347
	<u>2 240 235 350</u>
	<u>36 344 373 008</u>

Scheduled repayments on loans outstanding ('000 ECUs)

Repayable	Out-standing at 31. 12. 1986	Repayable	Out-standing at 31. 12. 1985
Year 1987	2 319 383	Year 1986	2 042 774
Year 1988	2 634 024	Year 1987	2 396 715
Year 1989	3 115 378	Year 1988	2 680 373
Year 1990	3 446 759	Year 1989	2 969 886
Year 1991	3 516 182	Year 1990	3 135 069
Years 1992 to 1996	15 031 900	Years 1991 to 1995	13 511 053
Years 1997 to 2001	5 474 675	Years 1996 to 2000	5 054 661
Years 2002 to 2006	713 438	Years 2001 to 2005	696 264
Years 2007 to 2013	92 634	Years 2006 to 2009	44 846
Total	<u>36 344 373</u>	Total	<u>32 531 641</u>

(2) Breakdown of loans outstanding at 31 December 1986 by principal form of guarantee (a)

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

Loans granted to, or guaranteed by, Member States	24 983 211 147 (c-d)
Loans granted to, or guaranteed by, public institutions in the Community	5 761 717 531 (c)
Loans granted to, or guaranteed by, financial institutions (banks, long-term credit institutions, insurance companies)	1 279 887 396 (c)
Loans guaranteed by companies outside the financial sector under majority control of Member States or public institutions in the Community	268 398 308 (c)
Loans secured by fixed charge on real estate	231 091 781
Loans guaranteed by non-bank companies in the private sector	834 554 210
Loans secured by fixed charge on assets other than real estate, or other security	726 765 415
Sub-total	<u>34 085 625 788</u>

B. Loans for projects outside the Community

1. Loans granted under the Second Yaoundé Convention

Loans granted to, or guaranteed by, AASMM States which were signatories to the Convention	19 310 800
Loans secured by other guarantees	870 720
	<u>20 181 520 (e)</u>

2. Loans granted under the First Lomé Convention

Loans granted to, or guaranteed by, ACP States which were signatories to the Convention	265 045 824
Loans secured by other guarantees	8 145 405
	<u>273 191 229 (f)</u>

3. Loans granted under the Second Lomé Convention

Loans granted to, or guaranteed by, ACP States which were signatories to the Convention	519 585 963
Loans secured by other guarantees	16 909 055
Loans granted for mining and energy development projects (Article 59)	38 047 503
	<u>574 542 521 (f)</u>

4. Loans granted under the Third Lomé Convention

Loans granted to, or guaranteed by, ACP States which were signatories to the Convention	142 700 000
Loans secured by other guarantees	8 000 000
	<u>150 700 000 (f)</u>

5. Loans granted under EEC financial agreements with Mediterranean countries

Loans guaranteed by the six founder Member States of the EIB	241 301
Loans granted to, or guaranteed or counterguaranteed by, Mediterranean countries which were signatories to these agreements	1 239 890 649 (c)
	<u>1 240 131 950</u>
Sub-total	<u>2 258 747 220</u>
Aggregate lending outstanding	<u>36 344 373 008</u>

(a) Certain loans are covered by several types of guarantee or security.

(b) Operations authorised under the second paragraph of Article 18 (1) of the Statute and relating to projects on the Norwegian continental shelf and in Austria and Tunisia as well as the acquisition and operation of satellites in geostationary orbit.

(c) The blanket guarantee provided by the EEC amounted to 2 034 585 700 at 31 December 1986 compared to 1 879 042 400 at 31 December 1985.

This guarantee is provided to cover any risk attaching to financial commitments in the Mediterranean countries as well as in Greece, Spain and Portugal arising from loans granted prior to these countries' accession to the EEC, totalling 1 218 054 770 at 31 December 1986.

(d) Loans guaranteed by the EEC amounted to 62 813 998 at 31 December 1986.

(e) Loans granted under the Second Yaoundé Convention are covered by the guarantee of the six founder Member States of the EIB.

(f) Guarantees provided by Member States to cover any risk attaching to financial commitments entered into under the Lomé Conventions amount to:
— First Convention: 114 842 500
— Second Convention: 451 122 700
— Third Convention: 113 025 000

(3) Original amount of loans calculated on the basis of the parities applied on the date of signature

	46 071 409 750
Add:	
exchange adjustments	+ 2 090 623 531
	<u>48 162 033 281</u>
Less:	
terminations and cancellations	429 929 266
principal repayments to the Bank	11 197 534 666
third party participations in Bank loans	190 196 341
	<u>- 11 817 660 273</u>
Loans outstanding	<u>36 344 373 008</u>

The aggregate amount outstanding of loans and guarantees provided by the Bank, which under Article 18 (5) of the Statute must not exceed 250 % (i.e. 72 billion at present) of its subscribed capital, came at 31 December 1986 to:

loans	36 344 373 008
guarantees:	
in respect of loans under mandate	14 780 117
in respect of loans granted by third parties	410 478 536
in respect of third party participations in Bank loans	190 196 341
	<u>615 454 994</u>
Total amount of loans and guarantees outstanding	<u>36 959 828 002</u>

Annex C — Summary statement of borrowings

at 31 December 1986

In ECUs — see notes to the financial statements, Annex E

Short-term notes

Payable in	Unamortised principal		Average weighted rate of interest
	at 31. 12. 1985	at 31. 12. 1986	
ECU	100 000 000	100 000 000	7.50
US\$ nominal value	563 109 355	467 119 154	6.04
less:			
net amount of unamortised discounts	— 3 726 227	— 4 431 121	
Total	659 383 128	562 688 033	

Medium and long-term borrowings

Payable in	Unamortised principal at 31. 12. 1985	Operations during the financial year			Unamortised principal at 31. 12. 1986		Due dates
		Borrowings	Redemptions	Exchange adjustments	Amount (1)	Rate of interest (weighted average)	
EURCO (2)	73 274 260	—	25 385 813	573 367 +	48 461 814	8.00	1987/1989
ECU	1 592 948 000	827 000 000	35 349 000	—	2 384 599 000	9.45	1987/2001
DM	5 172 461 604	859 432 715	177 391 720	293 408 388 +	6 147 910 987	7.76	1987/2016
Ffrs	1 333 905 516	218 821 573	74 713 715	32 437 081 —	1 445 576 293	12.46	1987/1997
£	1 116 045 947	304 097 220	79 791 971	188 681 356 —	1 151 669 840	11.34	1987/2004
Lit	491 801 616	594 090 972	24 049 874	22 639 215 +	1 084 481 929	11.28	1987/1996
Bfrs	718 895 733	262 588 999	50 140 909	26 676 185 +	958 020 008	10.63	1987/2000
Fl	2 754 646 610	514 993 056	159 644 527	147 528 905 +	3 257 524 044	8.85	1987/2004
Dkr	31 419 983	—	—	378 865 +	31 798 848	12.00	1987/1995
IR£	21 006 785	—	—	1 394 533 —	19 612 252	11.50	1987/1995
Lfrs	248 230 486	81 335 086	50 741 698	9 077 589 +	287 901 463	9.65	1987/1995
US\$	7 812 070 061	1 705 008 813 (3)	1 187 947 063	1 351 026 686 —	6 978 105 125	10.52	1987/2000
Sfrs	2 233 514 289	510 476 462	253 697 477	140 870 229 +	2 631 163 503	5.87	1987/2001
Yen	2 907 119 249	686 931 654 (3)	249 178 869	127 696 749 +	3 472 568 783	7.47	1987/2001
Sch.	92 026 602	54 362 599	28 878 092	4 837 106 +	122 348 215	7.62	1987/1996
Can\$	124 959 706	146 374 312 (3)	—	31 048 702 —	240 285 316	10.48	1991/1996
Total	26 724 326 447	6 765 513 461	2 396 910 728	830 901 760 —	30 262 027 420		
Redemption premiums	11 430 363	—	538 765	1 816 891 —	9 074 707		
Grand Total	26 735 756 810	6 765 513 461	2 397 449 493	832 718 651 —	30 271 102 127		

(1) The following table shows in '000 ECUs the total capital sums required for redemption of medium and long-term borrowings over the following periods:

For redemptions during	Sums required at 31. 12. 1986	For redemptions during	Sums required at 31. 12. 1985
Year 1987	1 930 314	Year 1986	1 525 839
Year 1988	2 074 124	Year 1987	2 022 956
Year 1989	2 123 466	Year 1988	2 146 291
Year 1990	3 032 730	Year 1989	2 255 025
Year 1991	3 119 819	Year 1990	3 154 209
Years 1992 to 1996	15 024 368	Years 1991 to 1995	13 519 973
Years 1997 to 2001	2 669 973	Years 1996 to 2000	1 845 811
Years 2002 to 2006	127 723	Years 2001 to 2005	265 653
Year 2016	168 585		
Total	30 271 102	Total	26 735 757

(2) The EURCO consists of the sum of fixed amounts of the currencies of the first nine Member States of the European Economic Community: 1 EURCO = DM 0.9 + Ffrs 1.2 + £0.075 + Lit 80 + Fl 0.35 + Bfrs 4.5 + Dkr 0.2 + IRE0.005 + Lfrs 0.5.

(3) During 1986, certain fixed-rate borrowings denominated in Yen and Can\$ were converted into floating-rate US\$ and some fixed-rate borrowings denominated in US\$ and Can\$ were converted into fixed-rate Ffrs and ECU borrowings respectively.

Annex D — Amounts receivable from or payable to Member States for adjustment of capital contributions

at 31 December 1986

In ECUs — see notes to the financial statements, Annex E

In accordance with Article 7 of the Statute, application of the conversion rates given in Note A of Annex E entails adjusting the amounts paid by Member States in their national currency as contributions to the Bank's capital.

The corresponding amounts receivable from or payable to Member States are as follows:

Receivable from:	France	4 845 230
	Italy	140 840
	United Kingdom	4 987 537
	Spain	1 387 183
	Greece	1 319 887
	Portugal	198 711
	Ireland	23 902
		<u>12 903 290</u>
Payable to:	Germany	1 900 805
	Belgium	191 171
	Netherlands	523 644
	Denmark	160 396
	Luxembourg	4 872
		<u>2 780 888</u>

In accordance with the Decision of the Board of Governors of 30 December 1977, where the accounting conversion rate of a currency fluctuates upwards or downwards by more than 1.5 %, amounts receivable from or payable to Member States will be

settled on 31 October of each year. Where the conversion rate fluctuates within the above margin of 1.5 % in either direction, the resulting amounts will remain in non-interest-bearing adjustment accounts.

Annex E — Notes to the financial statements

at 31 December 1986 — in ECUs

Note A — Significant accounting policies

1. Conversion of currencies

In accordance with Article 4 (1) of its Statute, the EIB uses the ECU adopted by the European Communities as the unit of measure for the capital accounts of Member States and for presenting its financial statements.

The value of the ECU is equal to the sum of the following amounts of Member States' currencies:

DM	0.719	Bfrs	3.71
£	0.0878	Lfrs	0.14
Ffrs	1.31	Dkr	0.219
Lit	140.0	IR£	0.00871
Fl	0.256	Dr	1.15

The conversion rates between Member States' currencies and the ECU, which are determined on the basis of market rates, are published daily in the Official Journal of the European Communities.

The Bank applies these rates in calculating the rates applicable to other currencies used for its operations.

The Bank conducts its operations in the currencies of its Member States, in ECUs and in non-Community currencies.

Its resources are derived from its capital, borrowings and accumulated earnings in various currencies and are held, invested or lent in the same currencies. Borrowed funds are sometimes converted into other currencies and at the same time forward exchange contracts are entered into in order to recover the amounts concerned in the original currency.

The following conversion rates were used for drawing up the balance sheet at 31 December 1986 and 31 December 1985:

1 ECU =	1986	1985
Deutsche Mark	2.0761	2.18386
French francs	6.87503	6.70474
Pounds sterling	0.724942	0.615334
Italian lire	1 446.19	1 489.94
Spanish pesetas	141.151	136.519
Belgian francs	43.2325	44.645
Dutch guilders	2.34488	2.46133
Danish kroner	7.86192	7.95672
Drachmas	148.526	131.200
Portuguese escudos	156.382	140.736
Irish pounds	0.764828	0.714055
Luxembourg francs	43.2325	44.645
United States dollars	1.07038	0.887927
Swiss francs	1.73562	1.84023
Lebanese pounds	98.475	16.0715
Japanese yen	171.046	178.207
Austrian Schillinge	14.6128	15.3523
Canadian dollars	1.47766	1.24088
CFA francs	343.752	335.237

The gain or loss arising from conversion of the Bank's assets and liabilities into ECUs is credited or charged to the profit and loss account. Excluded from such calculations are amounts receivable from or payable to Member States which are adjusted in accordance with Article 7 of the Bank's Statute.

2. Investments

Treasury bonds, notes and bonds are normally included at cost, or at the lower of nominal or market value where these are less than the original cost.

3. Loans

Loans are included in the assets of the Bank at their net disbursed amounts.

4. Land and buildings

Land and buildings are stated at cost less both initial write-down of the Kirchberg headquarters and accumulated depreciation. Depreciation is calculated to write off the value of the Bank's Luxembourg—Kirchberg headquarters and its office in Lisbon on the straight-line basis over 30 years and 25 years respectively.

Office furniture and equipment are written off in the year of acquisition.

5. Issuing charges and redemption premiums

Issuing charges and redemption premiums are amortised over the lives of the borrowings based on the principal amounts outstanding.

6. Interest subsidies received in advance

Certain loans carry interest subsidies received in advance at their discounted value. These subsidies are credited to the profit and loss account as and when the interest for which they are granted becomes payable.

7. Staff pension scheme

The Bank has a contributory pension scheme for its staff. All contributions to the scheme by the Bank and its staff are invested in the assets of the Bank. The amounts set aside are based on actuarial valuations performed every three years.

8. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Bank are exempt from all direct taxes.

Note B — Investments

Investments comprise:	1986	1985
treasury bonds, notes and bonds at the lowest of cost, nominal or market value (market value):		
1986: 603 208 225		
1985: 723 980 677)	590 257 476	699 818 643

the Bank's own bonds at their repurchase cost not yet liable for cancellation	12 679 401	5 597 156
bank bills at their nominal value	<u>248 409 838</u>	<u>160 289 647</u>
	<u>851 346 715</u>	<u>865 705 446</u>

The breakdown according to maturity is as follows:

not exceeding 3 months	235 174 667	158 907 709
over 3 months but not exceeding 6 months	13 269 867	1 569 949
over 6 months but not exceeding 12 months	3 355 782	827 190
over 12 months	<u>599 546 399</u>	<u>704 400 598</u>
	<u>851 346 715</u>	<u>865 705 446</u>

Note C — Land and Buildings

The item 'Land and Buildings' on the balance sheet, i.e. 41 106 263, is broken down as follows:

Land	773 757
Net value of Luxembourg-Kirchberg headquarters	39 998 000
Net value of the office in Lisbon	334 506

Note D — Special deposits for service of borrowings

These represent the amount of coupons and bonds due but not yet presented for payment. The contra item on the liabilities side appears under the heading 'Coupons and bonds due and not yet paid'.

Note E — Staff pension scheme

The pension fund balance of 77 823 730 at 31 December 1986 (64 376 775 at 31 December 1985) represents the actuarial valuation of the accumulated benefits under the scheme, in accordance with the Pension Scheme Regulations, increased by the contributions of the Bank and its employees plus the remuneration of the fund less withdrawals since the actuarial valuation.

The cost of the staff pension scheme, including interest credited by the Bank, for the financial year ended 31 December 1986 was 13 244 630, compared with 12 081 400 for the financial year 1985.

Note F — Sundry creditors

Sundry creditors comprise:	1986	1985
short-term deposits from other banks	361 992 044	75 025 560
European Economic Community accounts:		
for Special Section operations and related unsettled sundry amounts	230 380 045	184 780 227
deposit accounts	26 067 843	16 826 968
other creditors	<u>7 036 961</u>	<u>6 204 950</u>
	<u>625 476 893</u>	<u>282 837 705</u>

Note G — Miscellaneous balance sheet accounts

These accounts comprise:	1986	1985
on the assets side:		
staff housing loans and advances on salaries	29 733 746	26 005 946

net amounts of swap operations	26 536 645	1 308 143
sundry debtors	<u>23 576 300</u>	<u>19 500 522</u>
	<u>79 846 691</u>	<u>46 814 611</u>

on the liabilities side:

outstanding charges, other future settlements and sundry expenses	<u>25 902 047</u>	<u>21 614 056</u>
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Note H — Interest subsidies received in advance

(a) This item relates to amounts in respect of interest subsidies for loans granted for projects outside the Community, under Conventions signed with the ACP States and Protocols concluded with the Mediterranean Countries, as well as interest subsidies, concerning certain lending operations mounted within the Community from the Bank's own resources, made available in conjunction with the European Monetary System under Regulation (EEC) No 1736/79 of the Council of the European Communities of 3 August 1979.

(b) 'Interest subsidies received in advance for the account of third parties' relate to amounts received in respect of interest subsidies for loans granted from EEC resources under the Council of the European Communities' Decisions (78/870) of 16 October 1978 (New Community Instrument), (82/169) of 15 March 1982 and (83/200) of 19 April 1983 and Regulation (EEC) No 1736/79 of 3 August 1979 as amended by Regulation (EEC) No 2790/82 of 18 October 1982.

(c) Part of the amounts received through EMS arrangements has been made available as a long-term advance. The corresponding contra account is entered on the assets side as 'Receivable in respect of EMS interest subsidies paid in advance'.

Note I — Management commission

This represents the remuneration for the management of loans granted under mandate, for the account and at the risk of Member States or the European Communities and accounted for in the Special Section.

Note J — Net decrease arising from the re-evaluation of net Bank assets not subject to adjustment under Article 7 of the Statute

Application of the conversion rates adopted in drawing up the balance sheet (see Note A) at 31 December 1986 results in a net decrease in the value of net Bank assets of 2 314 120 (decrease of 10 213 093 at 31 December 1985). The re-evaluation does not take account of assets expressed in the national currencies of Member States and representing the portion of capital paid in by each Member State in its national currency, which must be adjusted periodically in accordance with Article 7 of the Statute (see Annex D).

Note K — Administrative expenses and charges

Staff costs:	1986	1985
Salaries and allowances	40 405 832	35 578 303
Social costs	11 211 127	9 687 397
Other costs	<u>3 319 099</u>	<u>2 243 295</u>
	54 936 058	47 508 995
General and administrative expenses	<u>10 085 584</u>	<u>8 261 562</u>
	<u>65 021 642</u>	<u>55 770 557</u>

The number of personnel employed by the Bank was 678 at 31 December 1986 (673 at 31 December 1985).

Note L — Financial and other income, financial charges

Financial and other income	1986	1985
comprises:		
— realised gains on portfolio operations	33 689 402	39 229 635
— other income	5 231 594	120 660
	<u>38 920 996</u>	<u>39 350 295</u>

Financial charges comprise:

— increase in unrealised write-down of investments	16 430 228	1 235 813
— other charges	342 234	133 149
	<u>16 772 462</u>	<u>1 368 962</u>

Note M — Exceptional income

The exceptional income of 38 892 516 on the profit and loss account as at 31 December 1985 represents a reversal of expense accruals made in prior years.

Note N — Reserves and provisions and appropriation of operating surplus

On 16 June 1986, the Board of Governors decided to:

- transfer the balance of the Additional Reserves at 1 January 1986 to the Reserve Fund;
- decrease the provision for ECU conversion rate adjustments by an amount of 10 213 093, representing the net decrease arising at 31 December 1985 from the re-evaluation of net Bank assets not subject to adjustment under Article 7 of the Statute;
- appropriate the 1985 operating surplus together with the amount corresponding to the exceptional income, i.e. a total of 526 003 022, as follows:
 - 228 391 014 to the Reserve Fund, bringing this to 10 % of subscribed capital;
 - 10 000 000 to the provision for ECU conversion rate adjustments;
 - the balance of 287 612 008 to the Additional Reserves.

As the Reserve Fund has reached 10 % of subscribed capital, the amount of 44 594 328, representing the two new Member States' contribution to the balance of the profit and loss account for the year ended 31 December 1985, has been credited to the Additional Reserves.

Statement of movements in the reserves and provisions at 31 December 1986

	Situation at 31.12.1985	Contribution of Spain and Portugal to the reserves and provisions at 31.12.1985	Appropriation of balance of profit and loss account for the year ended 31.12.1985 and corresponding contribution of the two new Member States	Situation at 31.12.1986
Reserve Fund	1 440 000 000	124 499 975	+ 1 315 500 025	2 880 000 000
Additional Reserves	1 000 598 914	86 510 097	— 754 902 675	332 206 336
Provision for ECU conversion rate adjustments	14 669 916	1 268 336	— 213 093	15 725 159
	<u>2 455 268 830</u>	<u>212 278 408</u>	<u>560 384 257</u>	<u>3 227 931 495</u>

Following their accession, the Kingdom of Spain and the Portuguese Republic will pay in an amount of 256 872 736 ECUs corresponding to their contribution to the reserves and provisions at 31 December 1985 and to the balance of the profit and loss account for the year ended 31 December 1985, in five equal six-monthly instalments of 51 374 547.20 beginning on 30 April 1986 and ending on 30 April 1988.

At 31 December 1986 the balance remaining to be paid in amounted to 154 123 642 ECUs.

The Management Committee has decided to propose that the Board of Directors recommend the Governors: (a) to decrease the provision for ECU conversion rate adjustments by an amount of 2 314 120 representing the net decrease arising at 31 December 1986 from the re-evaluation of net Bank assets not subject to adjustment under Article 7 of the Statute, and (b) to appropriate the 1986 operating surplus of 578 765 599 to the Additional Reserves.

Report by Messrs Price Waterhouse

The President
European Investment Bank
Luxembourg

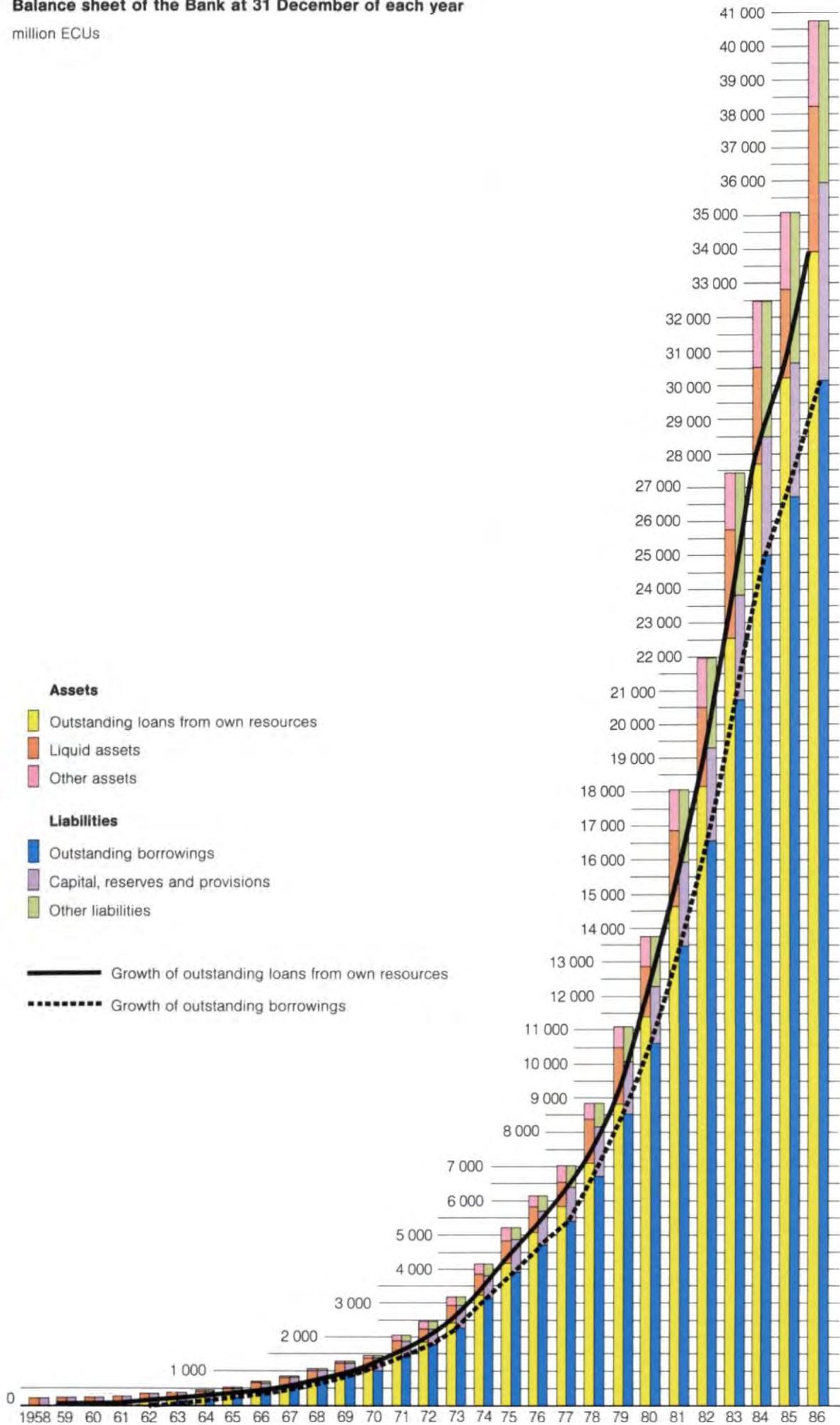
In our opinion, the accompanying financial statements present fairly the financial position of the European Investment Bank at 31 December 1986 and 1985, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements covered by our opinion are the following:

Balance sheet	
Special Section	
Profit and loss account	
Statement of changes in financial position	
Statement of subscriptions to the capital of the Bank	Annex A
Analysis of loans outstanding	Annex B
Summary statement of borrowings	Annex C
Amounts receivable from and payable to Member States for adjustment of capital contributions	Annex D
Notes to the financial statements	Annex E

Balance sheet of the Bank at 31 December of each year

million ECUs



Statement by the Audit Committee

The Committee instituted in pursuance of Article 14 of the Statute and Article 25 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner,

— having studied the books, vouchers and documents which it deemed necessary to examine in the discharge of its duties,

— having examined the reports of 20 February 1987 drawn up by Messrs Price Waterhouse,

considering the 1986 Annual Report, the balance sheet of the Bank and the statement of Special Section as at 31 December 1986 as well as the profit and loss account for the financial year ending on that date as drawn up by the Board of Directors at its meeting on 12 May 1987,

considering Articles 22, 23 and 24 of the Rules of Procedure,

hereby certifies:

that the Bank's operations during the 1986 financial year have been carried out in compliance with the formalities and procedures laid down by the Statute and the Rules of Procedure,

that the balance sheet, the profit and loss account and the statement of Special Section correspond to the book entries and that they reflect exactly the situation of the Bank as regards both assets and liabilities.

Luxembourg, 14 May 1987

The Audit Committee

C. THANOPOULOS J. BREDSORFF A. HANSEN



Developing Community transport infrastructure is essential in attaining a unified internal market. Major schemes soon to be launched, such as the Channel Tunnel and the high speed train (TGV-North) serving Northern Europe, will offer the Bank an opportunity of providing continued support for this goal (From top to bottom: developing the motorway network in Lorraine; railway infrastructure in Spain; construction of a tunnel for the High Speed Train serving France's Atlantic coast).

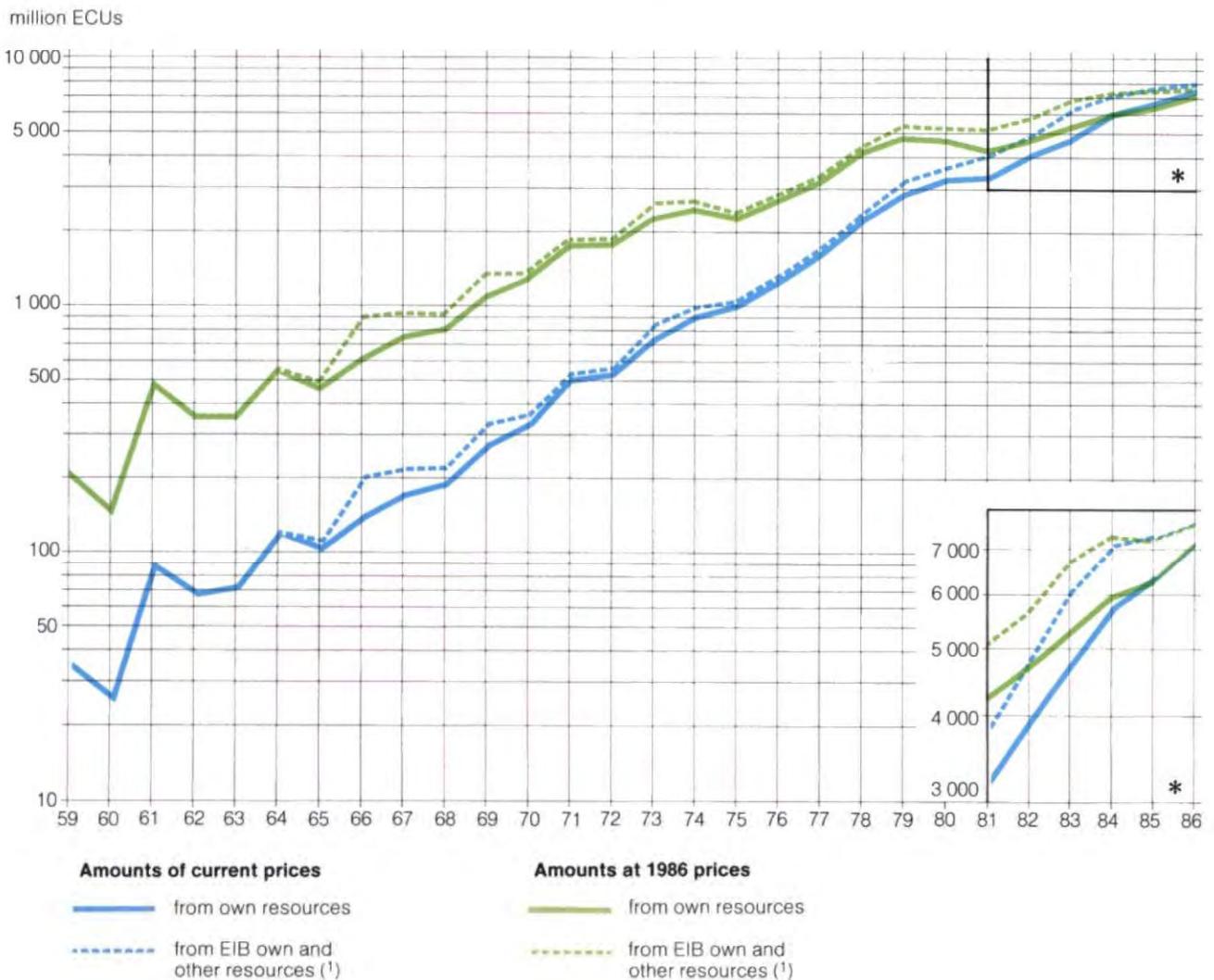


Historical pattern of financing from 1959 to 1986

In 1972, on the eve of the Community's first enlargement, EIB financing ran to approximately 500 million. This figure has surged ahead to stand at more than 7.5 billion at the end of 1986, following the accession of Portugal and Spain. This vigorous

growth shows through in terms of both current and constant prices, although there has been a slight levelling off over the past decade, as indicated by the graph below.

Financing provided inside and outside the Community from 1959 to 1986



(1) Financing outside the Community and, as from 1979, financing within the Community from NCI resources.

Operations within the Community

Between 1982 and the end of 1986, the EIB provided a total of 25 015 million in loans from its own resources and guarantees in support of capital investment in the Community. In addition, 4 449 million was made available from NCI resources, raising the total to 29 464 million.

Table 10 shows a breakdown of this financing by country, sector and economic policy objective (see also Tables 12 to 14).

Looking at the developments, the principal features of the past five years are:

— an increasing diversification of Bank activity throughout all the Member Countries, with, as a corollary, a fall in Italy's relative share of Bank lending (although this country still accounts for 46.5% of the total);

— particularly strong growth in projects slanted towards protection of the environment (from 63 million in 1982 up to 702 million in 1986: see box, page 32) and those aimed at developing and encouraging the spread of advanced technology (climbing from 41 million in 1982 to 574 million in 1986). On the other side of the coin, lending for regional development, although continuing to account for more than 50% of total financing, recorded a lower rate of growth, as did loans promoting the Community's energy policy (more than one third of total lending);

— an upturn in lending in the industrial, agricultural and service sectors, particularly marked as regards individual, rather than global, loans from own resources which constituted 11% of the total.

Table 10: **Financing provided within the Community from 1982 to 1986**

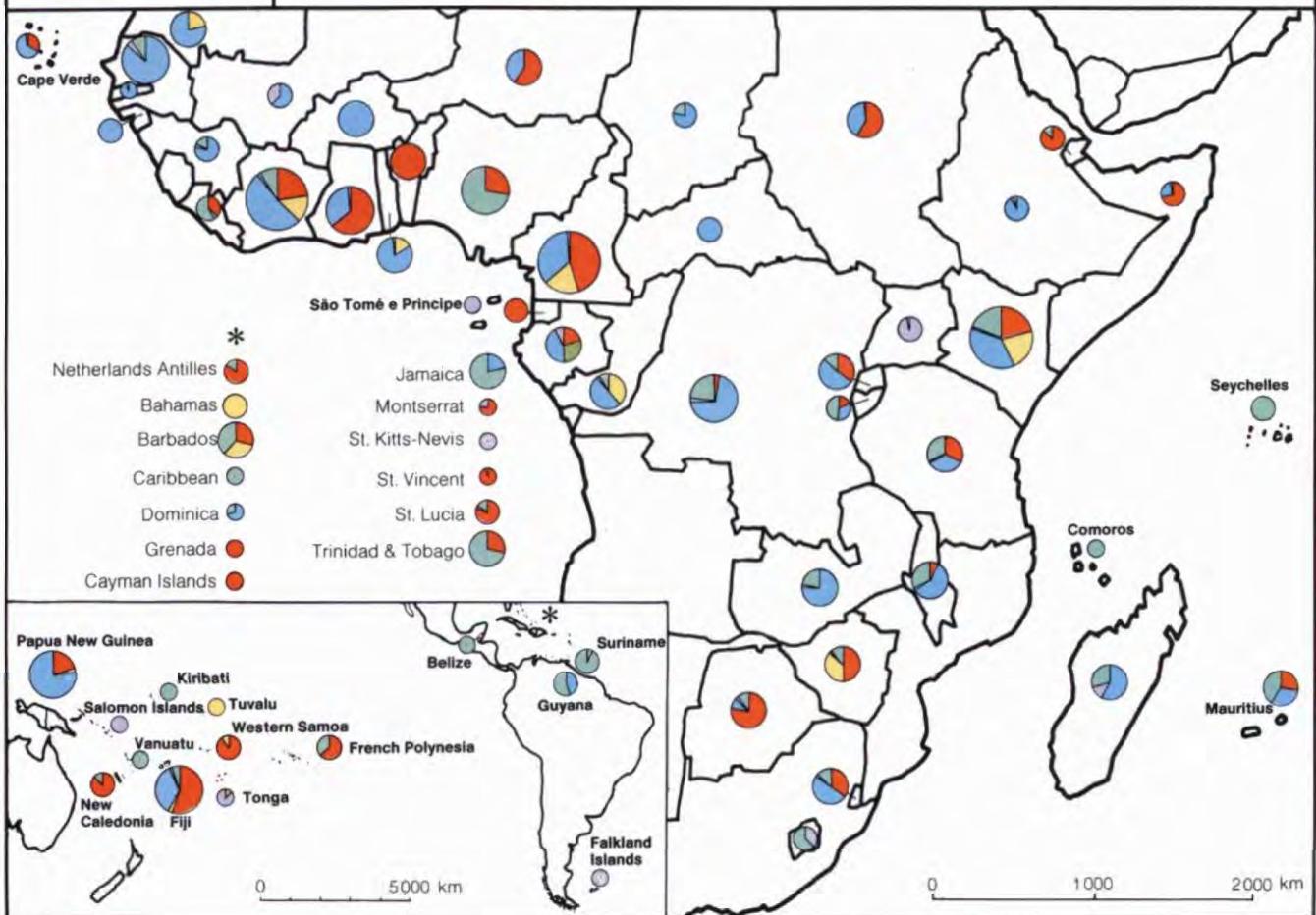
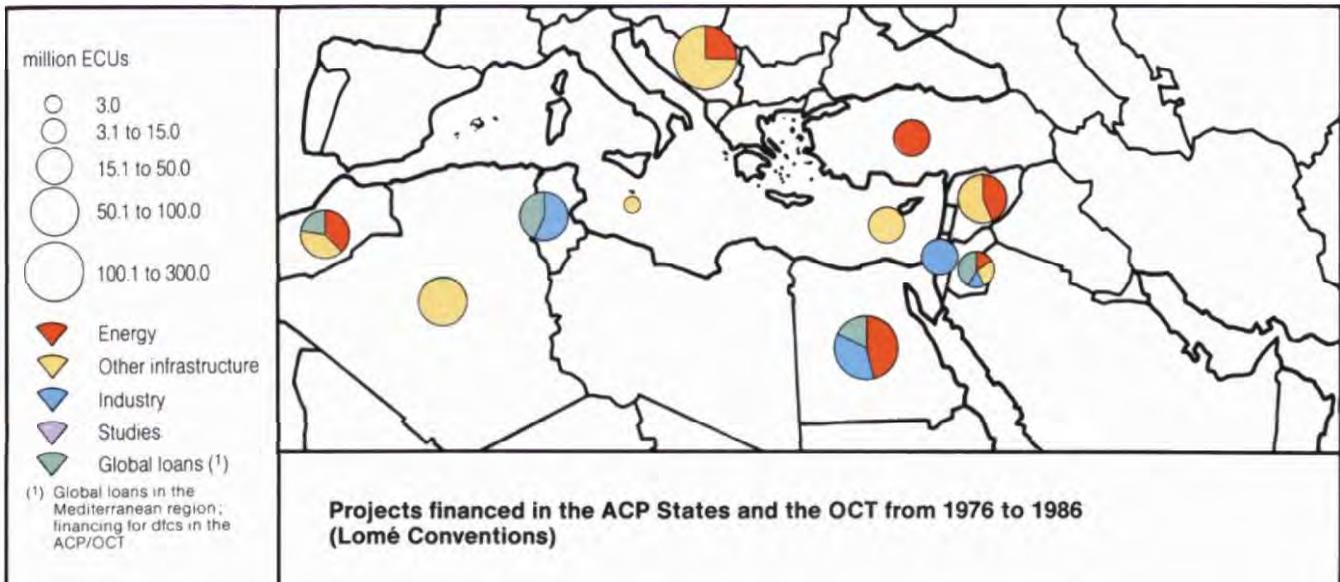
Breakdown by country, sector and economic policy objective

	Total	Sector			Economic policy objective				
		Industry, agriculture, services	Energy	Infra-structure	Regional development	Energy	Advanced technology and modernisation of undertakings	Environment	Communaunary infrastructure
Belgium	217.0	51.6	165.4	—	51.6	165.4	46.1	—	—
Denmark	1 555.1	153.3	1 155.5	246.3	197.5	1 246.1	109.7	5.3	129.9
Germany	840.5	22.9	677.9	139.7	50.4	687.5	20.9	266.4	—
Greece	1 929.7	523.1	396.3	1 010.2	1 909.0	533.5	20.7	231.6	41.1
Spain (1)	409.3	161.2	27.3	220.8	294.6	27.3	131.9	—	218.8
France	4 427.0	1 524.9	1 072.9	1 829.2	2 253.7	1 151.5	1 241.2	16.1	525.3
Ireland	1 323.1	193.5	294.5	835.1	1 323.1	253.2	65.6	32.6	—
Italy	13 686.7	5 236.1	3 464.2	4 986.3	8 510.1	3 534.1	2 131.4	531.2	565.0
Luxembourg	34.7	—	—	34.7	—	—	—	—	34.7
Netherlands	167.3	95.0	—	72.3	22.1	—	95.0	—	69.1
Portugal (1)	190.3	64.8	29.1	96.4	160.4	93.9	29.9	34.8	—
United Kingdom	4 608.8	535.6	2 589.3	1 484.0	2 087.0	2 582.1	150.5	323.7	113.8
Other	75.0	—	—	75.0	—	—	75.0	—	75.0
Grand Total	29 464.4	8 562.0	9 872.4	11 030.0	16 859.5	10 274.7	4 117.9	1 441.6	1 772.5

(1) Financing provided in Spain and Portugal, including pre-accession aid

Spain	919.3	330.2	122.3	466.8	584.6	132.3	156.9	—	368.8
Portugal	535.3	154.8	134.1	246.4	415.4	233.9	29.9	64.8	—

Projects financed in the Mediterranean region from 1981 to 1986



Operations outside the Community

In recent years, Bank operations in the Mediterranean countries have been mounted largely under the second generation of financial protocols (see Table 15). Details of financing activity in Portugal and Spain prior to their accession can be found in the Annual Report 1985, pages 109 to 111.

Bank activity in the **African, Caribbean and Pacific States** has been conducted under the provisions of the Lomé Conventions and in the Overseas Countries and Territories (OCT) under the relevant Council decisions (see Table 5). In all, financing under these headings amounted to 1 606.6 million, of which 1 298.3 million went to Africa, 117.3 million to Caribbean countries, 161.1 million to Pacific countries and 29.9 million to the OCT. Of this total amount, the industrial sector attracted 1 025.7 million, the energy sector 430.5 million and infrastructural schemes 150.4 million (see Table 16).

Financing provided in the ACP countries

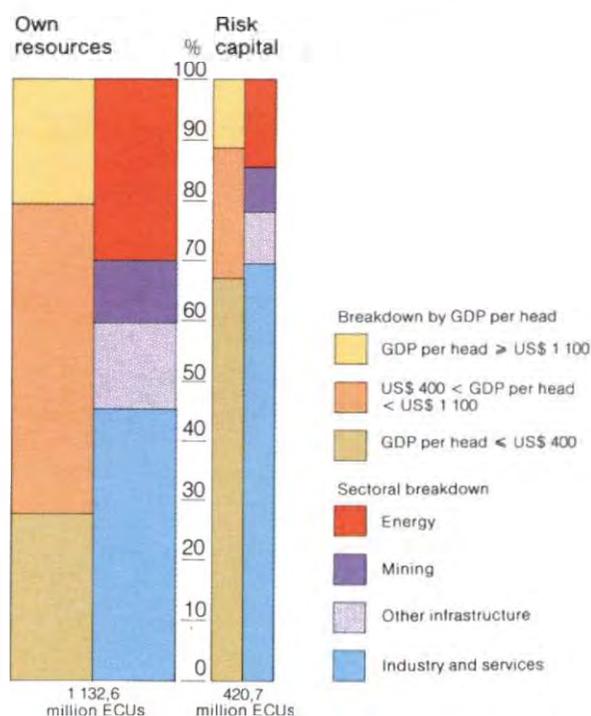


Table 11: Financing provided from 1959 to 1986

Years	Total financing	(million ECUs)			(million ECUs)	
		Lending from own resources	Loans under mandate and guarantees	Lending from NCI resources	Lending from own resources	Operations mounted from budgetary resources
1959—1981 <i>annual average</i>	20 998.9	16 603.1	524.4	1 014.4	1 923.4	933.6
1982	4 688.6	3 446.0	—	791.1	410.2	41.3
1983	5 923.4	4 145.9	97.6	1 199.6	427.2	53.1
1984	6 897.1	5 007.0	—	1 181.8	620.7	87.6
1985	7 184.6	5 640.7	—	883.7	584.3	75.9
1986	7 544.8	6 678.1	—	393.0	381.8	91.9
Grand Total	53 237.4	41 520.7	622.1	5 463.6	4 347.7	1 283.3

Table 12: **Financing provided within the Community in 1982 to 1986 and from 1982 to 1986** (1)
Breakdown by economic policy objective (2)

	1986				1982—1986			
	Total		Resources		Total		Resources	
	million ECUs	%	million ECUs	million ECUs	million ECUs	%	million ECUs	million ECUs
Total	7 071.1		6 678.1	393.0	29 464.4		25 015.3	4 449.1
Regional development	3 685.1	100.0	3 596.8	88.3	16 859.5	100.0	15 466.6	1 392.9
Belgium	46.1	1.2	46.1	—	51.6	0.3	51.6	—
Denmark	5.0	0.1	5.0	—	197.5	1.2	148.9	48.6
Germany	25.7	0.7	25.7	—	50.4	0.3	50.4	—
Greece	253.0	6.9	253.0	—	1 909.0	11.3	1 628.1	280.9
Spain	294.6	8.0	294.6	—	294.6	1.7	294.6	—
France	389.6	10.6	389.6	—	2 253.7	13.4	2 165.6	88.1
Ireland	262.1	7.1	214.3	47.8	1 323.1	7.8	1 044.9	278.2
Italy	1 826.5	49.6	1 802.2	24.2	8 510.1	50.5	7 880.0	630.1
Netherlands	18.1	0.5	18.1	—	22.1	0.1	22.1	—
Portugal	160.4	4.3	160.4	—	160.4	1.0	160.4	—
United Kingdom	403.9	11.0	387.7	16.3	2 087.0	12.4	2 020.0	67.0
Energy policy objectives	2 600.1	100.0	2 479.1	121.0	10 274.7	100.0	9 416.3	858.4
Development of indigenous resources	1 400.9	53.9	1 400.9	—	5 978.3	58.2	5 612.2	366.1
<i>Hydroelectric</i>	<i>155.8</i>	<i>6.0</i>	<i>155.8</i>	—	<i>516.5</i>	<i>5.0</i>	<i>516.5</i>	—
<i>Nuclear</i>	<i>743.4</i>	<i>28.6</i>	<i>743.4</i>	—	<i>3 333.2</i>	<i>32.5</i>	<i>3 333.2</i>	—
<i>Oil & natural gas deposits</i>	<i>501.8</i>	<i>19.3</i>	<i>501.8</i>	—	<i>1 839.6</i>	<i>17.9</i>	<i>1 596.8</i>	<i>242.8</i>
<i>Coal, lignite, peat</i>	—	—	—	—	<i>289.0</i>	<i>2.8</i>	<i>165.7</i>	<i>123.3</i>
Import diversification	402.0	15.4	354.2	47.8	1 266.0	12.3	1 057.3	208.7
<i>Natural gas</i>	<i>245.1</i>	<i>9.4</i>	<i>245.1</i>	—	<i>1 004.4</i>	<i>9.8</i>	<i>890.3</i>	<i>114.1</i>
<i>Coal</i>	<i>156.9</i>	<i>6.0</i>	<i>109.1</i>	<i>47.8</i>	<i>261.6</i>	<i>2.5</i>	<i>167.0</i>	<i>94.6</i>
Rational use of energy	797.1	30.7	724.0	73.1	3 030.4	29.5	2 746.8	283.6
Modernisation of undertakings	1 005.5	100.0	744.0	261.5	4 117.9	100.0	1 674.5	2 443.4
Advanced technology	573.9	57.1	573.9	—	1 363.7	33.1	1 305.3	58.4
Modernisation & conversion	52.7	5.2	52.7	—	207.7	5.0	188.3	19.4
Industrial cooperation	117.3	11.7	117.3	—	180.9	4.4	180.9	—
Investment by SMEs	261.5	26.0	—	261.5	2 365.6	57.5	—	2 365.6
Environment — cultural heritage	701.7	100.0	701.7	—	1 441.6	100.0	1 299.3	142.3
Atmospheric pollution	250.1	35.6	250.1	—	250.1	17.4	250.1	—
Water and soil pollution	310.1	44.2	310.1	—	1 006.7	69.8	864.4	142.3
Other operations	138.1	19.7	138.1	—	174.9	12.1	174.9	—
Safeguarding cultural heritage	3.4	0.5	3.4	—	9.9	0.7	9.9	—
Community infrastructure	561.5	100.0	561.5	—	1 772.5	100.0	1 544.6	227.9
Transport	468.3	83.4	468.3	—	1 442.1	81.4	1 290.1	152.0
<i>Railways</i>	<i>135.3</i>	<i>24.1</i>	<i>135.3</i>	—	<i>135.3</i>	<i>7.7</i>	<i>135.3</i>	—
<i>Roads</i>	<i>219.7</i>	<i>39.1</i>	<i>219.7</i>	—	<i>1 046.2</i>	<i>59.0</i>	<i>894.2</i>	<i>152.0</i>
<i>Shipping</i>	<i>26.3</i>	<i>4.7</i>	<i>26.3</i>	—	<i>55.5</i>	<i>3.1</i>	<i>55.5</i>	—
<i>Airlines</i>	<i>87.0</i>	<i>15.5</i>	<i>87.0</i>	—	<i>205.1</i>	<i>11.6</i>	<i>205.1</i>	—
Telecommunications	75.0	13.4	75.0	—	284.3	16.0	208.4	75.9
Other	18.2	3.2	18.2	—	46.1	2.6	46.1	—

(1) See Table 10 for details of financing provided in Spain and Portugal from 1982 to 1986.

(2) The various totals cannot meaningfully be added together as certain loans correspond simultaneously to more than one objective.

Table 13: **Financing provided within the Community in 1986 and from 1982 to 1986**
Sectoral breakdown

	1986				1982—1986			
	Total		Resources		Total		Resources	
	million ECUs	%	EIB million ECUs	NCI million ECUs	million ECUs	%	EIB million ECUs	NCI million ECUs
Energy	2 533.4	35.8	2 442.4	91.1	9 872.4	33.5	9 125.5	746.9
Production	1 669.7	23.6	1 621.8	47.8	5 759.8	19.6	5 495.6	264.2
Nuclear	712.8	10.1	712.8	—	3 249.4	11.0	3 249.4	—
Conventional thermal power stations	152.1	2.2	104.3	47.8	500.6	1.7	326.0	174.6
Hydroelectric power stations	154.2	2.2	154.2	—	673.5	2.3	626.9	46.6
Geothermal energy and alternative sources	109.3	1.5	109.3	—	175.1	0.6	175.1	—
Heat generating plant	112.8	1.6	112.8	—	112.8	0.4	112.8	—
Development of oil and natural gas deposits	428.5	6.1	428.5	—	972.5	3.3	972.5	—
Solid fuel extraction	—	—	—	—	75.9	0.3	32.9	43.0
Transmission and storage	234.8	3.3	234.8	—	1 776.4	6.0	1 517.2	259.2
Electricity	113.6	1.6	113.6	—	659.9	2.2	659.9	—
Oil and natural gas	121.2	1.7	121.2	—	1 116.5	3.8	857.3	259.2
Supply	523.2	7.4	488.7	34.6	1 304.7	4.4	1 172.3	132.4
Electricity	135.4	1.9	135.4	—	135.4	0.5	135.4	—
Natural gas	197.1	2.8	197.1	—	748.2	2.5	650.4	97.8
Heat	190.8	2.7	156.2	34.6	421.1	1.4	386.5	34.6
Global loans	105.8	1.5	97.1	8.7	1 031.6	3.5	940.5	91.1
Infrastructure	2 621.9	37.1	2 581.4	40.5	11 030.0	37.4	9 709.3	1 320.7
Communications	1 903.3	26.9	1 887.0	16.3	7 064.2	24.0	6 477.5	586.7
Transport	1 323.7	18.7	1 307.5	16.3	4 026.6	13.7	3 729.8	296.8
<i>Railways</i>	<i>297.1</i>	<i>4.2</i>	<i>297.1</i>	<i>—</i>	<i>711.4</i>	<i>2.4</i>	<i>581.7</i>	<i>129.7</i>
<i>Roads</i>	<i>820.6</i>	<i>11.6</i>	<i>804.4</i>	<i>16.3</i>	<i>2 647.6</i>	<i>9.0</i>	<i>2 480.5</i>	<i>167.1</i>
<i>Shipping</i>	<i>53.0</i>	<i>0.7</i>	<i>53.0</i>	<i>—</i>	<i>154.6</i>	<i>0.5</i>	<i>154.6</i>	<i>—</i>
<i>Airlines</i>	<i>142.7</i>	<i>2.0</i>	<i>142.7</i>	<i>—</i>	<i>493.9</i>	<i>1.7</i>	<i>493.9</i>	<i>—</i>
<i>Urban transport</i>	<i>10.4</i>	<i>0.1</i>	<i>10.4</i>	<i>—</i>	<i>10.4</i>	<i>—</i>	<i>10.4</i>	<i>—</i>
<i>Intermodal freight terminals</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>8.7</i>	<i>—</i>	<i>8.7</i>	<i>—</i>
Telecommunications	579.6	8.2	579.6	—	3 037.6	10.3	2 747.7	289.9
<i>Conventional networks</i>	<i>496.1</i>	<i>7.0</i>	<i>496.1</i>	<i>—</i>	<i>2 736.9</i>	<i>9.3</i>	<i>2 505.4</i>	<i>231.5</i>
<i>Satellites & earth stations</i>	<i>83.4</i>	<i>1.2</i>	<i>83.4</i>	<i>—</i>	<i>300.7</i>	<i>1.0</i>	<i>242.3</i>	<i>58.4</i>
Water (catchment, treatment and supply)	359.7	5.1	359.7	—	1 769.4	6.0	1 562.9	206.5
Other infrastructure	185.5	2.6	161.2	24.2	1 494.9	5.1	998.8	496.1
Housing	—	—	—	—	226.9	0.8	127.0	99.9
Public buildings	18.2	0.3	18.2	—	203.1	0.7	37.4	165.7
Agricultural and forestry development	41.4	0.6	41.4	—	261.1	0.9	213.8	47.3
Composite infrastructure	125.9	1.8	101.6	24.2	803.9	2.7	620.6	183.3
Global loans	173.5	2.5	173.5	—	701.4	2.3	670.0	31.4
Industry, agriculture & services	1 915.8	27.1	1 654.3	261.5	8 562.0	29.1	6 180.6	2 381.4
Industry	904.6	12.8	904.6	—	2 744.6	9.3	2 728.7	15.9
Mining and quarrying	15.7	0.2	15.7	—	15.7	0.1	15.7	—
Metal production and semi-processing	8.8	0.1	8.8	—	47.5	0.2	47.5	—
Construction materials	—	—	—	—	165.0	0.6	158.2	6.8
Glass and ceramics	43.7	0.6	43.7	—	107.0	0.4	107.0	—
Chemicals (1)	232.8	3.3	232.8	—	503.7	1.7	503.7	—
Metalworking and mechanical engineering	128.7	1.8	128.7	—	320.6	1.1	320.6	—
Vehicles and transport equipment	165.1	2.3	165.1	—	774.6	2.6	769.2	5.4
Electrical engineering, electronics	243.2	3.4	243.2	—	452.2	1.5	452.2	—
Foodstuffs	10.4	0.1	10.4	—	129.0	0.4	129.0	—
Textiles and leather	13.2	0.2	13.2	—	59.2	0.2	59.2	—
Paper, pulp, printing	25.4	0.4	25.4	—	82.8	0.3	82.8	—
Rubber and plastics processing	13.5	0.2	13.5	—	40.8	0.1	40.8	—
Other manufacturing industry	—	—	—	—	3.2	—	3.2	—
Civil engineering — building	4.2	0.1	4.2	—	43.3	0.1	39.6	3.7
Agriculture and fish farming	5.4	0.1	5.4	—	5.4	—	5.4	—
Services	50.6	0.7	50.6	—	128.2	0.4	128.2	—
Tourism	11.9	0.2	11.9	—	27.8	0.1	27.8	—
Research and development	21.8	0.3	21.8	—	25.5	0.1	25.5	—
Other	16.9	0.2	16.9	—	74.9	0.2	74.9	—
Global loans	955.2	13.5	693.7	261.5	5 683.8	19.2	3 318.3	2 365.5
Grand Total	7 071.1	100.0	6 678.1	393.0	29 464.4	100.0	25 015.3	4 449.1

(1) Including oil refining.

Table 14: Global loan allocations within the Community in 1986 and from 1982 to 1986 (1)

Table 14.1: General summary

	1986						1982—1986					
	Total		Resources				Total		Resources			
	Number	million ECUs	EIB		NCI		Number	million ECUs	EIB		NCI	
			Number	million ECUs	Number	million ECUs			Number	million ECUs	Number	million ECUs
Regional development	2 353	663.9	2 353	663.9	—	—	11 102	3 320.7	11 099	3 292.2	3	28.5
Energy	180	218.8	164	198.5	16	20.2	1 142	979.2	915	900.2	227	79.0
Advanced technology	14	43.6	14	43.6	—	—	26	88.6	26	88.6	—	—
Investment by SMEs	1 368	304.1	—	—	1 368	304.1	8 223	2 117.9	—	—	8 223	2 117.9
Environment	15	36.7	15	36.7	—	—	15	36.7	15	36.7	—	—
Grand Total	3 930	1 267.0	2 546	942.7	1 384	324.3	20 508	6 543.1	12 055	4 317.7	8 453	2 225.4
of which: industry	3 569	1 023.6	2 204	720.4	1 365	303.2	18 214	5 436.2	9 960	3 301.5	8 254	2 134.7
infrastructure	361	243.4	342	222.3	19	21.1	2 294	1 106.9	2 095	1 016.2	199	90.7

Table 14.2: Global loan allocations financing energy schemes, modernisation of undertakings and environmental protection

	1986				1982—1986			
	EIB own resources		NCI resources		EIB own resources		NCI resources	
	Number	million ECUs	Number	million ECUs	Number	million ECUs	Number	million ECUs
ENERGY								
Denmark	—	—	—	—	4	8.6	—	—
Germany	2	8.1	—	—	2	8.1	—	—
Greece	15	13.7	—	—	9	6.8	—	—
France	—	—	—	—	258	177.0	167	36.4
Ireland	—	—	—	—	7	1.4	—	—
Italy	147	176.7	16	20.2	635	698.4	60	42.6
Total: Energy	164	198.5	16	20.2	915	900.2	227	79.0
of which: industry	80	90.8	—	—	507	426.8	34	17.7
infrastructure	84	107.7	16	20.2	408	467.4	193	61.3
MODERNISATION OF UNDERTAKINGS								
Advanced technology								
France	—	—	—	—	8	29.2	—	—
Italy	14	43.6	—	—	18	59.4	—	—
Investment by SMEs								
Denmark	—	—	131	45.3	—	—	381	111.0
Greece	—	—	30	3.0	—	—	47	19.1
Spain	—	—	11	3.9	—	—	11	3.9
France	—	—	631	81.6	—	—	5 065	807.4
Italy	—	—	564	169.9	—	—	2 480	1 136.4
United Kingdom	—	—	1	0.4	—	—	239	40.1
Total: Modernisation of undertakings	14	43.6	1 368	304.1	26	88.6	8 223	2 117.9
ENVIRONMENT								
Germany	9	23.3	—	—	9	23.3	—	—
Italy	6	13.4	—	—	6	13.4	—	—
Total: Environment	15	36.7	—	—	15	36.7	—	—
of which: industry	6	13.4	—	—	6	13.4	—	—
infrastructure	9	23.3	—	—	9	23.3	—	—

(1) Under pre-accession aid arrangements, 517 global loan allocations totalling 268.9 million ECUs were made available in Spain and 241 allocations amounting to 102.9 million ECUs in Portugal between 1982 and 1986.

Table 14.3: Breakdown of global loan allocations from EIB own resources promoting regional development

	1986				1982—1986			
	Industry		Infrastructure		Industry		Infrastructure	
	Number	million ECUs	Number	million ECUs	Number	million ECUs	Number	million ECUs
Belgium	—	—	—	—	5	5.5	—	—
Hainaut	—	—	—	—	3	3.9	—	—
Liege	—	—	—	—	1	0.7	—	—
Limburg	—	—	—	—	1	0.9	—	—
Denmark	37	4.5	—	—	131	29.6	—	—
East of the Great Belt	1	0.3	—	—	14	2.4	—	—
West of the Great Belt	36	4.2	—	—	117	27.2	—	—
Greece	121	26.0	—	—	395	223.3	6	56.3
Crete	7	2.2	—	—	27	18.6	—	—
Epirus	16	2.9	—	—	22	6.6	—	—
Central Greece (East)	23	5.7	—	—	82	35.5	4	48.1
Aegean Islands (East)	10	0.8	—	—	19	9.5	—	—
Central and Western Macedonia	23	7.3	—	—	75	42.7	—	—
Eastern Macedonia	7	1.2	—	—	29	13.0	—	—
Peloponnese-Central Greece (West)	20	2.7	—	—	68	26.9	—	—
Thessaly	8	2.2	—	—	38	26.6	1	4.0
Thrace	7	1.1	—	—	21	7.8	—	—
Countrywide	—	—	—	—	14	36.1	1	4.2
Spain (1)	43	16.6	19	29.2	43	16.6	19	29.2
Andalusia	16	7.4	7	10.8	16	7.4	7	10.8
Aragon	1	0.4	—	—	1	0.4	—	—
Canary Islands	2	0.5	—	—	2	0.5	—	—
Castile la Mancha	5	1.5	3	5.1	5	1.5	3	5.1
Castile Leon	9	2.4	3	2.2	9	2.4	3	2.2
Extremadura	1	0.2	2	4.4	1	0.2	2	4.4
Galicia	9	4.2	3	4.9	9	4.2	3	4.9
Murcia	—	—	1	1.8	—	—	1	1.8
France	432	69.8	214	56.5	2 942	498.7	1 637	450.2
Alsace	9	0.8	—	—	18	2.5	—	—
Aquitaine	19	2.0	39	23.0	289	43.3	213	76.9
Auvergne	16	1.6	54	11.3	222	33.9	225	50.6
Lower-Normandy	13	2.0	1	0.2	116	20.0	19	10.2
Burgundy	2	0.1	—	—	2	0.1	—	—
Brittany	88	21.9	1	0.2	468	97.4	178	55.8
Centre	7	0.8	—	—	26	3.9	3	4.4
Champagne-Ardenne	1	0.2	—	—	20	2.1	9	3.1
Corsica	25	2.4	18	2.0	71	10.9	57	8.0
Franche-Comté	9	0.9	—	—	10	0.9	2	0.7
Upper-Normandy	6	1.4	—	—	34	7.5	34	13.4
Languedoc-Roussillon	29	3.3	31	3.6	203	32.3	128	36.8
Limousin	9	1.3	7	2.5	143	18.5	72	14.1
Lorraine	14	1.7	—	—	130	22.5	24	10.9
Midi-Pyrénées	15	1.6	25	3.5	242	36.4	375	69.2
Nord-Pas de Calais	23	5.7	—	—	209	48.1	100	31.8
Pays de la Loire	74	12.5	12	4.7	323	54.9	84	38.6
Picardy	6	0.6	—	—	45	9.6	21	3.8
Poitou-Charentes	20	3.7	1	0.2	220	37.3	4	2.6
Provence-Côte d'Azur	28	3.0	—	—	45	5.6	—	—
Rhône-Alpes	19	2.3	25	5.3	106	11.0	89	19.3
Ireland	15	3.3	2	0.7	654	77.9	2	0.7
Italy	1 430	440.6	14	4.8	5 050	1 825.9	17	11.6
Abruzzi	79	24.6	13	4.8	329	141.3	13	4.8
Basilicata	54	6.5	—	—	145	23.5	2	2.7
Calabria	120	18.1	—	—	329	74.9	—	—
Campania	201	76.9	—	—	801	359.7	—	—
Friuli-Venezia Giulia	11	12.0	—	—	69	41.6	—	—
Latium	51	22.5	—	—	334	213.9	—	—
The Marches	157	45.8	—	—	477	148.5	—	—
Molise	8	5.7	—	—	57	29.3	—	—
Apulia	176	38.8	1	0.02	554	152.1	1	0.02
Sardinia	134	43.2	—	—	549	132.8	—	—
Sicily	179	39.2	—	—	516	119.5	1	4.1
Tuscany	97	31.3	—	—	306	101.8	—	—
Trentino-Alto Adige	107	64.1	—	—	278	163.7	—	—
Umbria	39	7.7	—	—	245	97.9	—	—
Veneto	17	4.3	—	—	61	25.4	—	—
Portugal (1)	2	1.5	—	—	2	1.5	—	—
Northern	1	1.0	—	—	1	1.0	—	—
Central	1	0.5	—	—	1	0.5	—	—
United Kingdom	24	10.4	—	—	199	93.7	—	—
Scotland	—	—	—	—	20	6.8	—	—
Northern England	—	—	—	—	18	17.9	—	—
North-West England	6	3.3	—	—	39	7.8	—	—
South-West England	2	0.7	—	—	22	9.0	—	—
Yorkshire & Humberside	2	0.6	—	—	35	17.2	—	—
East Midlands	4	1.8	—	—	14	7.4	—	—
West Midlands	5	1.5	—	—	13	3.1	—	—
Wales	—	—	—	—	11	5.5	—	—
Northern Ireland	5	2.5	—	—	27	19.0	—	—
Total	2 104	572.7	249	91.2	9 421	2 772.7	1 681	548.0

(1) Allocations from global loans for which finance contracts have been signed since accession.

Table 14.4: Sectoral breakdown of total global loan allocations

	1986		1982—1986				
	Total		Total			Resources	
	Number	million ECUs	Number	million ECUs	%	EIB million ECUs	NCI million ECUs
Energy	92	115.4	416	475.0	7.3	467.1	7.9
Production	23	19.5	122	103.3	1.6	100.3	3.0
<i>Electricity generation</i>	17	9.9	94	55.3	0.8	52.3	3.0
<i>Heat generating plant</i>	1	0.4	12	24.1	0.4	24.1	—
<i>Oil and natural gas</i>	5	9.2	16	23.9	0.4	23.9	—
Transmission and supply	69	95.9	294	371.7	5.7	366.8	4.9
<i>Electricity</i>	6	9.0	29	20.9	0.3	20.9	—
<i>Heat</i>	5	8.8	33	104.2	1.6	103.8	0.4
<i>Oil and natural gas</i>	58	78.1	232	246.6	3.8	242.1	4.5
Infrastructure	269	128.0	1 878	631.8	9.7	549.1	82.7
Transport	187	41.6	1 586	430.6	6.6	426.4	4.2
<i>Railways</i>	—	—	7	8.2	0.1	8.2	—
<i>Roads</i>	180	40.0	1 544	400.1	6.1	395.9	4.2
<i>Shipping</i>	7	1.6	32	19.8	0.3	19.8	—
<i>Airlines</i>	—	—	3	2.5	0.1	2.5	—
Water (catchment, treatment and supply)	37	38.8	66	105.0	1.6	80.2	24.8
Other infrastructure	45	47.6	226	96.2	1.5	42.5	53.7
<i>Housing</i>	8	8.7	10	9.4	0.2	—	9.4
<i>Public buildings</i>	6	5.2	180	46.6	0.7	2.4	44.2
<i>Composite infrastructure</i>	19	29.1	24	35.6	0.5	35.5	0.1
<i>Agricultural and forestry development</i>	12	4.6	12	4.6	0.1	4.6	—
Industry, agriculture & services	3 569	1 023.6	18 214	5 436.2	83.0	3 301.5	2 134.7
Industry	2 943	829.7	15 583	4 654.2	71.1	2 678.5	1 975.7
<i>Mining and quarrying</i>	87	11.6	379	73.7	1.1	56.1	17.6
<i>Metal production & semi-processing</i>	29	21.2	162	107.6	1.6	78.6	29.0
<i>Construction materials</i>	166	40.0	978	338.3	5.2	259.2	79.1
<i>Woodworking</i>	244	57.2	1 382	296.2	4.5	160.8	135.4
<i>Glass and ceramics</i>	50	28.5	359	203.4	3.1	117.7	85.7
<i>Chemicals (1)</i>	109	80.4	729	394.4	6.0	257.1	137.3
<i>Metalworking & mechanical engineering</i>	551	143.7	3 429	855.6	13.1	416.2	439.4
<i>Vehicles and transport equipment</i>	132	42.1	559	203.1	3.1	130.5	72.6
<i>Electrical engineering, electronics</i>	123	56.5	736	264.4	4.0	164.2	100.2
<i>Foodstuffs</i>	364	122.8	2 028	751.9	11.5	484.2	267.7
<i>Textiles and leather</i>	269	65.9	1 061	345.5	5.3	144.3	201.2
<i>Paper, pulp, printing</i>	210	55.9	1 263	323.5	5.0	138.1	185.4
<i>Rubber and plastics processing</i>	139	46.5	891	276.0	4.2	163.3	112.7
<i>Other manufacturing industries</i>	89	21.8	439	91.2	1.4	45.4	45.8
<i>Civil engineering — building</i>	381	35.6	1 188	129.6	2.0	63.0	66.6
Agriculture, forestry and fisheries	67	23.4	289	127.9	1.9	126.6	1.3
Services	559	170.5	2 342	654.1	10.0	496.3	157.8
<i>Tourism</i>	225	90.0	1 118	373.6	5.7	336.0	37.6
<i>Other services</i>	334	80.5	1 224	280.5	4.3	160.3	120.2
Grand Total	3 930	1 267.0	20 508	6 543.1	100.0	4 317.7	2 225.4

(1) Including oil refining.

Table 15: Financing provided in the Mediterranean Countries (1)

Table 15.1: Regional breakdown

	Total		From EIB own resources	From budgetary resources
	million ECUs	%	million ECUs	million ECUs
Second Financial Protocols (expired end-1986)				
Maghreb	272.5	30.5	253.0	19.5
Algeria	85.0	9.5	85.0	—
Morocco	90.0	10.1	90.0	—
Tunisia	97.5	10.9	78.0	19.5
Mashreq	259.1	29.0	249.1	10.0
Egypt	153.0	17.1	150.0	3.0
Jordan	42.1	4.7	35.1	7.0
Lebanon	—	—	—	—
Syria	64.0	7.2	64.0	—
Israel	40.0	4.5	40.0	—
Financial Protocols (still in force)				
Malta	13.0	1.4	—	—
Cyprus	31.4	3.5	26.5	4.9
Yugoslavia (1982—1986)	260.0	29.0	260.0	—
Turkey (Supplementary Protocol)	18.7	2.1	—	18.7
Total	894.7	100.0	841.6	53.1

Table 15.2: Sectoral breakdown

	Financing operations		Allocations from ongoing global loans	
	million ECUs	%	Number	million ECUs
Energy	224.2	25.1		
Production	110.7	12.4		
Conventional thermal power stations	58.0	6.5		
Hydroelectric power stations	52.7	5.9		
Transmission and supply	113.5	12.7		
Power lines	113.5	12.7		
Infrastructure	410.0	45.8	25	4.0
Transport	296.0	33.1	13	1.9
Railways	66.3	7.4		
Roads	186.7	20.9	13	1.9
Shipping	43.0	4.8		
Telecommunications	13.0	1.0		
Water schemes	97.0	10.8		
Agricultural development	20.0	2.3		
Water catchment, treatment and supply	77.0	8.7		
Composite infrastructure	—	—	12	2.1
Global loans	4.0	0.5		
Industry, agriculture and services	260.5	29.1	489	113.4
Industry	69.5	7.8	78	72.5
Mining and quarrying	—	—	3	3.8
Metal production & semi-processing	—	—	4	1.7
Construction materials and woodworking	55.0	6.1	6	3.3
Glass and ceramics	—	—	3	4.7
Chemicals	5.5	0.6	7	8.1
Metalworking & mechanical engineering	—	—	10	11.3
Electrical engineering, electronics	—	—	3	2.6
Foodstuffs	2.5	0.3	12	8.1
Textiles and leather	—	—	16	10.4
Paper and pulp	—	—	3	2.2
Rubber and plastics processing	—	—	6	7.7
Other industries	—	—	1	0.3
Industrial estates and buildings	6.5	0.8	4	8.3
Agriculture, forestry and fisheries	47.5	5.3	407	39.9
Tourism	—	—	2	0.4
Other services	—	—	2	0.6
Global loans	143.5	16.0		
Total	894.7	100.0	514	117.4

(1) See page 64, Table 9 of Annual Report 1985 for information on the duration and lending ceilings of the various financial protocols.

Table 16: **Financing provided from 1976 to 1981 in the African, Caribbean and Pacific (ACP) States under the Lomé Conventions and in the Overseas Countries and Territories (OCT)**

Table 16.1: **Geographical breakdown**

	(million ECUs)								
	Total financing			From EIB own resources			From budgetary resources		
	Total	Lomé I + II	Lomé III	Total	Lomé I + II	Lomé III	Total	Lomé I + II	Lomé III
AFRICA	1 298.32	1 138.32	160.0	926.2	817.5	108.7	372.12	320.82	51.3
<i>West Africa</i>	<i>519.1</i>	<i>464.4</i>	<i>54.7</i>	<i>394.8</i>	<i>353.8</i>	<i>41.2</i>	<i>124.3</i>	<i>110.8</i>	<i>13.5</i>
Ivory Coast	133.2	109.0	24.2	127.8	103.6	24.2	5.4	5.4	—
Nigeria	90.0	90.0	—	90.0	90.0	—	—	—	—
Senegal	59.6	46.1	13.5	33.0	33.0	—	26.6	13.1	13.5
Ghana	51.3	34.3	17.0	33.0	16.0	17.0	18.3	18.3	—
Mauritania	32.0	32.0	—	25.0	25.0	—	7.0	7.0	—
Togo	28.4	28.4	—	20.7	20.7	—	7.7	7.7	—
Burkina Faso	22.9	22.9	—	8.0	8.0	—	14.9	14.9	—
Benin	18.3	18.3	—	13.5	13.5	—	4.8	4.8	—
Niger	16.9	16.9	—	16.0	16.0	—	0.9	0.9	—
Regional	16.8	16.8	—	5.0	5.0	—	11.8	11.8	—
Guinea	14.9	14.9	—	11.9	11.9	—	3.0	3.0	—
Liberia	13.4	13.4	—	10.9	10.9	—	2.5	2.5	—
Mali	9.8	9.8	—	—	—	—	9.8	9.8	—
Cape Verde	5.4	5.4	—	—	—	—	5.4	5.4	—
Guinea Bissau	3.8	3.8	—	—	—	—	3.8	3.8	—
The Gambia	2.4	2.4	—	—	—	—	2.4	2.4	—
<i>Central & Equatorial Africa</i>	<i>327.14</i>	<i>260.14</i>	<i>67.0</i>	<i>241.0</i>	<i>191.0</i>	<i>50.0</i>	<i>86.14</i>	<i>69.14</i>	<i>17.0</i>
Cameroon	133.3	133.3	—	128.3	128.3	—	5.0	5.0	—
Zaire	76.3	26.3	50.0	50.0	—	50.0	26.3	26.3	—
Congo	41.9	31.9	10.0	28.1	28.1	—	13.8	3.8	10.0
Gabon	34.5	34.5	—	32.0	32.0	—	2.5	2.5	—
Burundi	11.7	8.7	3.0	—	—	—	11.7	8.7	3.0
Chad	9.5	9.5	—	—	—	—	9.5	9.5	—
Equatorial Guinea	6.0	2.0	4.0	—	—	—	6.0	2.0	4.0
Rwanda	5.7	5.7	—	—	—	—	5.7	5.7	—
Central African Republic	5.1	5.1	—	—	—	—	5.1	5.1	—
Regional	3.1	3.1	—	2.6	2.6	—	0.5	0.5	—
São Tomé e Príncipe	0.04	0.04	—	—	—	—	0.04	0.04	—
<i>East Africa</i>	<i>191.6</i>	<i>182.6</i>	<i>9.0</i>	<i>102.9</i>	<i>102.9</i>	<i>—</i>	<i>88.7</i>	<i>79.7</i>	<i>9.0</i>
Kenya	100.7	100.7	—	97.9	97.9	—	2.8	2.8	—
The Sudan	25.7	16.7	9.0	—	—	—	25.7	16.7	9.0
Tanzania	23.7	23.7	—	5.0	5.0	—	18.7	18.7	—
Ethiopia	13.0	13.0	—	—	—	—	13.0	13.0	—
Uganda	10.3	10.3	—	—	—	—	10.3	10.3	—
Somalia	9.8	9.8	—	—	—	—	9.8	9.8	—
Seychelles	4.6	4.6	—	—	—	—	4.6	4.6	—
Djibouti	3.3	3.3	—	—	—	—	3.3	3.3	—
Regional	0.5	0.5	—	—	—	—	0.5	0.5	—
<i>Southern Africa</i>	<i>260.48</i>	<i>231.18</i>	<i>29.3</i>	<i>187.5</i>	<i>170.0</i>	<i>17.5</i>	<i>72.98</i>	<i>61.18</i>	<i>11.8</i>
Zambia	47.4	47.4	—	42.0	42.0	—	5.4	5.4	—
Malawi	43.0	39.0	4.0	24.5	22.0	2.5	18.5	17.0	1.5
Zimbabwe	40.4	40.4	—	35.0	35.0	—	5.4	5.4	—
Botswana	37.3	37.3	—	35.5	35.5	—	1.8	1.8	—
Mauritius	35.5	17.0	18.5	31.5	16.5	15.0	4.0	0.5	3.5
Madagascar	26.9	23.6	3.3	—	—	—	26.9	23.6	3.3
Swaziland	20.2	20.2	—	19.0	19.0	—	1.2	1.2	—
Lesotho	9.6	6.1	3.5	—	—	—	9.6	6.1	3.5
Comoros	0.18	0.18	—	—	—	—	0.18	0.18	—
CARIBBEAN	117.3	93.8	23.5	89.6	68.1	21.5	27.7	25.7	2.0
Trinidad & Tobago	42.0	42.0	—	42.0	42.0	—	—	—	—
Jamaica	19.0	9.0	10.0	14.0	4.0	10.0	5.0	5.0	—
Barbados	17.1	17.1	—	17.1	17.1	—	—	—	—
Bahamas	8.5	—	8.5	8.5	—	8.5	—	—	—
Guyana	7.2	7.2	—	—	—	—	7.2	7.2	—
St Lucia	6.2	1.2	5.0	3.0	—	3.0	3.2	1.2	2.0
Suriname	4.3	4.3	—	—	—	—	4.3	4.3	—
Regional	3.0	3.0	—	3.0	3.0	—	—	—	—
St Vincent & the Grenadines	3.0	3.0	—	—	—	—	3.0	3.0	—
Belize	2.6	2.6	—	2.0	2.0	—	0.6	0.6	—
Grenada	2.4	2.4	—	—	—	—	2.4	2.4	—
Dominica	1.0	1.0	—	—	—	—	1.0	1.0	—
St Christopher & Nevis	1.0	1.0	—	—	—	—	1.0	1.0	—
PACIFIC	161.1	139.6	21.5	127.4	106.9	20.5	33.7	32.7	1.0
Papua New Guinea	87.6	70.6	17.0	71.9	54.9	17.0	15.7	15.7	—
Fiji	64.5	60.0	4.5	55.5	52.0	3.5	9.0	8.0	1.0
Western Samoa	3.3	3.3	—	—	—	—	3.3	3.3	—
Vanuatu	3.0	3.0	—	—	—	—	3.0	3.0	—
Tonga	2.3	2.3	—	—	—	—	2.3	2.3	—
Kiribati	0.2	0.2	—	—	—	—	0.2	0.2	—
Solomon Islands	0.1	0.1	—	—	—	—	0.1	0.1	—
Tuvalu	0.1	0.1	—	—	—	—	0.1	0.1	—
Sub-total: ACP States	1 576.72	1 371.72	205.0	1 143.2	992.5	150.7	433.52	379.22	54.3
Sub-total: OCT	29.88	29.88	—	22.0	22.0	—	7.88	7.88	—
Grand Total	1 606.6	1 401.6	205.0	1 165.2	1 014.5	150.7	441.4	387.1	54.3

Financing provided from 1976 to 1986 in the African, Caribbean and Pacific (ACP) States under the Lomé Conventions and in the Overseas Countries and Territories (OCT)

Table 16.2: **Sectoral breakdown**

	Lomé III				Lomé I and II	
	Financing operations		Financing operations		Allocations from ongoing global loans	
	million ECUs	%	million ECUs	%	Number	million ECUs
Energy	52.0	25.4	378.5	27.0	6	2.8
Production	32.0	15.6	309.5	22.1	5	2.2
<i>Conventional thermal power stations</i>	2.0	1.0	98.1	7.0	3	1.8
<i>Hydroelectric power stations</i>	30.0	14.6	169.9	12.1	2	0.4
<i>Geothermal power stations</i>	—	—	9.0	0.6	—	—
<i>Oil and natural gas</i>	—	—	32.5	2.3	—	—
Power transmission	20.0	9.8	69.0	4.9	—	—
Power supply	—	—	—	—	1	0.6
Infrastructure	28.5	13.9	121.9	8.7	2	1.5
Communications	10.0	4.9	90.3	6.4	2	1.5
Transport	—	—	27.2	1.9	1	0.5
<i>Railways</i>	—	—	10.0	0.7	—	—
<i>Shipping</i>	—	—	17.2	1.2	1	0.5
Telecommunications	10.0	4.9	63.1	4.5	1	1.0
Water (catchment, treatment and supply)	18.5	9.0	31.6	2.3	—	—
Industry, agriculture and services	124.5	60.7	901.2	64.3	475	206.0
Industry	93.5	45.6	564.8	40.3	382	181.0
<i>Mining and quarrying</i>	50.0	24.4	149.7	10.7	12	7.6
<i>Metal production & semi-processing</i>	—	—	31.5	2.2	9	4.0
<i>Construction materials</i>	4.0	1.9	59.3	4.2	13	6.0
<i>Woodworking</i>	4.5	2.2	25.2	1.8	33	14.5
<i>Glass and ceramics</i>	—	—	4.0	0.3	8	5.4
<i>Chemicals (1)</i>	7.0	3.4	54.5	3.9	19	12.3
<i>Metalworking & mechanical engineering</i>	—	—	0.5	—	30	10.8
<i>Vehicles and transport equipment</i>	—	—	7.3	0.5	14	5.4
<i>Electrical engineering, electronics</i>	—	—	—	—	7	3.7
<i>Foodstuffs</i>	—	—	165.3	11.8	101	47.9
<i>Textiles and leather</i>	23.5	11.5	42.9	3.1	50	18.8
<i>Paper, pulp, printing</i>	4.5	2.2	—	—	35	18.6
<i>Rubber and plastics processing</i>	—	—	24.6	1.8	32	14.8
<i>Other manufacturing industries</i>	—	—	—	—	7	1.6
<i>Civil engineering — building</i>	—	—	—	—	12	9.6
Agriculture, forestry and fisheries	—	—	—	—	7	3.9
Services	3.5	1.7	39.5	2.8	86	21.1
<i>Tourism</i>	—	—	19.3	1.4	61	17.5
<i>Other services</i>	3.5	1.7	20.2	1.4	25	3.6
Global loans	27.5	13.4	272.8	19.5	—	—
Development banks	—	—	24.1	1.7	—	—
Total	205.0	100.0	1 401.6	100.0	483	210.3

(1) Including oil refining.

Further information may be obtained from the

EUROPEAN INVESTMENT BANK
100, bd Konrad Adenauer — L-2950 Luxembourg
Tel. 4379-1 — Telex 3530 bnkeu lu
Telecopier 43 77 04

or from its other offices

Office for Operations in Italy
Via Sardegna, 38 — I-00187 Rome
Tel. 4719-1 — Telex 611130 bankeu i
Telecopier 474 58 77

Liaison Office for the United Kingdom
68, Pall Mall — London SW1Y 5ES
Tel. 839 3351 — Telex 919159 bankeu g
Telecopier 930 9929

Representative Office in Athens
Ypsilantou 13-15, GR-10675 Athens
Tel. 7249 811 — Telex 22 2126 bkeu gr
Telecopier 7249 814

Representative Office in Brussels
Rue de la Loi 227 — B-1040 Brussels
Tel. 230 98 90 — Telex 21721 bankeu b
Telecopier 230 58 27

which also have available the following publications:

Statute and other provisions governing the EIB
1986: 36 pp. (DA, DE, EN, FR, GR, IT, NL)

Annual Report

since 1955:
(DE, EN, FR, IT, NL, since 1972 in Danish, since 1980 in Greek and since 1985
in Spanish and Portuguese)

EIB-Information

Information bulletin (periodical)
(DA, DE, EN, ES, FR, GR, IT, NL, PT)

European Investment Bank 1958—1983

1983: 116 pp. (DA, DE, EN, FR, GR, IT, NL)

Financing facilities within the European Community

1986: 16 pp. (DA, DE, EN, ES, FR, GR, IT, NL, PT)

Financing facilities under the Third Lomé Convention

1986: 20 pp. (DA, DE, EN, ES, FR, GR, IT, NL, PT)

One Hundred Questions & Answers

1986: 50 pp. (DA, DE, EN, ES, FR, GR, IT, NL, PT)

European Investment Bank: key facts (leaflet)

1987 (DA, DE, EN, ES, FR, GR, IT, NL, PT)

The European Investment Bank wishes to thank those project promoters who have kindly authorised the photographs used in this report.

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Printed by: Saarbrücker Zeitung Verlag und Druckerei GmbH, Saarbrücken

European Investment Bank

General information and statement of aims

The European Investment Bank (EIB) was created by the Treaty of Rome establishing the European Economic Community, which came into force on 1 January 1958. Its Statute is an integral part of the Treaty.

Its members are the twelve Member States of the EEC who have all subscribed to the Bank's capital which at 1 January 1987 stood at 28 800 million ECUs of which 2 595.9 million had been paid in or was to be paid in.

The bulk of the funds required for financing EIB lending operations is raised on the capital markets of the Community and of non-member countries and on international markets.

An independent public institution within the Community, the EIB's task, under Article 130 of the Treaty of Rome, is to contribute — on a non-profit-making basis — to the balanced development of the Community.

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In the Community — the EIB uses its own resources to grant long-term loans and furnish guarantees to private and public enterprises and to local authorities, either directly or through financial institutions, for projects concerned with production infrastructure and energy which:

- contribute towards the economic development of the Community's less privileged regions;
- are of common interest to several Member States or benefit the Community as a whole, or serve to modernise or convert undertakings or to create new activities called for by the progressive establishment of the common market.

These categories include:

- Community infrastructure projects promoting European economic integration (transport and telecommunications schemes improving links within the Community) or helping to attain Community objectives such as protection of the environment;
- projects in the energy sector which help to attain Community goals: development of indigenous resources, rational use of energy, import diversification;
- projects for the modernisation or conversion of undertakings, whether called for by the progressive establishment of the common market or necessitated by structural difficulties, specific projects improving the competitiveness of Community industry by developing or introducing advanced technology, and projects resulting from close technical and economic cooperation between undertakings in different Member Countries.

In accordance with Article 20 of its Statute, the Bank pays particular heed to ensuring that 'its funds are employed as rationally as possible in the interests of the Community' and provides financing only 'where the execution of the project contributes to an increase in economic productivity in general and promotes the attainment of the common market'.

Since 1979, the Bank has also granted loans from the resources of the New Community Instrument for borrowing and lending (NCI), principally for investment by small and medium-sized enterprises in industry and directly related services, designed in particular to promote innovation and new technologies and the implementation of which contributes directly or indirectly to the creation of jobs.

The Bank has accepted a mandate to grant these loans on behalf, for the account and at the risk of the Community. The Bank finds suitable projects and, following the Commission's decision as to the eligibility of each project, appraises applications, decides on the granting of loans and administers them, all in accordance with the procedures laid down in its Statute and its usual criteria. The Commission raises the necessary funds by borrowing and transfers the proceeds to the Bank which accounts for them off balance sheet in its Special Section (see page 94).

The EIB also acts as agent in appraising and administering Euratom loans approved by the Commission.

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Outside the Community — The second paragraph of Article 18 (1) of the Statute provides for financing operations by the EIB outside the Community on special authorisation from the Bank's Board of Governors. Authorisation is given:

- case by case, for loans for certain types of project of particular importance for the Community (communications by satellite or energy supplies, for example);
- as ceiling amounts when they concern loans in individual countries or groups of countries to be granted under Community agreements, conventions or decisions on financial cooperation with various non-member countries.

The EIB's theatre of operations now covers 66 countries in Africa, the Caribbean and the Pacific, signatories to the Lomé Convention (ACP States), and 12 Mediterranean countries (Turkey, Yugoslavia, Algeria, Morocco, Tunisia, Egypt, Jordan, Lebanon, Syria, Israel, Cyprus and Malta). In addition to loans from its own resources, the EIB furnishes most of these countries with concessionary aid, drawn from budgetary funds managed on behalf of the Community; the relevant operations are accounted for off balance sheet in the Bank's Special Section.

Den europæiske Investeringsbank

Europäische Investitionsbank

Ευρωπαϊκή Τράπεζα Επενδύσεων

European Investment Bank

Banco Europeo de Inversiones

Banque européenne d'investissement

Banca europea per gli investimenti

Europese Investeringsbank

Banco Europeu de Investimento