

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

165 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

The Statute provides that the members of the Board of Directors are responsible only to the EIB. Each Director has one vote and may delegate his vote in all cases, according to the rules of procedure of the EIB. The Board ordinarily acts by a majority of the members of the Board entitled to vote but in certain cases a unanimous vote or a qualified majority (which requires twelve votes in favor) is required.

The Management Committee of the EIB consists of the President of the EIB and four of its Vice Presidents appointed for six years by the Board of Governors on the recommendation of the Board of Directors. The current members of the Management Committee and their respective positions with the EIB are as follows:

<u>Management Committee Member</u>	<u>Position with the EIB</u>
Yves Le Portz.....	President
Sjoerd Boomstra	Vice President
Luca Rosania	Vice President
Horst-Otto Steffe.....	Vice President
George Raymond Bell.....	Vice President

The Management Committee is responsible for the management of the current operations of the EIB under the authority of the President and the supervision of the Board of Directors. The Management Committee, by a majority vote, makes proposals to the Board of Directors for the granting of loans and guarantees and for borrowings. The President, or in his absence one of the Vice Presidents, serves as Chairman of the Board of Directors but has no vote. The Statute provides that the Management Committee and the staff of the EIB are responsible only to the EIB and are to be completely independent in the exercise of their functions.

An Audit Committee, which consists of three members appointed by the Board of Governors, annually verifies for each year that the operations of the EIB are properly conducted and that the books are properly kept and confirms that the balance sheet and profit and loss account are in conformity with the accounts and accurately reflect the assets and liabilities of the EIB. The members of the Audit Committee and their principal occupations are: Jørgen Bredsdorff (Chairman), Auditor General, Audit Department, Copenhagen; Emile Raus, Vice-President of the Council of State, Honorary Director-General of Posts and Telecommunications, Luxembourg; and Michael S. Jacob, Secretary and Director of Audit, Office of the Comptroller and Auditor-General, Dublin.

DESCRIPTION OF THE NOTES

The following summaries of certain of the terms and provisions of the Notes and the Fiscal Agency Agreement, copies of which are filed as exhibits to the Registration Statement of which this Prospectus constitutes a part, do not purport to be complete and are qualified in their entirety by reference to such exhibits.

General. The Notes will be issued in an aggregate principal amount of \$100,000,000, will mature on April 1, 1984, and will bear interest at the rate set forth on the cover page of this Prospectus. Interest on the Notes will be payable semiannually on April 1 and October 1, with the initial payment on October 1, 1976. The Notes will be in coupon form, registrable as to principal, in the denomination of \$1,000 and in fully registered form, without coupons, in denominations of \$1,000 and multiples thereof. No service charge will be imposed on the holder of a Note in connection with exchanges, either in form or denomination, or transfers of Notes.

The Notes are not redeemable prior to maturity.

Payment. The principal of and interest on the Notes will be payable at the corporate trust office in New York City of Citibank, N.A., or its successor as Fiscal Agent, in such coin or currency of

the United States as at the time of payment is legal tender for payment of public and private debts. The EIB may designate agencies in the European territories of the Member States at which the principal of and interest on the Notes will also be payable, at the option of the holders. The EIB may change or terminate the designation of such agencies from time to time. Payments at such agencies will be subject to applicable laws and regulations, including any withholding or other taxes, and will be effected by check drawn on, or by transfer to an existing account with, a bank in New York City.

The Fiscal Agent is not a trustee for the holders of the Notes and does not have the same responsibilities or duties to act for such holders as would a trustee.

The Notes will provide that payment of the principal of and interest on the Notes in New York City shall be without deduction for and free of any present or future taxes, duties, fees or other charges levied or imposed on the Notes or the holders thereof by any present or future Member State or any political subdivision or taxing authority of any Member State.

Rank of the Notes. The Notes will be unconditional, direct, general obligations of the EIB, for the payment and performance of which the full faith and credit of the EIB will be pledged. The Notes will rank *pari passu*, without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, with all other indebtedness of the EIB for money borrowed, except for indebtedness (i) incurred for all or part of the purchase price of property purchased by the EIB and (ii) secured by a lien, pledge or other charge on such property but otherwise ranking *pari passu* with the Notes. No such indebtedness is currently outstanding. If the EIB shall in the future secure any present or future indebtedness for money borrowed by any lien, pledge or other charge on any of its present or future assets or revenues (other than liens, pledges or charges on property purchased by the EIB as security for all or part of the purchase price), the Notes will be secured by such lien, pledge or other charge equally and ratably with such indebtedness, and the instrument creating such lien, pledge or other charge will expressly so provide.

Default. In case of (i) default in any payment of the principal of or interest on any of the Notes and its continuance for a period of 30 days or (ii) default in the performance of any other covenant contained in the Notes and the continuance of such default for a period of 90 days after written notice shall have been given to the EIB and the Fiscal Agent thereof by the holders of not less than 25% in principal amount of the Notes then outstanding or (iii) default, as defined in any instrument evidencing, securing or protecting any indebtedness of the EIB, now or hereafter outstanding and maturing more than one year from the date of its creation, and the maturity of such indebtedness shall have been accelerated so that it shall have become due and payable and such acceleration shall not have been rescinded or annulled, then in any such case, the principal of all the Notes then outstanding may be declared to be due and payable immediately by written notice given to the EIB and the Fiscal Agent for the Notes by the holders of not less than a majority in principal amount of the Notes then outstanding. If, after such principal shall have been declared due and payable and before any judgment or decree for the payment of moneys due thereon shall have been entered, all arrears of interest upon all Notes and all other sums due in respect thereof, except any principal payments which shall not have matured by their terms, shall have been duly paid and all other defaults made good, the holders of not less than a majority in principal amount of the Notes then outstanding may rescind any such declaration.

It should be noted that the Fiscal Agency Agreement does not provide for the notification of the holders of the Notes of the occurrence of an event of default or for the right of a holder of Notes to examine the Note register. Moreover, since a substantial portion of the Notes may be held in bearer form, newspaper publication, as well as mailing, may be necessary to contact other holders of Notes.

The EIB may modify any of the terms or provisions contained in the Notes in any way, with the written consent of the holders of not less than 66⅔% in principal amount of the Notes at the time outstanding, provided that (i) if any such modification would change the terms of payment of the principal of or interest on any Note or the amount thereof or affect the rights of holders of less than all the Notes

at the time outstanding, the consent of the holders of all the Notes affected thereby is required and (ii) if any such modification would reduce the aforesaid percentage required for authorization of such modification, the consent of the holders of all outstanding Notes affected is required.

The Notes will be governed by, and construed in accordance with, the laws of the State of New York except as to matters relating to the authorization and execution of the Notes by the EIB, which shall be governed by the Treaty of Rome and the Statute. The EIB will appoint the Fiscal Agent as its authorized agent in New York City upon which process may be served in any action based on the Notes which may be instituted in any State or Federal court in New York City by the holder of a Note and will expressly accept the jurisdiction of such courts in respect of such action. Notwithstanding the foregoing, any action based on the Notes may be instituted by the holder of a Note in any competent court of the jurisdiction in which the EIB has its seat. The EIB will irrevocably waive any immunity from jurisdiction or execution to which it or its property might otherwise be entitled in any action based on the Notes which may be instituted by the holder of a Note in any State or Federal court in New York City.

Tax Status

The Notes and interest thereon will not be exempt from taxation generally.

As regards United States taxation, in the opinion of Messrs. Cravath, Swaine & Moore, special counsel to the EIB, interest on the Notes which is paid to an individual who is not a citizen or resident of the United States or to a corporation organized under the laws of a country other than the United States is not presently subject to United States Federal income tax or the withholding of such tax, except that, absent any special statutory or treaty exemption, (a) such interest when derived by such nonresident alien individual or foreign corporation in the active conduct of a banking, financing or similar business within the United States or when received by a corporation the principal business of which is trading in stock or securities for its own account, is subject to United States Federal income tax if such interest is attributable to an office or other fixed place of business within the United States and certain other conditions exist, and (b) a foreign corporation which is a life insurance company carrying on a United States insurance business is subject to United States Federal income tax on interest received on the Notes if such interest is attributable to its United States business.

In addition, in the opinion of such special counsel, (a) interest paid by the EIB on its obligations constitutes income from sources without the United States and (b) unless a death tax convention provides otherwise, debt obligations of the EIB are deemed to be situated outside the United States for purposes of the United States Federal estate tax and are not includible in the gross estate for purposes of such tax in the case of the estate of a nonresident of the United States who was not a citizen of the United States.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the President
EUROPEAN INVESTMENT BANK
Luxembourg

We have examined the accompanying balance sheet of the European Investment Bank as of December 31, 1975 and the related Statement of Profit and Loss for the five financial years ended December 31, 1975. Our examinations 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 Statement of Profit and Loss has been affected by a change in the new definition of the unit of account (UA) in 1974 for conversion of the currencies of the Member States, as described in Note A.

As explained in Note I, a supplementary amortization of certain issuing charges of 5,000,000 UA was made in 1974. Writing off of issuing charges during the year of issue is an accepted European accounting practice.

In our opinion, the financial statements examined by us present fairly the financial position of the European Investment Bank at December 31, 1975 and the results of its operations for the five financial years then ended in conformity with accounting principles generally accepted in the United States, except for the supplementary amortization of issuing charges in 1974 as described in the preceding paragraph. These principles have been consistently applied except for the change, with which we concur, as a result of the new definition of the UA for conversion of the currencies of the Member States as described above.

PRICE WATERHOUSE & Co.

March 2, 1976
Brussels, Belgium

EUROPEAN INVESTMENT BANK

BALANCE SHEET

At December 31, 1975

(In UA—see Note A to the financial statements)

ASSETS

Cash and bank deposits		
At sight and up to one year's notice		333,213,291
At more than one year's notice		4,243,267
		<u>337,456,558</u>
Investments (market value 154,933,777) (Note B)		
For not more than one year		7,531,472
For more than one year		144,704,332
		<u>152,235,804</u>
Borrowing proceeds to be received		40,939,011
Receivable from Member States for adjustment of capital (Notes A and E)		38,063,178
Receivable from Member States on account of capital to be paid (Note F)		151,875,000
Loans (Note C)		4,443,553,712
of which undisbursed—264,808,983		
Contra accounts to guarantees		
On loans under mandate		110,926,643
excluding those on loans granted by third parties (19,647,523) and those on participations by third parties in the loans of the EIB (42,397,712)		
Land and buildings		503,571
Accrued interest and commission		78,719,249
Unamortized issuing charges		65,214,634
Unamortized redemption premiums		5,096,433
		<u>70,311,067</u>
Special deposits for service of loans (Note D)		32,993,735
Miscellaneous (Note E)		11,904,024
		<u>5,469,481,552</u>
Memorandum accounts		
Commitment to guarantee loans granted by third parties	49,118,809	
Securities received as guarantee for loans under mandate	27,833,992	
Securities received on deposit	128,724,427	

EUROPEAN INVESTMENT BANK

BALANCE SHEET

At December 31, 1975

(In UA—see Note A to the financial statements)

CAPITAL AND LIABILITIES

Capital (Note F)	
Subscribed	3,543,750,000
Uncalled	2,986,875,000
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	556,875,000
Statutory reserve	110,000,000
Other reserves	
For risks on loans and guarantees	117,982,653
For equalization of interest on borrowings	13,000,000
For monetary risks	29,000,000
For building	16,000,000
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	175,982,653
Unallocated profit for the financial year ended December 31, 1975	59,395,074
Write-back of issuing charges previously amortized	23,127,079
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Total capital	925,379,806
Staff pension fund	8,071,073
Payable to Member States for adjustment of capital (Notes A and E)	23,904,493
Borrowings (Note G)	
Bonds and notes	3,346,910,328
Other medium- and long-term borrowings	568,572,274
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	3,915,482,602
Redemption premiums on bonds	10,526,141
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	3,926,008,743
Short-term borrowings	16,372,936
Undisbursed balance of loans	264,808,983
Guarantees	
On loans under mandate	110,926,643
excluding those on loans granted by third parties (19,647,523) and those on participations by third parties in the loans of the EIB (42,397,712)	
Accrued interest and commission and interest received in advance	130,117,144
Coupons and liabilities due and not yet paid (Note D)	32,993,735
Miscellaneous (Note E)	30,897,996
	<hr/>
	<u>5,469,481,552</u>

EUROPEAN INVESTMENT BANK

STATEMENT OF PROFIT AND LOSS

For the five financial years ended

December 31, 1975

(In UA—see Note A to the financial statements)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
INCOME:					
Interest and commission on loans	83,318,923	118,811,368	160,010,213	212,651,511	312,485,485
Interest and commission on investments	24,370,849	16,851,366	30,238,494	51,965,392	33,974,876
Management commission (Note H)	1,149,014	1,385,803	1,573,263	1,885,773	2,228,327
Other income, net	3,068,549	914,702	(16,850)	1,351,559	5,023,851
Total income	<u>111,907,335</u>	<u>137,963,239</u>	<u>191,805,120</u>	<u>267,854,235</u>	<u>353,712,539</u>
OPERATING EXPENSES:					
Administrative expenses	5,356,214	6,034,013	8,339,009	13,339,398	14,175,391
Interest and charges on borrowings	82,183,528	104,570,351	143,040,680	197,798,267	274,821,383
Amortization of issuing charges and redemption premiums	4,239,837	5,581,925	6,942,417	8,099,950	9,602,463
Supplementary amortization of issuing charges	—	—	—	5,000,000	—
Depreciation on furniture, equipment and design fees	167,450	201,673	232,703	156,251	985,086
Exchange differences (Note A)	(555,002)	6,648,283	8,718,527	1,172,608	(790,943)
Total operating expenses	<u>91,392,027</u>	<u>123,036,245</u>	<u>167,273,336</u>	<u>225,566,474</u>	<u>298,793,380</u>
Operating income	20,515,308	14,926,994	24,531,784	42,287,761	54,919,159
Net increase (decrease) in value arising from revaluation of assets and liabilities of the EIB not subject to adjustment under Article 7 of the Statute (Note A)	—	2,846,744	1,324,294	(2,358,142)	4,475,915
Income before effect of adoption of a change in the rates for converting currencies ...	20,515,308	17,773,738	25,856,078	39,929,619	59,395,074
Effect of adoption of a change in the rates for converting currencies (Note A)	—	—	—	(3,633,424)	—
Net income	<u>20,515,308</u>	<u>17,773,738</u>	<u>25,856,078</u>	<u>36,296,195</u>	<u>59,395,074*</u>
LESS APPROPRIATIONS TO:					
Provision for risks on loans and guarantees	1,000	7,000,000	10,151,426	12,982,653	—
Provision for equalization of interest on borrowings	—	—	976,941	—	—
Provision for building	2,000,000	2,500,000	2,316,680	5,000,000	—
Special provision	4,104,000	(4,104,000)	—	—	—
Provision for monetary risks	—	7,500,000	6,301,308	6,000,000	—
Balance appropriated to statutory reserve	<u>6,411,308</u>	<u>4,877,738</u>	<u>6,109,723</u>	<u>12,313,542</u>	—

* Appropriations of net income to provisions and statutory reserve are made by decision of the Board of Governors, which has not acted as yet with respect to 1975.

EUROPEAN INVESTMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
(In UA—see Note A)

Note A—Significant Accounting Policies

Unit of Account used for preparation of the financial statements and translation of currencies
Beginning in the financial year 1974, the EIB uses the European unit of account (the "UA") as the unit of measure for the capital accounts of the Member States as the common denominator for presenting financial position and results of operations. The UA was adopted by the European Council of Ministers and is increasingly being used for accounting purposes within the EEC.

In financial years prior to 1974, the financial statements of the EIB are expressed in UA as defined in Article 4(1) of its Statute. The conversion rate between this UA and the various national currencies was based on the gold content of this UA and such currencies as reflected by official parities declared to the International Monetary Fund (the "IMF"); one UA originally equaled one U.S. dollar as well as, subsequently, one Special Drawing Right, the unit of account used by the IMF, all of which had an equal gold content of 0.88867088 grammes of fine gold. Conversion of the national currencies was effected at the official parity rates declared to the IMF as of the end of each year.

The Board of Governors decided in 1974 that the definition of the UA provided in Article 4(1) of its Statute, and the method for converting it into the national currencies of Member States as prescribed in Article 7(3), could no longer be applied as originally intended when the Statute was drafted. Therefore, on July 15, 1974 the Board of Governors decided to propose that the Statute be amended to enable them, acting unanimously, to introduce a new definition of the UA and to modify the system for converting sums expressed in UA into national currencies, and vice versa. Such amendment of the Statute is now before the Member States for their approval.

As an interim measure pending resolution of the matters indicated in the preceding paragraph, on March 18, 1975 the Board of Governors decided that beginning on December 31, 1974 the EIB would adopt as rates for converting Member States' currencies into UA, and vice versa, the rates used for converting these currencies into the European unit of account. The value of the UA is equal to the sum of the following amounts of Member States' currencies:

German marks	0.828	Dutch guilders	0.286
United Kingdom pounds	0.0885	Belgian francs	3.66
French francs	1.15	Luxembourg francs	0.14
Italian lire	109	Danish crowns	0.217
		Irish pounds	0.00759

This "basket" was so composed that on June 28, 1974 its value would have been equivalent to that of the IMF's Special Drawing Right. The conversion rates between Member States' currencies and the UA have been fixed by agreement between the EIB and the Commission of the EEC, taking as their basis market rates, it being understood that the Commission publishes these rates in the Official Journal of the European Communities. Moreover, the EIB is to apply these conversion rates in calculating the rates applicable to other currencies used for its operations.

The value of the UA is determined by the Commission of the EEC by converting the above amounts of currencies into Belgian francs on the Brussels market at the rates of exchange then in effect. In order to determine the equivalent value of the UA in terms of currencies other than the Belgian franc, the resulting value of the UA in Belgian francs is then converted into such other currencies at then prevailing rates.

The following rates were used for drawing up the balance sheet at December 31, 1975:

3.05382	German marks	0.575039	Irish pounds
5.21981	French francs	46.0606	Luxembourg francs
0.575973	United Kingdom pounds	1.16528	United States dollars
797.769	Italian lire	3.05239	Swiss francs
46.0606	Belgian francs	2.84328	Lebanese pounds
3.13120	Dutch guilders	260.991	CFA francs
7.19697	Danish crowns	354.312	Japanese yen

EUROPEAN INVESTMENT BANK
NOTES TO THE FINANCIAL STATEMENTS—(Continued)
(In UA—see Note A)

Beginning December 31, 1974, and for as long as the above interim measure remains in effect, the EIB's annual balance sheets will be drawn up and published on the basis of the conversion rates defined above. This change in conversion rates resulted in a charge to the 1974 Statement of Profit and Loss of 3,633,424 which was reported as "Effect of adoption of a change in the rates for converting currencies".

Adjustments of paid in capital

Article 7(1) and (2) of the Statute provide for adjustments of the amount of a Member State's paid in capital which has been paid in its national currency, if the official parity of such currency changes in relation to the UA. The only material adjustment during the five financial years resulted from the decision of the Board of Governors to adopt, beginning December 31, 1974, as rates for converting Member States' currencies in UA, and vice versa, the rates used for converting these currencies into the European unit of account. This has been recorded as if this were a change in official parities. Settlement of these amounts will be effected when the previously described amendment to the Statute proposed by the Board of Governors on July 15, 1974 is adopted. See Note E for payable and receivable balances at December 31, 1975. See also *Capitalization and Reserves—Paid in Capital and Callable Capital* elsewhere in this Prospectus.

Exchange differences and net increase (decrease) in value arising from revaluation of assets and liabilities

Exchange differences of (555,002) in 1971; 6,648,283 in 1972; 8,718,527 in 1973; 1,172,608 in 1974 and (790,943) in 1975 represent the net gain or loss arising from financial operations during the year. These amounts are determined using the official parity rates in effect during the period. Devaluation of the dollar was the principal reason for the losses in 1972 and 1973.

In 1972, EIB determined that it was necessary to recognize in its financial statements the differences in value of its net assets which would result from the use of current market rates for translations of currencies instead of the use of official rates as required by the Statute. These differences have been reflected in the Statement of Profit and Loss as "Net increase (decrease) arising from revaluation of assets and liabilities" of 2,846,744 in 1972; 1,324,294 in 1973; (2,358,142) in 1974 and 4,475,915 in 1975. Excluded from such determinations are assets in each Member State's currency in an amount equal to the Member State's capital contribution to the EIB in its own currency because such amounts are the subject of "Adjustments of paid in capital" as discussed previously.

Other Matters

Fixed Assets:

Office furniture, fixtures, machines and motor vehicles are written off in the year of acquisition. Design fees for the new headquarters are being expensed as incurred. Land is carried at cost.

Issuing Charges and Redemption Premiums:

Except as explained in Note I, issuing charges and redemption premiums are amortized over the lives of the borrowings based on the principal amounts outstanding.

Loans:

In determining net income, no provision for possible losses is made as none is considered necessary.

Staff Pension Fund:

Amounts set aside are based on actuarial valuations determined generally once every two to three years.

A statement of changes in financial position has not been presented.

EUROPEAN INVESTMENT BANK
NOTES TO THE FINANCIAL STATEMENTS—(Continued)
(In UA—see Note A)

Note B—Investments

Investments include:

(a) government bonds, notes and bonds at the lowest of cost, nominal or market value	130,788,247
(b) the EIB's own bonds at their redemption cost	21,018,475
(c) bank bills at their nominal value	429,082

The breakdown, according to maturity, is as follows:

not exceeding 3 months	5,593,789
over 3 months but not exceeding 6 months	300,389
over 6 months but not exceeding 12 months	1,637,294
over 12 months	144,704,332

Note C—Analysis of Loans outstanding at December 31, 1975

Countries and Territories in Which Loans Have Been Granted(1)	Number of Loans	Amount Disbursed	Amount Undisbursed	Total	%
Germany	65	553,137,475	—	553,137,475	12.45
France	90	988,903,875	33,516,737	1,022,420,612	23.01
United Kingdom	31	459,051,552	77,434,185	536,485,737	12.07
Italy	219	1,744,423,802	66,032,899	1,810,456,701	40.74
Belgium	8	87,051,382	—	87,051,382	1.96
Netherlands	7	66,592,648	—	66,592,648	1.50
Denmark	12	31,052,793	5,495,368	36,548,161	0.82
Ireland	11	100,083,757	—	100,083,757	2.25
Luxembourg	3	5,583,101	—	5,583,101	0.13
Greece	21	53,326,242	36,619,525	89,945,767	2.02
Cameroon	9	12,227,931	—	12,227,931	0.28
Congo	1	7,370,061	—	7,370,061	0.17
Ivory Coast	9	29,230,344	20,166,397	49,396,741	1.11
Gabon	4	3,873,414	—	3,873,414	0.09
Upper Volta	1	379,875	—	379,875	0.01
Mauritius	1	—	1,750,000	1,750,000	0.04
Senegal	2	2,511,586	—	2,511,586	0.06
Zaire	3	13,202,330	16,600,000	29,802,330	0.67
New Caledonia	1	1,518,403	—	1,518,403	0.03
Turkey	2	19,224,158	7,193,872	26,418,030	0.59
Total	<u>500</u>	<u>4,178,744,729</u>	<u>264,808,983</u>	<u>4,443,553,712</u>	<u>100.00</u>

(1) Currencies in which loans are repayable:

Currency:	Amount
Currencies of the Member States	2,334,155,459
Option of the EIB among the currencies of the original Member States ..	11,207,500
Other currencies	1,833,381,770
Disbursed portion of loans	<u>4,178,744,729</u>
Add undisbursed portion of loans	264,808,983
	<u>4,443,553,712</u>

EUROPEAN INVESTMENT BANK

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(I: UA—see Note A)

(2) Breakdown of loans at December 31, 1975 by principal form of guarantee*	
Loans granted to or guaranteed by Member States	2,729,980,641
Loans granted to or guaranteed by public institutions in the EEC	819,869,154
Loans granted to banks including certain long-term credit institutions or guaranteed by them	351,957,659
Loans guaranteed by non-bank companies under majority control of Member States or public institutions in the EEC	202,479,671
Loans secured by fixed charge on real estate	114,572,146
Loans guaranteed by non-bank companies in the private sector	104,790,300
Loans granted to associated states or guaranteed by them	85,866,877
Loans secured by fixed charge on other property or other security	34,037,264
	<u>4,443,553,712</u>
(3) Original amount of ordinary loans calculated on the basis of the official parities notified to the IMF and in effect on the date of signature	
	5,239,068,195
Less:	
(a) terminations and cancellations	80,223,069
(b) exchange adjustments	41,022,081
(c) principal repayments to the EIB	631,871,621
(d) third party participations in loans	<u>42,397,712</u>
	795,514,483
Ordinary loans outstanding	<u>4,443,553,712</u>
The total volume of loans and guarantees granted by the EIB, which under Article 18(5) of the Statute must not exceed 250% of its subscribed capital, amounted at December 31, 1975 to:	
ordinary loans	4,443,553,712
guarantees given:	
in respect of loans under mandate	110,926,643
in respect of loans granted by third parties	19,647,523
in respect of third party participations in the loans of the EIB	<u>42,397,712</u>
	172,971,878
	<u>4,616,525,590</u>

Note D—Special deposits for service of loans

This item, which appears as a contra item in the liabilities under the heading "Coupons and liabilities due and not yet paid", represents the amount of coupons and bonds due but not yet presented for payment

32,993,735

Note E—Miscellaneous balance sheet accounts

These accounts include:

(a) on the assets side:	
sundry debtors	6,259,281
currencies to be received from exchange contracts outstanding at December 31, 1975	<u>5,644,743</u>
	<u>11,904,024</u>

* Certain loans are covered by several types of guarantee or security.

EUROPEAN INVESTMENT BANK

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(In UA—see Note A)

(h) on the liabilities side:

accrued expenses and sundry creditors	25,296,411
currencies to be delivered under exchange contracts outstanding at December 31, 1975	<u>5,601,585</u>
	<u>30,897,996</u>

At December 31, 1975 amounts receivable from or payable to Member States for adjustment of paid in capital pursuant to Article 7(1) and (2) of the Statute are as follows:

Receivable from:

United Kingdom	24,892,729
Italy	12,344,216
Ireland	826,233
	<u>38,063,178</u>

Payable to:

Germany	14,143,048	
1961 revaluation balance	49,044	14,192,092
France		4,564,261
Belgium		1,564,600
Netherlands	3,002,119	
1961 revaluation balance	35,534	3,037,653
Denmark		505,262
Luxembourg		40,625
		<u>23,904,493</u>

See Note A for an explanation of the origin of these amounts.

Note F—Capital

Subscriptions to the EIB's capital at December 31, 1975 are as follows:

<u>Member States</u>	<u>Subscribed Capital</u>	<u>Uncalled Capital(1)</u>	<u>Paid in</u> (in thousands)	<u>To be Paid</u>
Germany	787,500	663,750	90,000	33,750
France	787,500	663,750	90,000	33,750
United Kingdom	787,500	663,750	90,000	33,750
Italy	630,000	531,000	72,000	27,000
Belgium	207,375	174,787.5	23,700	8,887.5
Netherlands	207,375	174,787.5	23,700	8,887.5
Denmark	105,000	88,500	12,000	4,500
Ireland	26,250	22,125	3,000	1,125
Luxembourg	5,250	4,425	600	225
Total	<u>3,543,750</u>	<u>2,986,875</u>	<u>405,000</u>	<u>151,875</u>

(1) Callable by decision of the Board of Directors to the extent required to meet the EIB's obligations towards lenders in respect of borrowings.

EUROPEAN INVESTMENT BANK

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(In UA—see Note A)

The balance of the profit and loss account available for appropriation to the statutory and other reserves amounted to 59,395,074 in 1975, as against 36,296,195 in 1974. The Management Committee has decided to recommend that the Board of Directors propose to the Board of Governors that the balance from 1975 be appropriated among:

- (a) 20,000,000 to the statutory reserve;
- (b) 25,919,159 to the reserve for risks on loans and guarantees;
- (c) 4,475,915 to the reserve for monetary risks;
- (d) 9,000,000 to the building reserve, to meet the projected expenses for the construction of new premises.

See *Capitalization and Reserves—Statutory Reserve and Other Reserves* elsewhere in this Prospectus.

In 1973, the United Kingdom, Denmark and Ireland joined the EIB as Member States and contributed the following amounts to the EIB's capital—Called capital—105,000,000; Statutory reserve—23,025,908; Reserve for risks on loans and guarantees—23,848,574; Reserve for equalization of interest on borrowings—3,023,059; Reserve for monetary risks—4,198,692; Reserve for building—2,183,320.

By a decision of the Board of Directors on July 10, 1975 the subscribed capital of the EIB was increased from 2,025,000,000 to 3,543,750,000. The Member States will pay 10% of this additional amount in their respective currencies i.e. the equivalent of a total amount of 151,875,000 in eight equal instalments of 18,984,375 on April 30 and October 31 of each year from 1976 to 1979. The only other transactions in the capital accounts in the five financial years were the appropriations to reserves as shown in the Statement of Profit and Loss.

Note G—Statement of funded debt at December 31, 1975

Payable in	Borrowings at December 31, 1974	Operations During the Financial Year			Borrowings at December 31, 1975		
		Borrowings	Redemptions	Exchange Adjustments	Amounts (1)	Rate of Interest (Weighted Averages)	Due Dates
German marks	653,966,213	180,829,190	26,817,485	— 8,323,714	799,654,204	7.46%	1976-1988
French francs	146,016,123	66,768,791	10,493,075	+ 10,322,298	212,614,137	7.92	1976-1988
Italian lire	252,967,627		5,975,648	+ 5,602,068	252,594,047	6.57	1976-1988
Belgian francs	192,305,406	33,303,360	5,825,870	— 3,430,960	216,351,936	7.61	1976-1993
Dutch guilders	204,884,429	71,808,682	22,140,219	+ 253,572	254,806,464	7.71	1976-1990
Luxembourg francs	112,300,914	11,101,120		— 1,823,071	121,578,963	7.52	1976-1988
U.S. dollars	1,243,948,014	298,904,958	58,595,459	+104,774,308	1,589,031,821	8.69	1976-1990
Swiss francs	199,888,316	133,769,079		+ 13,611,467	347,268,862	7.40	1977-1990
Lebanese pounds	16,802,880		612,389	+ 251,787	16,442,278	7.13	1976-1985
Japanese yen		17,204,252		— 270,025	16,934,227	8.5	1978
Other	90,159,418		2,022,260	+ 68,505	88,205,663	8.13	1976-1989
	3,113,239,340	813,689,432	132,482,405	+121,036,235	3,915,482,602		
Redemption premiums	10,604,592		551,735	+ 473,284	10,526,141		
Total	3,123,843,932	813,689,432	133,034,140	+121,509,519	3,926,008,743		

(1) The following table shows the total capital sums required for redemption of the loans during the five years following the date of this statement:

	1976	1977	1978	1979	1980
Amount	131,270,282	213,678,695	262,234,671	282,312,073	480,657,355

EUROPEAN INVESTMENT BANK

NOTES TO THE FINANCIAL STATEMENTS—(Continued)

(In UA—see Note A)

Note H—Management commission

This item represents the remuneration for the management of loans for the account of and under mandate from the Member States and the EEC. Included are the loans discussed under *Special Operations* elsewhere in this Prospectus.

Note I—Supplementary amortization of issuing charges

An amount of 5,000,000 from exceptional income resulting from investment of proceeds of dollar denominated loans issued in 1974 was used for supplementary amortization of the corresponding issuing charges.

SUPPLEMENTARY TABLES

SCHEDULE OF THE ANNUAL AMORTIZATION ON FUNDED DEBT
OUTSTANDING OF THE EUROPEAN INVESTMENT BANK

At December 31, 1975
(in thousands)

Period	U.S.\$	D.M.	F.F.	Lit.	Fl. (in UA)	B. Fr.	L. Fr.	S. Fr.	Other(1)	Total Amor- tization	Total Amor- tization (in U.S.\$)
1976	65,467.5	27,572.0	18,169.9	6,687.0	5,764.6	6,243.9	249.7	—	1,115.7	131,270.3	152,966.7
1977	63,107.6	40,670.4	13,018.7	28,282.6	8,159.8	7,233.9	2,420.7	49,141.8	1,643.2	213,678.7	248,995.5
1978	55,040.8	86,514.6	22,136.1	13,935.3	12,950.3	13,792.7	9,802.3	29,485.1	18,577.5	262,234.7	305,576.9
1979	82,931.1	52,224.9	20,327.2	20,772.9	36,982.6	8,538.7	18,595.0	40,296.3	1,643.3	282,312.0	328,972.5
1980	184,795.0	137,855.4	19,010.6	21,488.6	21,014.3	9,550.5	24,131.3	59,953.0	2,258.6	480,057.3	559,401.2
1981/1985 ...	920,953.0	412,902.1	93,678.7	119,426.8	123,227.5	138,825.8	49,554.3	124,820.2	13,139.5	1,996,527.9	2,326,514.0
Thereafter ..	216,736.8	67,604.0	51,420.9	55,833.6	56,450.7	41,008.1	17,771.9	43,572.4	9,529.4	559,927.8	652,472.7
Total	<u>1,589,031.8</u>	<u>825,343.4</u>	<u>237,762.1</u>	<u>266,426.8</u>	<u>264,549.8</u>	<u>225,193.6</u>	<u>122,525.2</u>	<u>347,268.8</u>	<u>47,907.2</u>	<u>3,926,008.7</u>	<u>4,574,899.5</u>

(1) Includes Lebanese pounds and Japanese yen and the United Kingdom pound, Danish crown and Irish pound components of loans with value determined by certain fixed proportions of the currencies of the Member States.

SUPPLEMENTARY TABLES—(Continued)

SCHEDULE OF OUTSTANDING BORROWINGS OF THE
EUROPEAN INVESTMENT BANK

Year of Issue	Interest Rate	Dates of Repayment	Initial Amount (in currency of loan)	Amount Outstanding at December 31, 1975	
				(in currency of loan)	(in U.S. dollars)
U.S. Dollar					
1964	5½%	12-15-1970/84	\$ 25,000,000	\$ 14,998,000	\$ 14,998,000
1965	6%	9-15-1971/85	20,000,000	13,330,000	13,330,000
1966	6½%	5- 1-1967/76	25,000,000	8,750,000	8,750,000
1966	6½%	8- 1-1972/86	15,000,000	11,000,000	11,000,000
1967	6½%	2- 1-1973/82	25,000,000	21,250,000	21,250,000
1967	6½%	6- 1-1973/87	25,000,000	19,999,000	19,999,000
1967	6½%	9-15-1973/82	25,000,000	21,250,000	21,250,000
1968	6¾%	3- 1-1971/80	25,000,000	20,000,000	20,000,000
1969	7½%	11- 1-1972/84	25,000,000	23,000,000	23,000,000
1971	float	1-15-1976	7,500,000	7,500,000	7,500,000
1971	float	3- 1-1976	7,500,000	7,500,000	7,500,000
1971	8¼%	1- 1-1974/86	30,000,000	27,000,000	27,000,000
1971	8½%	5-15-1974/86	25,000,000	23,000,000	23,000,000
1971	7¾%	5-15-1978	25,000,000	25,000,000	25,000,000
1971	float	1- 7-1976	6,250,000	6,250,000	6,250,000
1971	float	8-15-1976	6,250,000	6,250,000	6,250,000
1971	float	10- 1-1976	6,250,000	6,250,000	6,250,000
1971	float	11-15-1976	6,250,000	6,250,000	6,250,000
1972	float	1- 1-1977	6,250,000	6,250,000	6,250,000
1972	float	2-15-1977	6,250,000	6,250,000	6,250,000
1972	float	4- 1-1977	6,250,000	6,250,000	6,250,000
1972	float	5-15-1977	6,250,000	6,250,000	6,250,000
1972	7½%	2-15-1977/90	50,000,000	50,000,000	50,000,000
1972	7¾%	7-15-1978/87	20,000,000	20,000,000	20,000,000
1972	float	8- 1-1977	5,000,000	5,000,000	5,000,000
1972	float	9-15-1977	5,000,000	5,000,000	5,000,000
1972	float	11- 1-1977	5,000,000	5,000,000	5,000,000
1972	float	12-15-1977	5,000,000	5,000,000	5,000,000
1972	7¼%	10-15-1973/87	50,000,000	47,000,000	47,000,000
1972	7%	12-15-1974/87	75,000,000	67,890,000	67,890,000
1973	7¼%	2-15-1974/87	75,000,000	71,000,000	71,000,000
1973	8%	10-15-1974/88	60,000,000	60,000,000	60,000,000
1973	8½%	12-15-1987	30,000,000	28,200,000	28,200,000
1974	8⅝%	3- 1-1984	20,000,000	20,000,000	20,000,000
1974	8¾%	4- 1-1980/84	50,000,000	50,000,000	50,000,000
1974	8¾%	4-15-1975/82	40,000,000	39,000,000	39,000,000
1974	float	5-15-1979	10,000,000	10,000,000	10,000,000
1974	float	6-15-1979	10,000,000	10,000,000	10,000,000
1974	float	7-15-1979	10,000,000	10,000,000	10,000,000
1974	float	8-15-1979	10,000,000	10,000,000	10,000,000
1974	float	9-15-1979	10,000,000	10,000,000	10,000,000
1974	9½%	5-30-1982	100,000,000	100,000,000	100,000,000
1974	9½%	5-30-1984	100,000,000	100,000,000	100,000,000
1974	9½%	6- 7-1980/84	100,000,000	100,000,000	100,000,000
1974	10%	9-16-1982/84	300,000,000	300,000,000	300,000,000
1974	10%	12- 5-1978/84	25,000,000	25,000,000	25,000,000
1974	10%	12-15-1982/84	50,000,000	50,000,000	50,000,000
1975	9½%	3-15-1975/85	60,000,000	60,000,000	60,000,000
1975	9%	9-15-1980	100,000,000	100,000,000	100,000,000
1975	float	10-15-1980	7,500,000	7,500,000	7,500,000
1975	float	12- 1-1980	7,500,000	7,500,000	7,500,000
1976	float	1-15-1981	7,500,000	7,500,000	7,500,000
1976	float	3- 1-1981	7,500,000	7,500,000	7,500,000
1975	9%	11- 1-1981	75,000,000	75,000,000	75,000,000
1975	9%	12- 1-1982	25,000,000	25,000,000	25,000,000
1975	9%	12-15-1976/82	50,000,000	50,000,000	50,000,000
1976	9%	1-15-1982	20,000,000	20,000,000	20,000,000
			\$1,930,000,000	\$1,851,667,000	\$1,851,667,000

SUPPLEMENTARY TABLES—(Continued)

SCHEDULE OF OUTSTANDING BORROWINGS OF THE
EUROPEAN INVESTMENT BANK—(Continued)

Year of Issue	Interest Rate	Dates of Repayment	Initial Amount (in currency of loan)	Amount Outstanding at December 31, 1975	
				(in currency of loan)	(in U.S. dollars)
German Mark					
1967	6½%	9-15-1977	D.M. 20,000,000	D.M. 20,000,000	\$ 7,631,622
1968	6½%	2-15-1971/80	100,000,000	50,000,000	19,079,055
1968	6½%	6- 1-1978	100,000,000	100,000,000	38,158,110
1968	6½%	7- 1-1974/83	50,000,000	40,000,000	15,263,244
1968	6¾%	7- 1-1974/83	50,000,000	40,000,000	15,263,244
1968	6¾%	12-20-1974/83	25,000,000	20,000,000	7,631,622
1968	6¾%	12- 2-1978	50,000,000	50,000,000	19,079,055
1968	6¾%	11-15-1973/84	25,000,000	19,000,000	7,250,041
1969	6 %	3- 1-1975/84	120,000,000	108,000,000	41,210,759
1968	6½%	6- 1-1975/84	100,000,000	90,000,000	34,342,300
1969	6¾%	6- 1-1975/84	25,000,000	22,500,000	8,585,575
1969	6¾%	6- 1-1975/84	25,000,000	22,500,000	8,585,575
1969	6½%	6- 1-1975/84	30,000,000	27,000,000	10,302,690
1969	6½%	6- 1-1975/84	20,000,000	18,000,000	6,868,460
1969	6½%	6- 1-1972/81	100,000,000	60,000,000	22,894,866
1969	7 %	11- 1-1975/84	100,000,000	90,000,000	34,342,300
1969	7 %	11-15-1975/84	50,000,000	45,000,000	17,171,150
1970	8 %	5- 2-1980	100,000,000	100,000,000	38,158,110
1971	7¾%	2- 1-1981	100,000,000	100,000,000	38,158,110
1971	7¾%	3- 1-1977/86	100,000,000	100,000,000	38,158,110
1971	7¾%	10- 1-1977/86	100,000,000	100,000,000	38,158,110
1972	6½%	3- 1-1978/87	100,000,000	100,000,000	38,158,110
1972	6 %	9- 1-1980/87	100,000,000	100,000,000	38,158,110
1973	6¾%	2- 1-1979/88	100,000,000	100,000,000	38,158,110
1973	7 %	3- 1-1983	50,000,000	50,000,000	19,079,055
1973	7½%	3- 1-1979/88	50,000,000	50,000,000	19,079,055
1973	7 %	7- 1-1979/88	150,000,000	150,000,000	57,237,165
1974	10 %	9- 1-1981	20,000,000	20,000,000	7,631,622
1974	9½%	2- 1-1981/85	100,000,000	100,000,000	38,158,110
1975	9½%	1- 1-1981/83	150,000,000	150,000,000	57,237,165
1975	9½%	2- 1-1981/85	100,000,000	100,000,000	38,158,110
1975	9½%	2-15-1985	50,000,000	50,000,000	19,079,055
1975	8 %	12- 1-1980	150,000,000	150,000,000	57,237,165
1975	8¾%	12-15-1979/85	100,000,000	100,000,000	38,158,110
	Total		D.M. 2,610,000,000	D.M. 2,442,000,000	\$ 931,821,050
French Franc					
1963	5 %	12-20-1968, 1973, 1978, 1983	F.F. 60,000,000	F.F. 7,198,400	\$ 1,606,984
1966	6¾%	7-15-1969, 1972, 1975, 1978, 1981	200,000,000	80,000,000	17,859,347
1967	6¾%	10- 5-1970, 1973, 1976, 1979, 1982, 1985	200,000,000	133,334,000	29,765,728
1970	8½%	10-15-1971/88	111,000,000	94,273,000	21,045,678
1971	7¾%	12-10-1972/81	100,000,000	84,000,000	18,752,315
1972	7¾%	1- 8-1977/87	175,000,000	175,000,000	39,067,322
1973	7¾%	5-15-1974/88	200,000,000	186,000,000	41,522,983
1975	9.10%	10-31-1980	200,000,000	200,000,000	44,648,369
1975	10.20%	11- 7-1981/85	150,000,000	150,000,000	33,489,276
	Redemption Premiums on Borrowings in French Francs		34,000,000	26,666,880	5,953,163
	Total		F.F. 1,430,000,000	F.F. 1,136,472,280	\$ 253,708,167

SUPPLEMENTARY TABLES—(Continued)

SCHEDULE OF OUTSTANDING BORROWINGS OF THE
EUROPEAN INVESTMENT BANK—(Continued)

Year of Issue	Interest Rate	Dates of Repayment	Initial Amount (in currency of loan)	Amount Outstanding at December 31, 1975	
				(in currency of loan)	(in U.S. dollars)
Italian Lira					
1962	5 %	2- 1-1977	Lit. 15,000,000,000	Lit. 15,000,000,000	\$ 21,910,102
1965	6 %	10- 1-1969/85	15,000,000,000	10,537,500,000	15,391,847
1966	6 %	7- 1-1970/86	15,000,000,000	11,300,000,000	16,505,610
1966	6 %	10- 1-1972/86	15,000,000,000	11,000,000,000	16,067,408
1967	6 %	12- 1-1971/87	15,000,000,000	12,000,000,000	17,528,081
1968	6 %	12- 1-1972/88	15,000,000,000	12,674,200,000	18,512,868
1971	7 %	6- 1-1975/86	20,000,000,000	19,000,000,000	27,752,796
1971	7 %	12- 1-1977/86	20,000,000,000	20,000,000,000	29,213,469
1972	7 %	3- 1-1978/87	20,000,000,000	20,000,000,000	29,213,469
1972	7 %	8- 1-1978/87	20,000,000,000	20,000,000,000	29,213,469
1973	7 %	2- 1-1979/88	25,000,000,000	25,000,000,000	36,516,836
1973	7 %	12- 1-1979/88	25,000,000,000	25,000,000,000	36,516,836
Redemption Premiums on Borrowings in Italian Lire			4,072,000,000	4,062,000,000	5,933,256
Total			Lit. 224,072,000,000	Lit. 205,573,700,000	\$300,276,047
Dutch Guilder					
1961	4½%	7-15-1967/81	Fl. 50,000,000	Fl. 19,850,000	\$ 7,387,202
1962	4¾%	12-15-1973/82	30,000,000	21,000,000	7,815,176
1964	5¾%	9-15-1975/84	30,000,000	27,000,000	10,048,084
1965	5¾%	5-15-1976/90	40,000,000	40,000,000	14,886,050
1968	6¾%	6-15-1979/88	40,000,000	40,000,000	14,886,050
1971	7¾%	3-15-1977/86	75,000,000	75,000,000	27,911,344
1972	7¾%	9- 1-1978/87	50,000,000	50,000,000	18,607,563
1972	6 %	9-15-1978/82	50,000,000	50,000,000	18,607,563
1973	7½%	3- 1-1979/88	100,000,000	100,000,000	37,215,125
1973	7½%	6-25-1979/88	100,000,000	100,000,000	37,215,125
1974	9½%	6- 1-1979	50,000,000	50,000,000	18,607,563
1975	9 %	3- 1-1982	75,000,000	75,000,000	27,911,344
1975	8¾%	5- 1-1981/90	75,000,000	75,000,000	27,911,344
1975	9 %	10-15-1976/90	75,000,000	75,000,000	27,911,344
Total			Fl. 840,000,000	Fl. 797,850,000	\$296,920,877
Belgian Franc					
1963	6 %	12-10-1969/87	B.Fr. 400,000,000	B.Fr. 300,800,000	\$ 7,609,893
1965	6½%	11- 2-1969/77	500,000,000	137,000,000	3,465,942
1966	7 %	12- 5-1972/78	500,000,000	380,000,000	9,613,561
1967	7 %	11- 2-1973/82	750,000,000	682,500,000	17,266,462
1968	6¾%	11-20-1974/82	750,000,000	675,000,000	17,076,721
1970	8½%	11- 3-1974/82	750,000,000	690,000,000	17,456,203
1971	7¾%	4-22-1975/83	1,000,000,000	960,000,000	24,286,892
1971	8 %	11-15-1977/86	500,000,000	500,000,000	12,649,423
1972	7½%	2- 1-1979/87	400,000,000	400,000,000	10,119,538
1972	6¾%	12- 7-1978/87	1,200,000,000	1,200,000,000	30,358,614
1973	7¾%	3- 1-1979/93	750,000,000	750,000,000	18,974,134
1973	7½%	4-30-1979/88	350,000,000	350,000,000	8,854,596
1973	7¾%	11- 7-1985	1,500,000,000	1,440,000,000	36,430,337
1975	8¾%	6-15-1976/85	1,500,000,000	1,500,000,000	37,948,268
Redemption Premiums on Borrowings in Belgian Francs			15,000,000	15,000,000	379,483
Total			B.Fr. 10,865,000,000	B.Fr. 9,980,300,000	\$252,490,667

SUPPLEMENTARY TABLES—(Continued)

SCHEDULE OF OUTSTANDING BORROWINGS OF THE
EUROPEAN INVESTMENT BANK—(Continued)

Year of Issue	Interest Rate	Dates of Repayment	Initial Amount (in currency of loan)	Amount Outstanding at December 31, 1975	
				(in currency of loan)	(in U.S. dollars)
Luxembourg Franc					
1971	7.90%	3-11-1978	L.Fr. 300,000,000	L.Fr. 300,000,000	\$ 7,589,654
1971	7.85%	3-22-1979	300,000,000	300,000,000	7,589,654
1971	7¾%	5-15-1977/81	300,000,000	300,000,000	7,589,654
1971	7%	10-15-1977/86	400,000,000	400,000,000	10,119,538
1972	7½%	2- 1-1979/82	400,000,000	400,000,000	10,119,538
1972	7%	9-15-1980	500,000,000	500,000,000	12,649,423
1972	6¾%	12-15-1978/87	400,000,000	400,000,000	10,119,538
1973	7%	2- 1-1979/88	800,000,000	800,000,000	20,239,076
1973	7%	6- 1-1979/88	800,000,000	800,000,000	20,239,076
1973	7%	8- 1-1979/88	500,000,000	500,000,000	12,649,423
1974	10%	11-15-1979/81	400,000,000	400,000,000	10,119,538
1975	8¾%	5-23-1976/85	500,000,000	500,000,000	12,649,423
Total			L.Fr. 5,600,000,000	L.Fr. 5,600,000,000	\$141,673,535
Swiss Franc					
1971	7½%	2- 5-1977	S.Fr. 100,000,000	S.Fr. 100,000,000	\$ 38,175,987
1971	6½%	10- 1-1982/86	80,000,000	80,000,000	30,540,789
1971	7%	11-15-1978	40,000,000	40,000,000	15,270,395
1972	6¾%	12-15-1977	50,000,000	50,000,000	19,087,993
1972	6½%	12-15-1979	50,000,000	50,000,000	19,087,993
1973	6¾%	6-18-1978	50,000,000	50,000,000	19,087,993
1973	6½%	6-18-1980	50,000,000	50,000,000	19,087,993
1973	6½%	10-15-1984/88	100,000,000	100,000,000	38,175,987
1974	7¾%	2-11-1979	20,000,000	20,000,000	7,635,198
1974	7½%	2-15-1980	20,000,000	20,000,000	7,635,198
1974	8%	2-15-1981	20,000,000	20,000,000	7,635,198
1974	9¾%	12-18-1979	50,000,000	50,000,000	19,087,993
1975	8½%	5-20-1982	50,000,000	50,000,000	19,087,993
1975	8%	9-11-1980/83	100,000,000	100,000,000	38,175,987
1975	7¾%	7-17-1979/90	80,000,000	80,000,000	30,540,789
1975	8%	10-24-1980/83	100,000,000	100,000,000	38,175,987
1975	7¾%	11-24-1980	50,000,000	50,000,000	19,087,993
1975	7½%	11-28-1980/82	50,000,000	50,000,000	19,087,993
Total			S.Fr. 1,060,000,000	S.Fr. 1,060,000,000	\$404,665,459
Other					
1973(1)	7½%	9-14-1974/85	£L. 50,000,000	£L. 46,750,000	\$ 19,159,858
1973(2)	8¾%	9-27-1974/88	£ 30,000,000	£ 29,167,000	34,392,712
1974(2)	8%	1-18-1975/89	£ 60,000,000	£ 58,000,000	68,391,582
1975(3)	8½%	3-31-1977	¥6,000,000,000	¥6,000,000,000	19,733,117
Total Outstanding Funded Debt.....					\$ 141,677,269
					\$4,574,899,469

(1) In Lebanese pounds.

(2) Loans with value determined by certain fixed proportions of the currencies of the Member States.

(3) In Japanese yen.

UNDERWRITING

The Underwriters named below have severally agreed to purchase from the EIB the following respective principal amounts of the Notes:

<u>Underwriter</u>	<u>Principal Amount</u>	<u>Underwriter</u>	<u>Principal Amount</u>
The First Boston Corporation.....	\$ 7,475,000	McDonald & Company	\$ 500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	7,475,000	Morgan Stanley & Co. Incorporated	2,400,000
Kuhn, Loeb & Co.	7,475,000	Moseley, Hallgarten & Estabrook Inc.	1,000,000
Lazard Frères & Co.	7,475,000	New Court Securities Corporation	1,000,000
ABD Securities Corporation	1,000,000	Paine, Webber, Jackson & Curtis Incorporated	1,900,000
A. E. Ames & Co. Incorporated	500,000	Piper, Jaffray & Hopwood Incorporated ..	500,000
Arnhold and S. Bleichroeder, Inc.	1,000,000	Wm. E. Pollock & Co., Inc.	1,000,000
Bache Halsey Stuart Inc.	1,900,000	Prescott, Ball & Turben	500,000
Robert W. Baird & Co. Incorporated	500,000	R. W. Pressprich & Co. Incorporated	1,000,000
Banca Commerciale Italiana	1,000,000	Rauscher Pierce Securities Corporation ...	500,000
Banque Générale du Luxembourg S. A. ...	1,000,000	Reynolds Securities Inc.	1,900,000
Banque Internationale à Luxembourg S. A.	1,000,000	The Robinson-Humphrey Company, Inc. ..	500,000
Basle Securities Corporation	1,000,000	Rotau Mosle Inc.	500,000
William Blair & Company	500,000	Salomon Brothers	2,400,000
Blunt Ellis & Simmons Incorporated	500,000	Shields Model Roland Securities Incorporated	1,000,000
Blyth Eastman Dillon & Co. Incorporated..	1,900,000	Shuman, Agnew & Co., Inc.	500,000
Alex. Brown & Sons	1,000,000	Smith Barney, Harris Upham & Co. Incorporated	1,900,000
Butcher & Singer	500,000	SoGen-Swiss International Corporation ...	1,000,000
Crédit Commercial de France	1,000,000	Stuart Brothers	500,000
Crowell, Weedon & Co.	500,000	Suez American Corporation	500,000
Dain, Kalman & Quail, Incorporated	500,000	Thomson & McKinnon Auchincloss Kohlmeier Inc.	1,000,000
Dillon, Read & Co. Inc.	1,900,000	Spencer Trask & Co. Incorporated	1,000,000
Drexel Burnham & Co. Incorporated	1,900,000	Tucker, Anthony & R. L. Day, Inc.	1,000,000
A. G. Edwards & Sons, Inc.	500,000	UBS-DB Corporation	1,000,000
EuroPartners Securities Corporation	1,000,000	Warburg Paribas Becker Inc.	1,900,000
Goldman, Sachs & Co.	2,400,000	Weeden & Co. Incorporated	1,000,000
Hornblower & Weeks-Hemphill, Noyes Incorporated	1,900,000	Wertlein & Co., Inc.	1,900,000
E. F. Hutton & Company Inc.	1,900,000	Wheat, First Securities, Inc.	500,000
Kidder, Peabody & Co. Incorporated	1,900,000	White, Weld & Co. Incorporated	1,900,000
Kreditbank S. A. Luxembourgeoise	1,000,000	Dean Witter & Co. Incorporated	1,900,000
Legg Mason/Wood Walker Div. of First Regional Securities, Inc. ..	500,000	Wood Gundy Incorporated	500,000
Lehman Brothers Incorporated	1,900,000	Wood, Struthers & Winthrop Inc.	1,000,000
Loeb, Rhoades & Co.	1,900,000		
Loewi & Co. Incorporated	500,000	Total	<u>\$100,000,000</u>

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, and that the Underwriters will be obligated to purchase all of the Notes if any are purchased.

The EIB has been advised by The First Boston Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Kuhn, Loeb & Co. and Lazard Frères & Co., as Representatives of the Underwriters, that the Underwriters propose to offer the Notes to the public initially at the offering price set forth on the cover page of this Prospectus and, through the Representatives, to certain dealers at such price less a concession of 0.50% of the principal amount of the Notes; that the Underwriters and such dealers may allow a discount of 0.30% of such principal amount on sales to other dealers; and that the public offering price and concession and discount to dealers may be changed by the Representatives. Dealers outside the United States may include non-U.S. institutional investors who are entitled to receive a discount in their respective countries.

LEGAL OPINIONS

The legality of the Notes will be passed upon for the EIB by Mr. J. Nicolaas van den Houten, Manager of the Legal Department of the EIB, and by Messrs. Cravath, Swaine & Moore, special counsel for the EIB, and for the Underwriters by Messrs. Sullivan & Cromwell. All statements in the Prospectus with respect to the Treaty of Rome, the Statute and the laws of the Member States have been passed upon by Mr. van den Houten and are included upon his authority. In rendering their opinions, Messrs. Cravath, Swaine & Moore and Messrs. Sullivan & Cromwell will rely as to matters of European law upon the opinion of Mr. van den Houten.

EXPERTS

The financial statements included in this Prospectus have been so included in reliance on the report of Price Waterhouse & Co., independent accountants, and on their authority as experts in auditing and accounting.

AUTHORIZED AGENT IN THE UNITED STATES

The Authorized Agent of the EIB in the United States is:

FERNAND SPAAK
2100 M Street, N.W.
Washington, D.C. 20037

The information set forth herein, except the information appearing under the heading "Underwriting", is stated on the authority of the President of the EIB, in his duly authorized official capacity as President.

EUROPEAN INVESTMENT BANK

by Yves Le Portz
President



No dealer, salesman or other person has been authorized to give any information or to make any representations not contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the EIB or by any Underwriter. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the securities offered hereby in any state or other jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such state or jurisdiction. The delivery of this Prospectus does not imply that the information herein is correct as of any time subsequent to its date.



European Investment Bank

\$100,000,000

8⁵/₈% Notes Due April 1, 1984

PROSPECTUS

The First Boston Corporation
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Kuhn, Loeb & Co.
Lazard Frères & Co.

Dated March 25, 1976

European Investment Bank Operations
under the Lomé Convention

European
Investment Bank



Deutsche Europäische Investitionsbank
Europäische Investitionsbank
European Investment Bank
Banque Européenne d'Investissement
Banca Europea per gli Investimenti
Europäische Investitionsbank

European
Investment Bank

European Investment Bank Operations
under the Lomé Convention

The Banking Institution of the European Community

The European Investment Bank (EIB) was created under the Treaty of Rome, which came into force on 1 January 1958 establishing the European Economic Community. The Bank is an independent public institution within the Community and operates on a non-profit-making basis. Its capital, standing at about 3 500 million units of account (u.a.)⁽¹⁾ is subscribed by the nine Member States of the Community. The Bank borrows most of the funds required to carry out its operations on the capital markets.

The EIB's basic activity is to make loans to enterprises, public authorities and financial institutions within the Community for financing projects which favour the development of less advanced regions and conversion areas, or which serve the interests of the Community as a whole.

The Bank's activities were initially confined to the territory of the Member States. Between 1958 and 1974, 432 financing operations involving some 4 000 million u.a. were mounted in support of projects located in, or directly benefitting, the Community.

However, the EIB's activities have gradually been extended and diversified under the Association Agreements with Greece and Turkey and the two Yaounde Conventions signed between the EEC and the Associated African States, Madagascar and Mauritius (AASMM).

⁽¹⁾This unit of account has the same value as that adopted for the Lome Convention; its equivalent in the various national currencies is determined daily. At 1 July 1975, it was equivalent to US \$1.28.

The Bank's activities in these countries have not been confined solely to making loans from its own resources; it also arranges and manages special operations, under mandate from the Member States or the Community, financed from the resources of Member States, as in the case of Turkey, or from the European Development Fund (EDF), as in the AASMM (1).

Operations outside the Community began in 1963 and totalled 652.6 million u.a. by the end of 1974.

* * *

The purpose of this brochure is to explain the exact nature of the European Investment Bank's operations in the African, Caribbean and Pacific (ACP) countries (see list appended) over the period 1976-80 under the Lomé Convention.

More detailed information on the Bank's general activities can be obtained from the Head Office of the

European Investment Bank
2, Place de Metz - Boîte Postale 2005
Luxembourg
Tel. 43 50 11 - Telex 3530 bankeu lu

or from its

Representative Office in Brussels
Rue Royale 60 - Bte 1
B - 1000 Brussels
Tel. 513 40 00 - Telex 21 721 bankeu b

(1) See annexes for details of operations under the two Yaounde Conventions (loans from the Bank's own resources; loans on special conditions and contributions to the formation of risk capital from the resources of the EDF)

A. Details of European Investment Bank (EIB) financing under the Lomé Convention

The Lomé Convention, signed on 28 February 1975 between the European Economic Community and 46 African, Caribbean and Pacific (ACP) countries considerably extends the Bank's activities outside the Community.

Financial aid to be provided by the Community is as follows:

— Aid from Member States to be drawn from EDF resources	
Grants	2 100 m u.a.
Special loans	430 m u.a.
Risk capital	95 m u.a.
Transfers for the stabilisation of export earnings under Title II of the Convention	375 m u.a.
— Loans from the EIB's own resources	390 m u.a.
	<hr/>
Total:	3 390 m u.a.

Of the total of 3 390 million u.a., the Bank will be responsible for making available 585 million u.a., as follows:

- (i) 390 million u.a. in the form of loans from its own resources, normally attracting interest subsidies for which 100 million u.a. has been set aside from the EDF grant allocation.
- (ii) 95 million u.a. in the form of contributions to the formation of risk capital, also to be provided from EDF resources.

In line with the division of responsibilities between the Commission of the European Communities and the Bank, productive projects in the industrial, mining and tourism sectors should be submitted to the Bank for appraisal. Such projects will be given priority financing by means of loans and risk capital provided by the Bank. However, this does not exclude the Bank from making loans from its own resources for viable infrastructure projects where this is warranted by the stage of development and economic and financial position of the countries concerned.

Bank representatives will participate with the Commission in programming missions sent by the Community to ACP countries to prepare indicative aid programmes, which will then be agreed by the competent Community authorities and the ACP countries.

B. Financing facilities: scope and conditions

I. Loans from the resources of the European Investment Bank

The European Investment Bank assesses the eligibility of projects and makes loans from its own resources in accordance with the provisions of its Statute; these are much the same as those applicable to other international long-term credit institutions.

In view of the numerous types of Community financing facilities provided for under the Lomé Convention and the scale of aid available on very favourable conditions, loans from the Bank will, in accordance with its Statute, be granted exclusively for projects offering a satisfactory and assured rate of return. The project's operating results or the resources directly generated by it must normally be such as to cover loan repayments and interest due. The EIB will, in each case, take account of the economic and financial position of the ACP country concerned and any factor guaranteeing servicing of the loan.

Loans by the Bank for specific projects may be made available either directly to a private, public or semi-public enterprise, or to a government or public authority. Finance can also be provided through the medium of development banks or other development financing bodies.

Interest rates

The Bank's lending rate is based on three criteria: trends in the cost of its borrowing on the capital markets inside and outside the Community, the fact that it is a non-profit-making institution and the need to cover its expenses and to build up sufficient reserves and provisions. According to its basic function, the Bank seeks to offer its borrowers the most favourable conditions which these constraints will allow. Its rate of interest is close to the average rate charged on its borrowings and is independent of the type of project financed, the status of the borrower and the country concerned. The rate applicable to each loan is that in force on the date of signature of the contract and is not subject to revision. At 1 October 1975, the rate of interest stood at 9 ½ % per annum; it changed frequently over the previous two years in line with capital market trends.

Interest subsidies

The Lomé Convention provides for an exception to the above rule in the case of ACP countries in that the interest rate charged by the Bank will normally be reduced by 3 % through an interest subsidy provided from the 100 million u.a. set aside for this purpose from the EDF.

It is also laid down in the Lomé Convention that the effective rate of interest borne by the borrower will be neither less than 5 % nor more than 8 %. The interest subsidy will, if necessary, be adjusted accordingly, following any major changes in the Bank's lending rate.

There is no provision for interest subsidies in the case of loans for projects in the petroleum sector, regardless of location, or for projects in the mining sector unless such projects are located in one of the least developed countries cited in Article 48 of the Convention (see list appended). Further exceptions may be decided subsequently by the Council of Ministers established under the Convention.

Term

The term of EIB loans depends upon the nature of the project concerned and, in particular, the normal depreciation period for the plant and equipment financed. For industrial projects, the term is generally between 7 and 12 years; it may be as much as 20 years in the case of infrastructure projects. Repayment of principal can be deferred, at least until the end of the construction period.

Security

Like any lender whose resources consist of funds borrowed on the capital markets, the Bank must have appropriate security for its loans in order to maintain its

own credit standing and to obtain the most favourable conditions possible for its borrowings. The country in which the project is located may be required to stand guarantor, although other guarantees (from banks or foreign promoters) may be deemed acceptable.

Currency

EIB finance contracts are drawn up in units of account. Loans are generally disbursed in several currencies which the Bank selects in the light of its own holdings, after consulting the borrowers as to which of these currencies they would prefer to receive. Currencies disbursed are those of the EEC Member States as well as other currencies used in international transactions.

Each loan repayment and payment of interest must be made in the same currencies and in the same proportions as the original disbursement.

Utilisation of loans

Loans granted by the Bank may be used for payments in any country, including local expenditure. The Bank requires that tenders for orders, supply contracts and work financed by its loans be invited on an international basis, covering at least EEC Member States and the ACP countries.

Financial scope

EIB loans cover only part of the cost of the project, supplementing the borrower's own funds and credits from other sources. The Bank rarely lends more than 40% of the cost of the fixed assets. The amount of the loan is based on the total fixed cost of the project and not solely on the cost of materials imported for the project. Although there are no strict legal limits the Bank very rarely makes loans of less than 500 000 u.a. or of more than 15 million u.a.

The Bank keeps in constant touch with the Commission of the European Communities concerning all operations financed from the EDF. Where co-financing is called for, the Bank collaborates with financial institutions in the Member States of the European Community, in the ACP and other countries, as well as with international development aid organisations.

II. Risk capital assistance from EDF resources (1)

In order to foster co-operation between the Community and the ACP countries and to promote bank operations in the industrial, mining and tourism sectors where its main responsibility lies, the Bank was given the task, under the Lomé Convention, of acting on behalf of the Community, and at the Community's risk, in providing a relatively new type of financial aid, known as risk capital assistance, particularly suited to financing projects in these sectors.

(1) In contrast to the procedure adopted under the two Yaoundé Conventions, special loans from EDF resources provided for under the Lomé Convention will be approved and approved exclusively by the Commission. The Bank's role in regards this type of aid will be to act on the Community's behalf in ensuring recovery of funds.

This assistance can be used either as a direct contribution towards increasing the equity capital of an enterprise or to provide quasi-capital assistance for financing its investment programme.

A shareholding may be acquired in the capital of an enterprise in the sectors concerned with a view to increasing its equity base and establishing a more balanced financing plan for the project. Funds may be provided in one of two forms:

- (i) Acting on behalf of the Community, the Bank may acquire a minority holding in the capital of an enterprise; operations of this kind will generally be mounted along with a loan from the Bank and the holding will be transferred, preferably to nationals or institutions of the ACP country concerned, as soon as this is deemed appropriate;
- (ii) quasi-capital assistance may be granted to an ACP country or to a national development financing institution to enable it to acquire a stake in the capital of an enterprise in one of the sectors concerned, provided that the operation relates to new productive investments and is supplemented by a further Community financing operation provided for under the Lomé Convention.

Apart from contributing to the share capital of an enterprise, risk capital may also be granted in the form of quasi capital assistance for financing investment. It may take the form of:

- (i) subordinated loans which are repayable only after priority loans have been paid off;
- (ii) conditional loans which are repayable only after fulfilment of certain conditions, indicating that the project has overcome its teething troubles or has achieved a certain level of profitability.

Quasi-capital assistance may also be granted for financing specific preinvestment studies or as aid to enterprises during the start-up period of a project. Where such assistance is granted to a firm of consultants, the amount will normally be included in the capital or quasi-capital assistance extended to the promoter in support of the project, if implemented.

C. Community aid planning and submission of financing applications to the Bank

The Lomé Convention provides that following a programming mission sent to each ACP country to study the targets and priorities proposed by the country concerned, an indicative programme will be drawn up by mutual agreement between the competent Community authorities and the individual ACP country. This aid programme may be revised during the lifetime of the Convention to take account of any changes in the economic position of the various ACP countries concerned and any amendments to their original priorities.

Each project included, or eligible to be included, in the indicative programme may be submitted to the Community by the ACP countries themselves or, with their agreement, by individual applicants.

Preliminary contacts regarding all projects in the industrial, tourism and mining sectors should be made with the European Investment Bank.

The Bank should be kept informed, as far as possible from the beginning, of all preparatory work on the project file. It will then be able to discuss with potential borrowers the types of financing which would appear, a

priori, most suited to the project in question and advise on preliminary action and studies necessary to accelerate commencement of the appraisal procedure.

The final choice as to the type of financing for a particular project can be made only at a later stage of appraisal.

Files on projects eligible for a loan, whether subsidised or not, from the European Investment Bank, or for finance in the form of risk capital, should be addressed to:

European Investment Bank
Department for Operations outside the Community
2, Place de Metz - Boîte postale 2005
Luxembourg
Grand Duchy of Luxembourg

D. Project appraisals and decisions on financing

TECHNICAL ANNEX

Details to be submitted to the European Investment Bank

The European Investment Bank works on the basis of its Statute, the Lomé Convention and related agreements when appraising and making financing decisions on projects which appear eligible for either ordinary loans from its own resources, whether subsidised or not, or for finance in the form of risk capital.

Under the Community aid planning arrangements, the Bank seeks the favourable opinion of the competent authorities in the ACP country concerned. In accordance with its Statute, it must also obtain the opinion of the Commission of the European Communities and of a Committee consisting of representatives of Member States' Governments together with a representative of the Commission.

The Commission is responsible for appraising and deciding whether and how to finance projects eligible for other forms of aid provided from EDF resources (grants and special loans) after an opinion has been delivered by a Committee consisting of representatives of Member States' Governments together with a representative of the Bank.

The layout and contents of documents in the project file submitted to the Bank are the responsibility of the borrower who may, if necessary, seek outside help with their preparation.

The range and diversity of potential projects make it difficult to impose any strict standardisation as regards documents to be submitted to the Bank. Consequently, the Bank does not require its borrowers to complete set forms or questionnaires, but allows them to use their own initiative in compiling as detailed information as possible to permit the technical, economic, financial and legal appraisal of the project.

The following list of details to be submitted to the Bank is therefore meant merely as a guide; during appraisal of a project, the Bank keeps in close touch with the ACP country, enterprise or administrative body concerned in order to obtain any additional information necessary and to discuss the main problems likely to arise before and after commissioning of the project.

For industrial, mining or tourism projects, the documentation must cover the following main points:

1. General and legal information about the enterprise, its principal partners or promoters

- The enterprise: memorandum and articles of association, shareholders, tax regime, certificate of incorporation, concessions, activities, accounting and administrative structure, balance sheets, trading accounts, profit and loss accounts, movement of funds

statement for the last three financial years, details of short, medium and long-term liabilities.

- Principal partners and promoters: articles of association, shareholders, activities, references, balance sheets and profit and loss accounts for the last three financial years.

2. Technical data

- General: purpose, location, factors of production, rated and forecast production capacities.
- Technical description: technology, site and site development, buildings, production and storage plant, general services, conveyance systems and equipment, measures to protect the environment.
- Study and implementation: organisation, consultants (if any), procedures for awarding orders and contracts, supervision, works schedule.
- Detailed estimate of investments, itemising site and plant expenditure, provision for contingencies and price rises, interest on capital during construction, initial and start-up expenses, together with a cost breakdown in foreign and local currencies.
- Operation: raw materials and products, flowcharts, consumption and output levels, managerial staff and workers, management organisation, technical assistance where applicable.

3. Economic data

- Market: statistics showing present and forecast trends in supply, demand and prices.
- Production outlets: sales policy and organisation, position of company in relation to main competitors, domestic and export sales.
Jobs created: permanent and seasonal jobs, numbers of expatriates, and nationals, professional training, projected replacement of staff (if any).
- Part played by the project in the development programme of the country concerned.
- Data used for calculating the economic rate of return of the project and assessing its contribution to the economic development of the country concerned, its impact on the balance of payments and public finance.

4. Financial data

- Breakdown of operating costs, depreciation and overheads.
- Projected trading accounts until the project comes fully on stream (with previous trading accounts, if any).
- Estimate of working capital needed and changing requirements over the same period: stocks of raw materials, finished products, credits to customers, suppliers' credits.
- Projected balance sheets and financial statements for the same period (with previous balance sheets, if any).
- Financing plan for the project and schedule of projected expenditure.
- Security offered.
- Policy concerning return on the capital of the enterprise.

* * *

For infrastructure or energy projects, the information to be supplied must be tailored to the precise nature of the enterprise and the project. Additional details must be given on what needs the project is fulfilling, its implementation, potential use, pricing principles and methods, and the social costs and benefits to the community.

* * *

For all applications, it is also helpful if project files include mention of the names and addresses of those responsible for preparing the technical, economic, legal and financial aspects of the project.

Copies of this publication are available
in Danish, German, English, French, Italian and Dutch

from

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

or from the Bank's other offices:

Representative Office in Brussels
Rue Royale 60 - Bte 1
B-1000 Brussels
Tel. 513 40 00 - Telex 217 21 bankeu b

Office for Operations in Italy
Via Sardegna, 38
I-00187 Rome
Tel. 48 36 51 - Telex 621 30 bankeuro

Country	Sector	Industrial projects				Agriculture	Infra-structure	Total		
		Energy	Agricultural and foodstuffs industry	Textile industry	Other industries			Total	of which industrial projects	% of total
Benin			3 28 (1)					3 28 (1)	3 28 (1)	3.1
Ivory Coast			5 32 (2)			9.32 (2)	18 97 (4)	33 61 (8)	5.32 (2)	32.1
Cameroon			15 33 (2)		3 04 (2)		5 00 (1)	23 37 (5)	18.37 (4)	22.4
Congo							3 06 (2)	3 06 (2)	—	2.9
Gabon							3 26 (2)	3 26 (2)	—	3.1
Upper-Volta			5 04 (1)					5 04 (1)	5 04 (1)	4.8
Madagascar			1 86 (1)					1 86 (1)	1 86 (1)	1.8
Mauritania							2 75 (1)	2 75 (1)	—	2.6
Senegal				0 97 (1)				0 97 (1)	0 97 (1)	0.9
Chad				1 22 (1)				1 22 (1)	1 22 (1)	1.2
Zaire		9 00 (1)					5 80 (1)	14 80 (2)	9 00 (1)	14.2
TOTAL AASMM		9 00 (1)	30 83 (7)	2 19 (2)	3 04 (2)	9 32 (2)	38 84 (11)	93 22 (25)	45 06 (12)	89.1
as %		9.7%	33.1%	2.3%	3.3%	100%	41.6%	100.0%	48.6%	
Netherlands Antilles							4 38 (1)	4 38 (1)	—	4.2
New Caledonia							1 00 (1)	1 00 (1)	—	1.0
Surinam							1 86 (1)	1 86 (1)	—	1.8
Guadeloupe							0 72 (1)	0 72 (1)	—	0.7
Martinique							0 63 (1)	0 63 (1)	—	0.6
Reunion						0 67 (1)	2 12 (1)	2 79 (2)	—	2.6
GRAND TOTAL		9 00 (1)	30 83 (7)	2 19 (2)	3 04 (2)	9 99 (3)	49 55 (17)	104 60 (32)	45 06 (12)	100.0%
as %		8.6%	29.5%	2.1%	2.9%	9.5%	47.4%	100.0%	43.1%	

Table 2

(*) Under its Special Section.

List of ACP Countries signatories to the Lomé Convention with the European Economic Community (31.12.1975)

Africa	Caribbean	Pacific
Benin*	the Bahamas	Fiji
Botswana*	Barbados	Tonga*
Burundi*	Grenada	Western
Cameroon	Guyana	Samoa*
Central African Rep.*	Jamaica	
Chad*	Trinidad and	
Congo	Tobago	
Equatorial Guinea		
Ethiopia*		
Gabon		
the Gambia*		
Ghana		
Guinea*		
Guinea Bissau*		
Ivory Coast		
Kenya		
Lesotho*		
Liberia		
Madagascar		
Malawi*		
Mal*		
Mauritania*		
Mauritius		
Niger*		
Nigeria		
Rwanda*		
Senegal		
Sierra Leone		
Somalia*		
Sudan*		
Swaziland*		
Tanzania*		
Togo*		
Uganda*		
Upper Volta*		
Zaire		
Zambia		

* The least developed ACP Countries as listed in Article 39 of the Convention.

Contributions to the formation of risk capital granted
under the Yaoundé II Convention by the EIB on behalf of the Community
from the resources of the European Development Fund
(Position as at 31.12.1975)

Country	Sector	Project	Amount (m.u.a.)
Cameroon	Agricultural and foodstuffs ind.	Extension of sugar refinery and sugar-cane plantations at Mbandjock (L. JSUCAM)	0.541
Ivory Coast	Textile ind.	Construction of first stage of a spinning and weaving mill at Abimbokro (UTEXI)	0.991
Senegal	Infrastructure	Feasibility study for the construction of a projected repair-yard for large-tonnage ships at Dakar (DAKARMARINE)	0.972 (1)
TOTAL			2.504

Table 3

(1) Of which 0.108 m.u.a. in the form of an equity participation and 0.864 m.u.a. quasi-capital assistance.

Ordinary loans from the EIB's own resources made within the AASMM and OCT(*)
under the Yaoundé I and Yaounde II Conventions
(Position as at 31.12.1975)
Amount in m.u.a. — Number of loans in brackets

Country	Sector	Industrial projects						Tourism	Infra-structure	Total		
		Energy	Mining and quarrying	Agricultural and foodstuffs industry	Metal-lurgy	Fer-tilizers	Textile industry			Other ind.	Grand total	Of which industrial projects
Ivory Coast				11.64(4)			9.90(2)		29.64(4)	51.18(10)	21.54(6)	37.9
Cameroon		7.55(2)		3.82(2)	1.22(1)		4.03(3)	0.65(1)		17.27(9)	17.27(9)	12.8
Congo			9.00(1)							9.00(1)	9.00(1)	6.6
Gabon				0.51(1)			0.40(1)	1.19(1)	2.33(1)	4.43(4)	0.91(2)	3.3
Upper Volta				0.45(1)						0.45(1)	0.45(1)	0.3
Mauritius		1.75(1)								1.75(1)	1.75(1)	1.3
Mauritania			11.00(1)							11.00(1)	11.00(1)	8.1
Senegal						2.43(1)		1.44(1)		3.87(2)	2.43(1)	2.9
Zaire			32.60(2)				1.60(1)			34.20(3)	34.20(3)	25.3
TOTAL AASMM		9.30(3)	52.60(4)	16.42(8)	1.22(1)	2.43(1)	15.93(7)	0.65(1)	2.63(2)	31.97(5)	133.15(32)	98.5
as %		7.0%	39.5%	12.3%	0.9%	1.8%	12.0%	0.5%	2.0%	24.0%	100%	74%
New Caledonia			2.03(1)							2.03(1)	2.03(1)	1.5
GRAND TOTAL		9.30(3)	54.63(5)	16.42(8)	1.22(1)	2.43(1)	15.93(7)	0.65(1)	2.63(2)	31.97(5)	135.18(33)	100.0
as %		6.9%	40.4%	12.1%	0.9%	1.8%	11.8%	0.5%	2.0%	23.6%	100%	74.4%

Table 1

(*) Parallel with the Conventions of Association with the AASMM, similar financial aid has been provided to the dependent Overseas Countries and Territories (OCT) of France and the Netherlands.

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EUROPEAN
INVESTMENT BANK

annual report

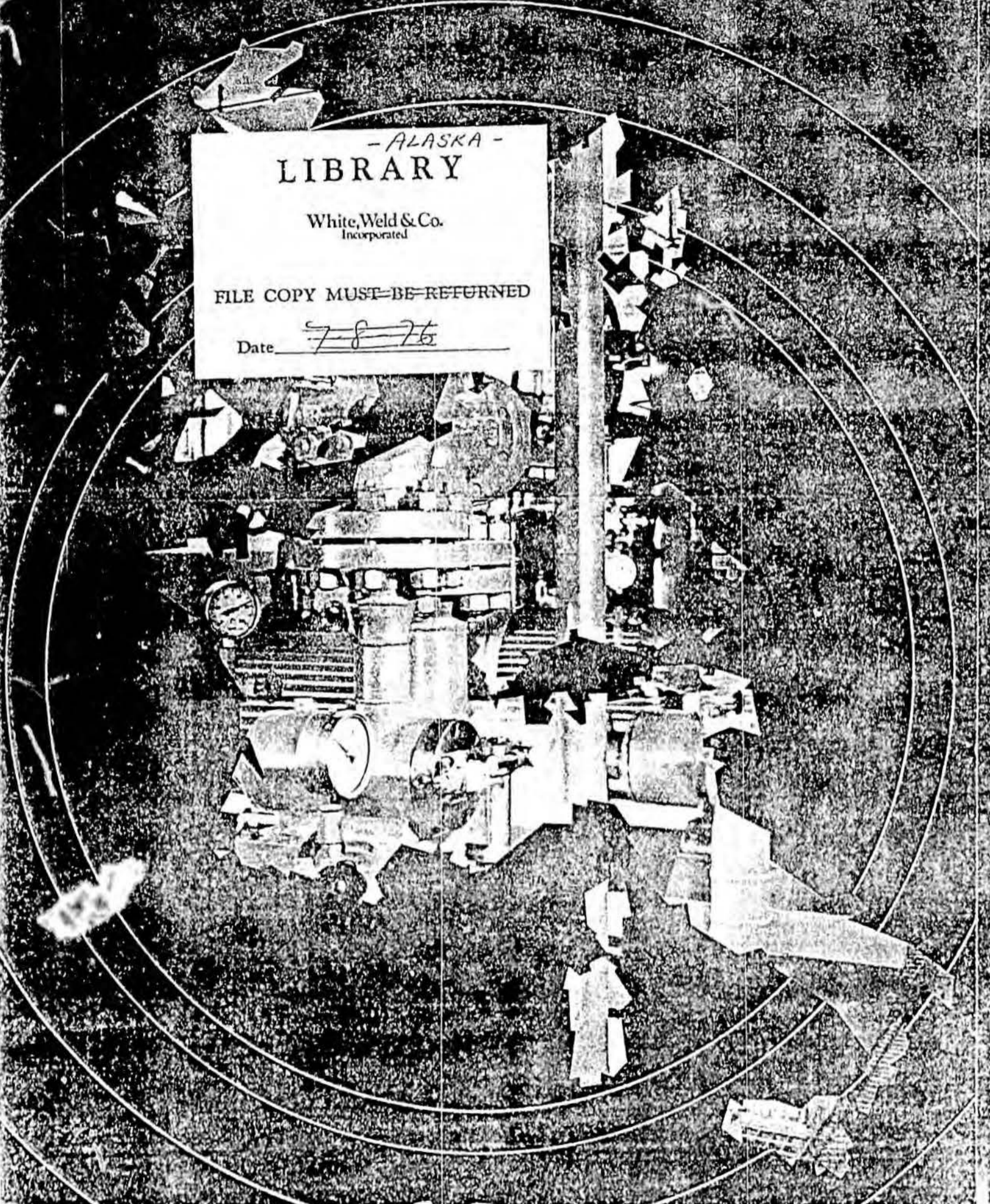
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European
Investment
Bank

annual report
1975



2, place de Metz
Luxembourg

Text finalised 6 April 1976.

The Annual Report is also published in Danish, Dutch, French, German and Italian.

Board of Governors

Chairman	Denis HEALEY, Chancellor of the Exchequer (United Kingdom)	
BELGIUM	Willy DE CLERCQ, Minister of Finance	
DENMARK	Anders ANDERSEN, Minister of Finance Knud HEINESSEN, Minister of Finance	<i>until February 1975</i> <i>from February 1975</i>
GERMANY	Hans APEL, Minister of Finance	
FRANCE	Jean-Pierre FOURCADE, Minister for Economic Affairs and Finance	
IRELAND	Richie RYAN, Minister for Finance	
ITALY	Emilio COLOMBO, Minister of the Treasury	
LUXEMBOURG	Raymond VOUEL, Deputy Prime Minister, Minister of Finance	
NETHERLANDS	Willem F. DUISENBERG, Minister of Finance	
UNITED KINGDOM	Denis HEALEY, Chancellor of the Exchequer	

Audit Committee

Chairman	Jørgen BREDSORFF, Auditor-General, Audit Department, Copenhagen	
Members	Emile RAUS, President of the Council of State, Honorary Director-General of Posts and Telecommunications, Luxembourg	
	Roger LÉONARD, Honorary First President of the Cour des Comptes, Paris	<i>until June 1975</i>
	Michael JACOB, Secretary and Director of Audit, Office of the Comptroller and Auditor-General, Dublin	<i>from June 1975</i>

Board of Directors

Chairman

Yves LE PORTZ

Vice-Chairmen

Sjoerd BOOMSTRA

Luca ROSANIA

Horst-Otto STEFFE

Sir Raymond BELL

Directors

Alfred BECKER	Member of the Management Committee, Kreditanstalt für Wiederaufbau, Frankfurt
Giorgio CAPPON	President, Istituto Mobiliare Italiano, Rome
André de LATTRE	President, Crédit National, Paris
Raymond DENUCE	Honorary Managing Director, Crédit Communal de Belgique, Brussels;
Christopher FOGARTY	Deputy Secretary (Overseas Finance A), H.M. Treasury, London <i>until January 1976</i>
Salvatore GUIDOTTI	Executive Director and Managing Director, Società Meridionale Finanziaria, Naples
Pierre GUILL	Managing Director, Caisse d'Epargne de l'Etat, Luxembourg
Jean-Yves HABERER	Head of the International Affairs Department, Directorate of the Treasury, Ministry of Economic Affairs and Finance, Paris
Erik HOFFMEYER	Chairman of the Board of Governors, National Bank of Denmark, Copenhagen
Norman JORDAN-MOSS	Deputy Secretary (Overseas Finance A), H.M. Treasury, London <i>from January 1976</i>
Anthony IJ. A. LOOIJEN	Director of External Financial Relations, Ministry of Finance, The Hague
Gastone MICONI	Director-General of the Treasury, Ministry of the Treasury, Rome <i>until October 1975</i>
Ugo MOSCA	Director-General of Economic and Financial Affairs, Commission of the European Communities, Brussels
Alfred MÜLLER-ARMACK	Former State Secretary, Cologne;
Sean F. MURRAY	Former Assistant Secretary, Department of Finance, Dublin
Maurice PÉROUSE	Director-General, Caisse des Dépôts et Consignations, Paris
Raymond PROSSER	Deputy Secretary, Department of Industry, London
Rupert RAW	Former Adviser to the Governor of the Bank of England, Chairman of the Italian International Bank Ltd., Director of the Banque Belge Ltd., London
Ferdinando VENTRIGLIA	Director-General of the Treasury, Ministry of the Treasury, Rome <i>from October 1975</i>
Hans-Herbert WEBER	Director, Federal Ministry of Finance, Bonn

Alternates

Roger BARNES	Assistant Chief Cashier, Bank of England, London <i>from July 1975</i>
Michel CAMDESSUS	Deputy Director (Financial Activities Department), Directorate of the Treasury, Ministry of Economic Affairs and Finance, Paris
Maurits ESSELLNS	Director-General (Treasury), Ministry of Finance, Brussels
Lionello FRONZONI	Manager, Banca d'Italia, Perugia
J. Geoffrey LITTLER	Under-Secretary Finance (International Monetary), H.M. Treasury, London
Rudolf MORAWITZ	Divisional Head, Federal Ministry of Economy, Bonn
Waldemar MÜLLER-ENDERS	Divisional Head, Federal Ministry of Finance, Bonn
John Edward NASH	Director, Directorate-General for Economic and Financial Affairs, Commission of the European Communities, Brussels
David NENDICK	Assistant Chief Cashier, Bank of England, London <i>until July 1975</i>
Yves ROLAND-BILLECART	Assistant General Manager, Caisse Centrale de Coopération Economique, Paris
Savino SPINOSI	Inspector General, IRFE, Ministry of the Treasury, Rome

Management Committee

Yves LE PORTZ, President
 Sjoerd BOOMSTRA, Vice-President
 Luca ROSANIA, Vice-President
 Horst-Otto STEFFE, Vice-President
 Sir Raymond BELL, Vice-President

Departments

General Administration Department
 Henri LENAERT, Secretary-General,
 Manager

Staff and Administration
 Secretariat
 Information
 Representative Office in Brussels

Hans HITZLBERGER, Deputy Manager
 Michel LAUCHE, Adviser
 Karl Georg SCHMIDT, Adviser
 Manfred TEICHERT, Adviser

**Department for Operations
 in the Community**
 Romeo dalla CHIESA, Manager

Operations in Italy, Rome
 Operations in the other Member Countries :
 Energy and heavy industry
 Operations in the other Member Countries :
 Other infrastructure and
 manufacturing industries
 Monitoring

Giorgio RATTI, Principal Adviser
 Helmuth CRAMER, Deputy Manager
 Luciano ROTONDI, Adviser
 Dennis KIRBY, Deputy Manager
 Gérard J'ERM, Adviser
 Thomas HALBE, Adviser
 Manfred THOMSEN, Adviser
 Marc de BUYER, Deputy Manager

**Department for Operations
 outside the Community**
 Dieter HARTWICH, Manager

Operations in the Mediterranean countries
 Operations in the ACP-OCTD
 Monitoring

Eugenio GREPPI, Deputy Manager
 Jean-Pierre LACAILLE, Adviser
 Jacques SILVAIN, Deputy Manager
 Robert CORNEZ, Adviser
 Jean-Marie PAYEN, Adviser
 Christopher LETHBRIDGE, Adviser
 Robert ALLOO, Adviser
 Alfred KAWAN, Adviser

Finance and Treasury Department
 Andre GEORGE, Manager

Issues
 Treasury
 General Accountancy

Wolfgang THILL, Deputy Manager
 John VAN SCHIL, Deputy Manager
 Anthon PETERSEN, Adviser

Research Department
 John H. WILLIAMS, Manager

Economic Research
 Financial Research
 Documentation and Library

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 Jean-Paul JACQUOT, Adviser
 Thomas OURSIN, Adviser
 Desmond G. McCLELAND,
 Deputy Manager
 Francis THOUVENEL, Adviser

Legal Department
 J. Nicolaas van den HOUTEN, Manager

Jörg KÄSER, Principal Adviser
 Bruno EYNARD, Adviser
 Xavier HERLIN, Adviser
 Michael KONSTAM, Adviser

Technical Advisers' Department
 Marcello GOFFI, Manager
 until 30 April 1976

Hellmuth BERGMANN
 Giuseppe DURANTE
 Jacques FAUDON
 Robert LECLERCO
 Ernst-Helmut LINDER
 Walter LOWENSTEIN-LOM
 Robert VERMEERSCH

Unit of account

Equivalent in national currencies

The Statute of the European Investment Bank defines the unit of account to be used by the Bank in terms of gold and provides that the conversion rates between this unit and national currencies should be calculated by reference to the gold parities communicated to the International Monetary Fund. Fundamental changes in the international monetary system in recent years have increasingly shown that the changing role of gold and consequently of gold parities was impeding application of these provisions of the Bank's Statute in the manner originally intended. Consequently, on 15 July 1974 the Governors of the Bank decided to propose that the Statute be amended to empower them, acting unanimously, to modify the definition of the unit of account to be used by the EIB and the method of conversion of this unit of account into national currencies and vice versa. The proposed amendment involved modifying the Treaty of Rome of which the Statute forms an integral part, and on 10 July 1975, after receiving a favourable opinion from the Council of Ministers which had consulted the European Parliament and the Commission of the European Communities, the Member States approved the Treaty amending these provisions of the Bank's Statute; this Treaty is at present being ratified by each of the nine Member States. As an amendment to the Statute is a lengthy process, the Board of Governors of the Bank decided at its meeting on 18 March 1975 to authorise the EIB to use new conversion rates with effect from 30 December 1974 and until the amendment is ratified.

The new conversion rates applied by the Bank are based on the rates of conversion between national currencies and the new European Unit of Account which is equal to the sum of the following amounts of Member States' currencies :

DM	0.828	Sfrs	3.66
£	0.0885	Lfrs	0.14
Ffrs	1.15	Dkr	0.217

Lit	109.0	£ Ir	0.00759
Fl	0.286		

The composition of this basket of currencies is such that at 28 June 1974, the sum of the component currencies would have been equal in value to the International Monetary Fund's Special Drawing Right when calculated on the same basis as the latter and hence the same as the Bank's statutory unit of account by virtue of the common gold content of the unit of account and the SDR, i.e. the equivalent at that date of \$ 1.20635.

The rates adopted for converting the unit of account into Member States' national currencies and other currencies used by the Bank for its operations (e.g. the US dollar and Swiss franc), and vice versa, are determined each working day by the Commission of the European Communities and published in the Official Journal.

In practice, the conversion rates adopted by the Bank for statistical purposes during each quarter are those obtaining on the last day of the previous quarter and, in 1975, were as follows :

	1st quarter 1975	2nd quarter 1975	3rd quarter 1975	4th quarter 1975
1 unit of account =				
DM	3.01774	3.04474	3.02333	3.07061
£	0.534530	0.538633	0.583942	0.564620
Ffrs	5.57964	5.48706	5.18942	5.24197
Lit	815.517	821.313	809.278	793.118
Fl	3.13445	3.11230	3.13108	3.15973
Bfrs	45.4137	45.0405	45.2730	46.1746
Lfrs	45.4137	45.0405	45.2730	46.1746
Dkr	7.06637	7.09212	7.03769	7.17511
£ Ir	0.534530	0.538633	0.584093	0.564482
Dr	37.6488	39.1639	38.8667	39.9761
TL	17.3812	17.9967	17.9808	17.1993
\$	1.25496	1.29940	1.28434	1.15451
Sfrs	3.15176	3.28236	3.21336	3.17242
Yen	377.190	375.807	377.275	348.751

European Investment Bank

General background

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

The Bank is an independent public institution within the Community and operates on a non-profit-making basis.

Its basic function is to contribute to the balanced development of the Common Market.

The EIB grants long-term loans and gives its guarantee to enterprises, public authorities and financial institutions to finance projects which favour the development of less advanced regions and conversion areas or which serve the interests of the Community as a whole.

The members of the European Investment Bank are the nine Member States of the Community, who have all subscribed to the Bank's capital which was raised from 2 025 million to 3 543.75 million units of account by decision of its Board of Governors on 10 July 1975.

The Bank borrows the funds required to carry out its tasks on the capital markets of the Community and non-member countries, and on international markets.

The Bank's activities were initially confined to the territory of the Member States of the European Economic Community, but have gradually been extended under agreements to Greece, the seventeen Associated African States, Madagascar and Mauritius (AASMM), certain Overseas Countries, Territories and Departments (OCTD), Turkey and most recently the 46 African, Caribbean and Pacific States, including the AASMM, which are signatories of the Lomé Convention, and Portugal, Malta, Algeria, Morocco and Tunisia. Apart from its ordinary loans, generally attracting interest subsidies, the Bank grants loans on special conditions to most of these countries through its Special Section under mandate from and for the account of the Member States or the European Economic Community (special operations). Moreover, with special authorisation from its Board of Governors, the Bank may also provide financing in non-member countries, if the projects concerned are of direct interest to the Member Countries of the Community.

Enterprises, public authorities or financial institutions wishing to get in touch with the European Investment Bank should apply directly to the Head Office of the Bank or, in the case of projects located in Italy, to its Rome Office. Contact with the Bank may also be made through the promoter's own bank.

2, Place de Metz - Boîte postale 2005 - Luxembourg
Office for Operations in Italy : Via Sardegna, 38 — I-00187 Rome
Representative Office in Brussels : Rue Royale, 60-Bte 1
B-1000 Brussels

European Investment Bank

Financing terms and conditions

The Bank may grant loans from its own resources and give its guarantee (ordinary operations) to private or public enterprises, irrespective of their legal status, and to public authorities to finance projects which conform with the conditions of Article 130 of the Treaty of Rome or the Association Agreements. The provision of finance is not dependent on the nationality of the borrower.

The Bank's loans are intended to cover only part of the cost of a project, supplementing the borrower's own funds and credits from other sources. The Bank rarely lends more than 40% of the cost of the fixed assets.

The Bank's loans generally range between 2 and 20 million units of account and have so far never exceeded 30 million units of account. Some large projects have received more than one loan but the cumulative total does not normally exceed 45 million units of account.

Loans to finance specific projects may be made directly to an enterprise or public authority or through a financial institution. In addition to these "individual loans", the Bank also grants "global loans" to financial institutions, which extend sub-loans for small or medium-scale industrial ventures in agreement with the Bank in each instance (allocations from global loans).

The Bank disburses its loans in several currencies which it chooses in the light of its own holdings, after consulting the borrowers as to which of these currencies they would prefer to receive; repayments and payment of interest are made in the currencies of the original loans.

The Bank's lending rates are decided by the Board of Directors. As the Bank operates on a non-profit-making basis, its interest rates are close to the average rates charged on the financial markets where it obtains its funds. The rate charged on each loan is generally that in force on the date when the contract is concluded and is not subject to revision. It is independent of the currencies in which the loan is disbursed and the country in which the project is situated. The rate in force in May 1976 was 9% per annum for loans up to 8 years and 9.5% per annum for loans over 8 years. The term of each loan and the grace period depend upon the nature of the project concerned.

The Bank makes the granting of its loans conditional on the guarantee of a Member State or other adequate security.

The conditions under which the Bank conducts its operations in Greece, Turkey, the States which signed the Lomé Convention, the OCTD, Portugal, Malta and the Maghreb countries are governed by the relevant agreements or Community decisions.

Contents

	Page
Text	
Board of Governors	3
Board of Directors	4
Management Committee	5
Unit of account	6
Introduction	9
Loans granted in 1975	19
— Loans within the Community	19
— Loans outside the Community	33
Operations between 1958 and 1975	37
— Operations in the Community	39
— Operations outside the Community	43
Resources	47
Capital increase	51
Results for the year	53
List of projects financed in 1975	54
Administration	61
Financial statements	
— Balance sheet	62
— Profit and loss account	64
— Special Section	65
— Explanatory notes	66
Statement by the Audit Committee	69
Statistical tables	
Table 1: Loans granted in 1975 — Breakdown by country	20
Table 2: Loans granted in 1975 — Sectoral breakdown	21
Table 3: Funds raised up to and including 1975	49
Table 4: Statement of subscriptions to the capital of the Bank since 1958	51
Table 5: Financing provided from 1958 to 1975 — Breakdown by country	70
Table 6: Financing provided within the Community in 1975 and from 1958 to 1975 — Breakdown by economic policy objective	71
	7

Table 7: Financing provided within the Community from 1958 to 1975 — Sectoral breakdown	72
Table 8: Financing provided in Turkey from 1965 to 1975 — Sectoral breakdown	73
Table 9: Financing provided in the AASMM-OCTD from 1964 to 1975 — Sectoral breakdown	74
Table 10: Financing provided in Greece from 1963 to 1975 — Sectoral breakdown	75
Table 11: Loans granted within the Community in 1974 and 1975 — Breakdown by type of financing	75
Table 12: Global loans granted within the Community from 1968 to 1975 — Breakdown by intermediary institution	76
Table 13: Allocations from global loans within the Community in 1975 and from 1969 to 1975 — Breakdown by region and sector	77
Table 14: Financing provided within the Community 1958-1965, 1966-1972, 1973-1975 — Breakdown by country	78
Table 15: Financing provided within the Community 1958-1965, 1966-1972, 1973-1975 — Breakdown by economic policy objective	78
Table 16: Financing provided within the Community 1958-1965, 1966-1972, 1973-1975 — Sectoral breakdown	79
Table 17: List of borrowings in 1975	79

Maps and diagrams

Maps:		
	Financing provided within the Community in 1975 (including global loan allocations)	28
	Financing provided in Greece from 1963 to 1967 and in 1975 (including global loan allocations)	34
	Financing provided in Turkey from 1964 to 1975 (including global loan allocations)	35
Diagrams:		
	Gross domestic product in the Community	10
	Gross yields on bonds	14
	Development of the Bank's activities	18
	Financing operations in the Community in 1975: breakdown by economic policy objective	22
	Financing provided from 1958 to 1975	37-45
	Balance sheet of the Bank	60

New loan contracts signed by the European Investment Bank in 1975 totalled 1 006.5 million units of account (1), compared with 996.4 million in 1974.

Despite the scale of the worldwide economic recession, the Bank's financing operations were thus maintained at a high level. In the industrial countries contracting demand and production led to productive capacity being seriously underutilised and to widespread unemployment and short-time working. Generally speaking, the rate of inflation eased, though less in certain countries than in others; some suffered both a sharp fall in economic activity and a large rise in consumer prices. Declining consumption of petroleum products reduced the earnings of the producer countries. Their imports increased rapidly however, and this factor, combined with a fall in most raw material prices and a slowing down of imports caused by the recession, led to a marked improvement in the balance of payments of most industrial countries. An upturn in economic activity became apparent in the United States and Japan towards the middle of the year and in certain European countries later in the year, but had not led to any lower unemployment by the end of the year. Those developing countries that produced no petroleum of their own were the worst affected by the crisis.

On the **capital markets** the tendency for short-term interest rates to fall, which started at the end of 1974, was maintained in 1975, encouraged by a gradual relaxation of monetary policies in most countries where efforts were concentrated on combatting recession and unemployment. The general fall in short-term interest rates, together with the unexpected scale of private saving prompted by the uncertain economic situation, brought about a distinct improvement on most long-term capital markets which nevertheless had to meet heavy demands from the public sector for funding deficits and programmes to restimulate the

economy. On the whole, long-term yields tended to fall and the volume of funds raised by new issues increased substantially. Nevertheless pressures built up in the middle of the year especially in Germany where they caused the market to be closed briefly, while on other markets interest rates hardened temporarily. Finally, in the last quarter a tendency towards longer maturities for new issues became apparent so that at the end of 1975 conditions on the capital markets were more favourable than for nearly two years.

The **Community's** gross domestic product fell by around 2.5% (2) in 1975 while the volume of trade within the Community shrank appreciably. Galloping inflation and the policies adopted to counter it were the main causes of the crisis which first showed itself in 1974 in flagging economic growth; the oil crisis was a further contributory factor, pushing up costs, dampening demand in certain sectors and making for structural adjustments.

Demand from outside the Community fell while private consumption and business investment within the Community also declined. The result was a reduction of more than 10% in total industrial production with a consequent disturbing deterioration in the employment situation: widespread short-time working and some 5 million — 4.3% of the working population — unemployed in the autumn. Despite the recession, there was little sign of inflation slowing down and this gave cause for concern at a time when the improvement in the economies of the United States and Japan and the effect of expansionary budgetary policies held out the hope that the economic recovery, which had be-

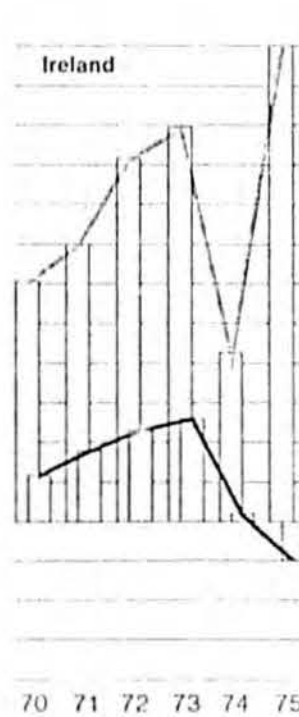
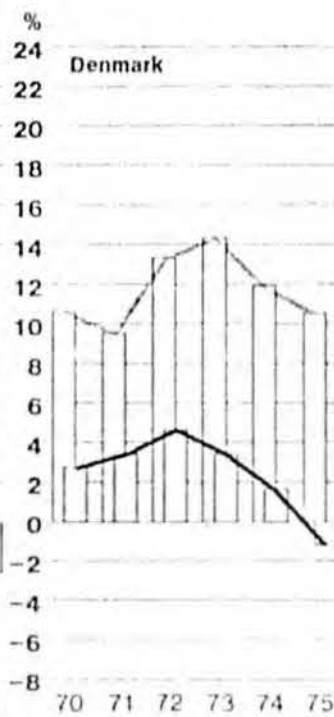
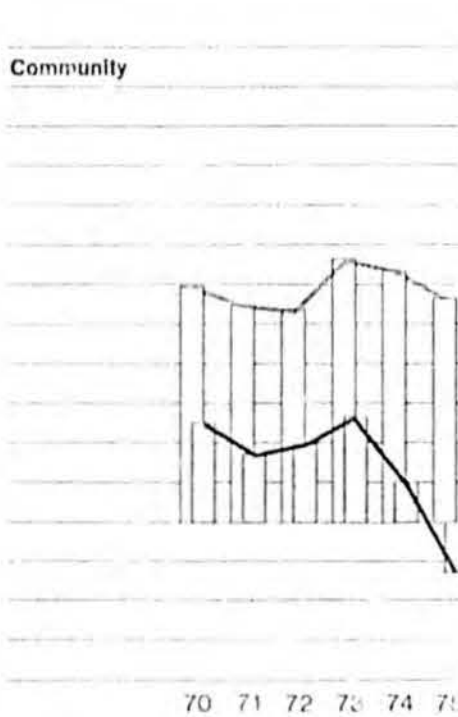
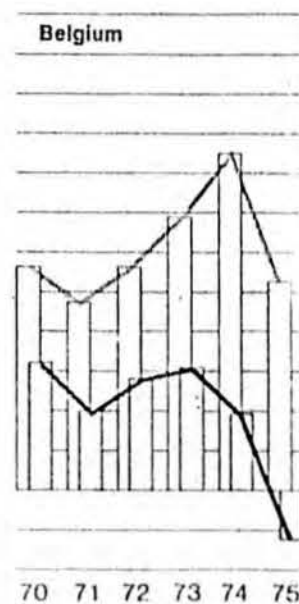
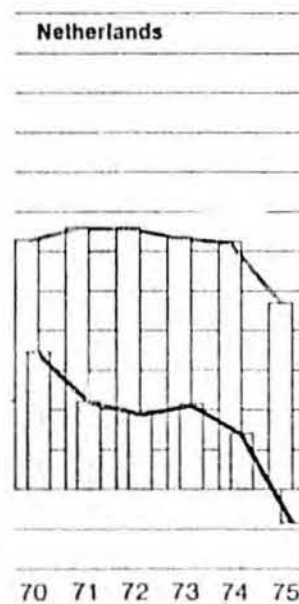
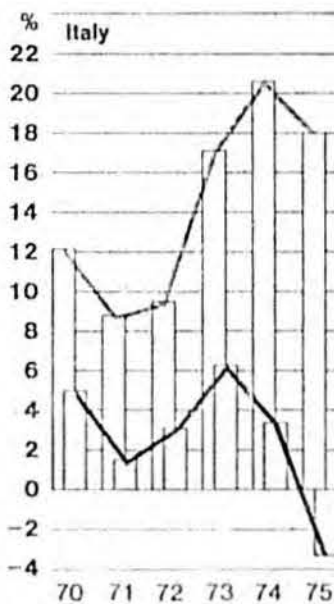
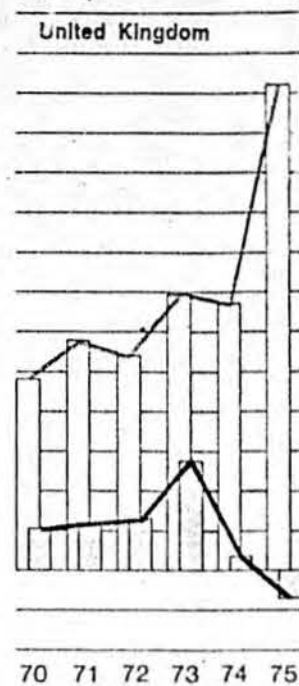
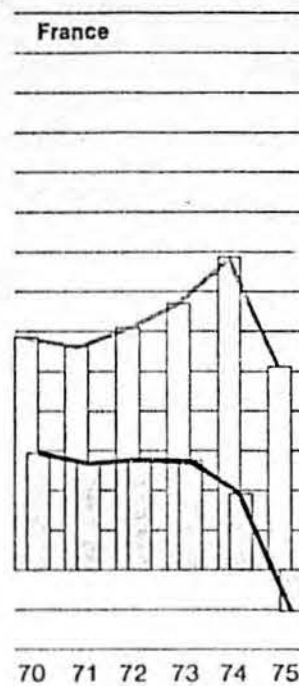
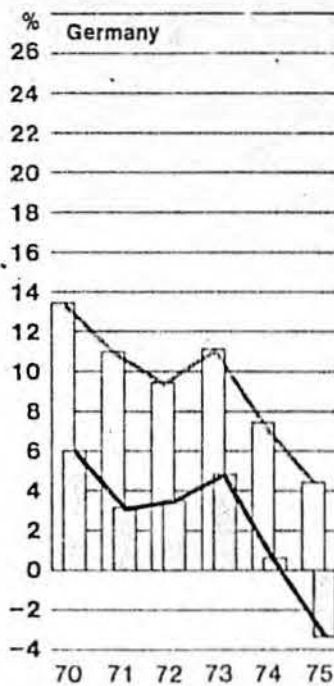
(1) Except where otherwise indicated, all the amounts quoted are expressed in units of account (see page 6). Differences between the totals shown and the sum of individual amounts are due to rounding.

(2) Except where otherwise indicated, all the rates quoted in this chapter refer to volume.

Gross domestic product
in the Community
% variations by comparison
with previous year

at current prices

at constant prices



come apparent at the end of the year in Germany and to a lesser degree in France, would become more widespread.

In Germany a substantial fall in exports, a reduction in private consumption and rapidly diminishing investment, in spite of fiscal incentives and a large programme of supplementary budgetary expenditure, led in the first half of the year to a sharp drop in gross national product and, more especially, in industrial production. In the second half of the year, more buoyant demand from abroad, stimulated by the relatively more favourable trend of unit costs, led to a certain recovery which an expansionary monetary and budgetary policy helped to maintain. This policy fostered an increase in bank liquidity and a reduction in interest rates. Nevertheless the high level of unemployment persisted: at the end of the year, notwithstanding the departure of a number of foreign workers, over 4% of the working population was still without employment. Productive capacity continued to be underutilised and the extent of the recovery appeared to be largely dependent on the trend of business investment and on higher private consumption.

In France the pace of economic activity slowed sharply during the first half of the year and then more gradually during the third quarter. A slight recovery began at the end of the year; the policy of maintaining incomes finally led to some increase in private consumption despite a propensity to save heightened by fear of unemployment. The effectiveness of measures in support of productive investment was however weakened by the cautious attitude of firms with excess capacity, while the plan for reviving the economy led to a more rapid rate of public sector investment, including investment by nationalised industry. Despite this, unemployment continued to rise; in the autumn, more than 4% of the working population was affected. The unemployed may

not be re-absorbed very quickly as the decline in industrial production was greater than the fall in hours worked in industry, one result being a large drop in productivity. Although the rise in prices slowed down appreciably, the rate of increase was still relatively brisk with the risk that this might tend to accelerate again if the pressures which economic revival is likely to place on wages and on the restoration of profit margins are not fully contained. The upward movement of the franc continued during the first half of the year, but was then reversed in the autumn.

In the United Kingdom the recession already discernible at the end of 1974 became more pronounced during the first half of 1975 with economic activity then settling at a low level. Unemployment worsened, nearly 5% of the working population being without employment by the end of the year. Despite slowing down somewhat during the summer, the rate of inflation was still one of the highest in the Community. The reduction in imports caused by the recessionary conditions made it possible to reduce the deficit in the balance of trade and the balance of payments on current account to more normal proportions. Nevertheless, the deficit remained considerable and the consequence was a further decline in the value of the pound. The problems facing the authorities responsible for economic policy were made all the more difficult by the fact that the public sector deficit had already reached a high level. Priority continues to be given to combatting inflation. From July onwards, the Government, with the support of the trade unions, introduced a set of measures aimed at reducing the annual rate of price increases to 10% in the third quarter of 1976. Other steps were taken to reduce unemployment and particularly to provide work for school-leavers.

In Italy the recessionary phase which began in the second half of 1974

showed no sign of coming to an end by the close of 1975. The sharp fall in domestic demand, affecting particularly investment in fixed assets, and the absence of any increase in the volume of exports led to a general decline in economic activity and, especially, in industrial output. An improvement in the balance of payments on current account made possible the early repayment of certain foreign debts.

The trend of demand and prices on the international markets led to a certain stabilisation of wholesale prices as well as to a marked reduction in the rate of increase of retail prices, which for the year as a whole was about the same as the average for all Member Countries. Economic policy became positively expansionist through the use of budgetary and monetary instruments. In particular, it was decided to bring forward the financing of various large projects in the Mezzogiorno. Productive capacity, in fact, continued to be seriously underutilised; this had especially disturbing implications for employment since, as a result of agreements reached between management and workers with a view to holding down the number of redundancies, underemployment was reflected less in an increase in the numbers of unemployed than in an increase in short-time working. In consequence, unit labour costs rose much more steeply than wholesale prices, undermining the financial position of many businesses.

In the **Netherlands**, similarly, there was an appreciable fall in production, which was slow to recover despite a budgetary policy aimed at maintaining domestic demand. The upward trend of prices and wages continued despite a rate of unemployment approaching 5%. The current balance remained in surplus.

In **Belgium** the effects of the recession were similar, but appeared

slightly later. Unemployment was still more serious, affecting around 6% of the working population at the end of the year.

In **Luxembourg** the contraction in private building construction was to some extent offset by the expansion in public works programmes: it was primarily the recession in the iron and steel industry, the country's principal industrial sector, that was responsible for the sharp decline in activity and this is unlikely to end until the economic recovery in neighbouring countries is assured.

In **Denmark** economic activity remained at a low ebb despite measures adopted at the beginning of the year and in the autumn to stimulate a revival. Unemployment increased still further, but the rise in prices slowed down and it was possible to reduce the balance of payments deficit on current account.

In **Ireland** the serious contraction in demand, and especially in inventories, led to an appreciable reduction in imports with a consequent improvement in the balance of payments on current account, which was also helped by good farming results and tourism. Unemployment, affecting around 10% of the working population, continued to give the greatest concern. The rate of increase in prices slowed down somewhat but remained excessive.

The **developing countries** linked to the European Economic Community by financial cooperation agreements, especially the **African States, Madagascar and Mauritius** and the other **African, Caribbean and Pacific States**, signatories to the Lomé Convention, were very severely affected as a group by the world crisis.

Their terms of trade, which had already worsened in 1974 as a result of the increase in the cost of petroleum products, deteriorated further

in 1975 because of the persistent rise in the price of goods and services supplied by the industrial countries. The contraction in international trade resulting from the world crisis also bore heavily on the export earnings of the developing countries, leading to a further deterioration in the deficit in their balance of payments on current account, increased borrowing abroad on commercial terms, a reduction in foreign currency reserves and, in many cases, delays in the implementation of development programmes. Even those few exceptional countries, such as Nigeria and Gabon, which have large petroleum reserves of their own, did not escape the effects of these developments, although they were better able to support them. Those countries which produced no petroleum, but had managed to achieve a rapid rate of growth in recent years thanks to expanding exports and the sharp rise in commodity prices were badly affected. The poorer countries whose export sectors are weak and narrowly based had no choice but to restrict consumption, which was already at a very low level, and to forego investments essential to their development. This serves to underline the importance of the prospects of financial, technical and industrial cooperation opened up by the Lomé Convention.

In Turkey good harvests and sustained activity in the industrial sector made it possible to maintain a rate of growth in GNP of around 8%. Despite expanding consumer demand and the maintenance of a large budgetary deficit, necessitating greater recourse to short-term credits from the Central Bank, inflation was limited to about 10% for wholesale prices and 15% for retail prices. The balance of payments, on the other hand, came under severe pressure. Contracting external demand and the diminished competitiveness of Turkish products, particularly of agricultural products, reduced export earnings appreciably, while the value of imports rose rapidly to meet the country's needs for capital goods

and the growing demand for consumer goods. The worsening trade balance and a reduction in remittances from Turkish workers abroad, attributable to the recession within the Community, had the effect of trebling the deficit on the balance of payments on current account. Despite recourse to International Monetary Fund special drawing rights and the oil facility, as well as to the short-term capital market, some 600 million dollars had to be drawn from the foreign currency reserves; at the end of the year, these reserves covered only three months' imports.

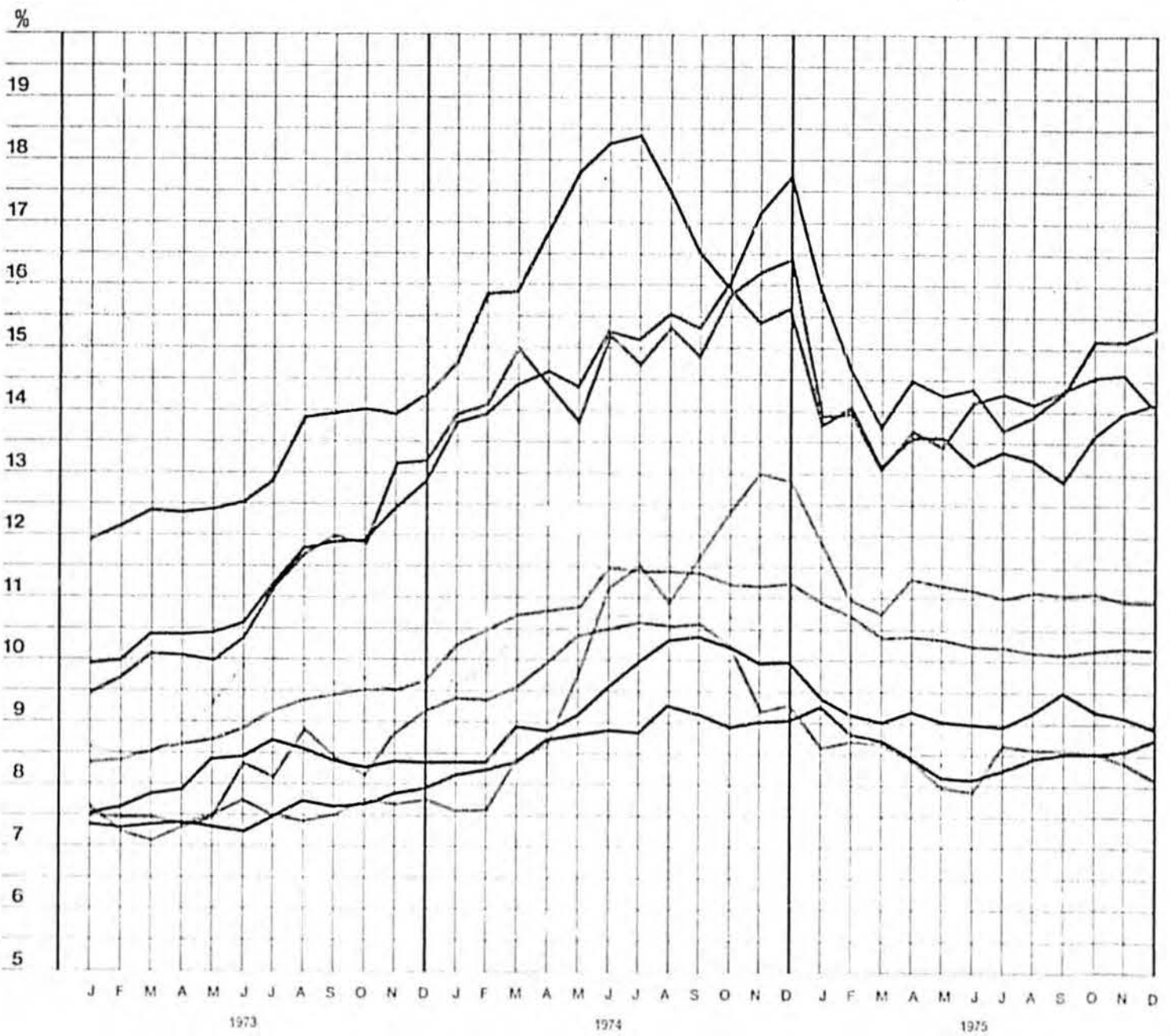
In Greece, following the decline in activity in 1974, signs of a very slight recovery appeared in 1975 with a rate of increase in GNP of probably less than 1%. Private consumption and investment rose only slightly but public sector expenditure showed a sharp increase. The increase in retail prices was around 15%. Exports and imports rose only moderately so that a trade deficit comparable with that for 1974 was recorded. The deficit on the balance of payments on current account was nevertheless somewhat reduced, thanks mainly to an increase in earnings from tourism; in addition, loans contracted abroad produced an increase in foreign currency reserves which, at the end of the year, amounted to the equivalent of two and a half months' imports.

In 1975 Community economic policies made headway, chiefly in two areas directly related to the Bank's activity: regional development in Member Countries and cooperation in the development of a growing number of countries outside the Community.

The Council of Ministers of the European Communities decided on 18 March 1975 to establish a **European Regional Development Fund** and a **Regional Policy Committee**. A representative of the Bank sits in as an observer at meetings of the Fund's

**Gross yields
on bonds**

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



Germany	United Kingdom	Netherlands	Denmark	International European market
France	Italy	Belgium	Ireland	dollar denominated bonds

Management Committee and the Regional Policy Committee; this constitutes one means of participating in the coordination of support for regional development within the Community. Grants from the Fund in 1975 amounted to 300 million units of account, of which 119.8 million was for investments in industry, craft activities or services, and 180.2 million for infrastructures located in regions eligible for state aid for regional development. More than 75% of these amounts related to projects in Italy, Ireland and the United Kingdom. Certain projects received both aid from the Fund and EIB loans. However, the provisions whereby Fund aid in respect of infrastructure investments may, wholly or partly, take the form of an interest subsidy of three percentage points on loans granted by the EIB in regions eligible for such aid have not yet been employed.

Progress in other areas of Community policy, particularly in the energy sector or other industrial sectors, has been in the preparatory and study stages rather than in the decision-making and implementation stages. This was notably the case with the Euratom proposals for financing in the nuclear power sector.

On the other hand, 1975 and the beginning of 1976 opened up broad prospects for economic and financial cooperation between the Community and an increasing number of countries outside the Community.

Firstly, the Lomé Convention, signed on 28 February 1975, between the European Economic Community and 46 African, Caribbean and Pacific States (ACP) (1) and coming into force on 1 April 1976, considerably extends the scope for Bank activity outside the Community. As part of total financial aid of 3 390 million units of account to be granted by the Community to this group of countries up to 1 March 1980, the Bank has been requested to make 585 million available, mainly in the form of loans

from its own resources (in an amount of up to 390 million), generally carrying an interest subsidy of three percentage points for which 100 million have been earmarked from the amount of European Development Fund (EDF) grant aid, and contributions to the formation of risk capital (95 million) also to come from EDF resources.

Under the terms of a decision due to be taken by the Council of Ministers, the Bank will contribute on similar conditions to the Community's financial aid (160 million units of account) in favour of the Overseas Countries, Territories and Departments (OCTD) (2); of this sum 5 million will go towards risk capital and up to 10 million may take the form of loans from the EIB's own resources, which will generally also carry interest subsidies.

In accordance with the division of responsibilities established between the Commission of the European Communities and the Bank, projects in the industrial, mining and tourism sectors are to be submitted to the Bank for appraisal; projects in these sectors will receive priority in the use

(1) The ACP States comprise:

- 17 African States, Madagascar and Mauritius associated with the EEC under the Yaoundé Convention (AASMM): Benin, Burundi, Cameroon, the Central African Republic, Chad, Congo, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta and Zaïre.
 - 21 Commonwealth countries comprising:
 - In Africa: Kenya, Tanzania and Uganda (already linked with the EEC under the Arusha Agreement of 24.9.69), Botswana, the Gambia, Ghana, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland and Zambia;
 - In the Caribbean: the Bahamas, Barbados, Grenada, Guyana, Jamaica and Trinidad and Tobago;
 - In the Pacific: Fiji, Tonga and Western Samoa.
 - 6 other African countries: Equatorial Guinea, Ethiopia, Guinea, Guinea Bissau, Liberia and Sudan.
- (2) Overseas Countries, Territories and Departments: dependencies of France, the Netherlands and the United Kingdom.

of the resources available to the Bank (loans from own resources and contributions to risk capital from EDF resources), but this understanding does not preclude the Bank from granting loans for viable infrastructure projects in countries where this form of financing would be appropriate.

The Bank participates in the preparatory work and planning missions undertaken by the Commission in the ACP countries in connection with the implementation of the Convention's provisions.

The Community's policy of cooperation with the **Mediterranean countries** has developed in a number of important ways since the beginning of the last quarter of 1975.

On 7 October 1975, the Council of Ministers decided to grant **Portugal** exceptional emergency aid for a total of 180 million units of account during 1976 and 1977. This aid will take the form of ordinary loans from the Bank's own resources for an amount of up to 150 million, and an interest subsidy of three percentage points at a cost of about 30 million to the European Community budget, which will also guarantee in full the Bank's loans.

At the end of 1975 and the beginning of January 1976, negotiations between the Community, on the one hand, and **Malta, Tunisia, Morocco and Algeria**, on the other, led to the finalisation

of four agreements covering financial cooperation for the period 1977-1981.

It is foreseen that financial aid in these countries will total 365 million units of account as shown below.

The indicated amounts for financing loans from the Bank's resources in Malta and the three Maghreb countries between now and 1981 represent ceilings for Bank operations, which together total 183 million units of account. These loans will generally carry an interest subsidy of two percentage points which will be financed out of the amounts earmarked for grant aid.

In January 1976, the Council of the Communities announced its agreement, in so far as it was concerned, for Yugoslavia to have access to normal EIB loans, up to a certain amount, for financing projects of common interest.

Negotiations have also begun or are due to begin on a second financial protocol with **Greece** and on a third financial protocol with **Turkey**, it being understood that following enlargement of the Community the Supplementary Protocol with Turkey, providing for additional loans totalling 47 million units of account, remains to be ratified. Lastly, it is expected that a financial protocol with Portugal will follow on the exceptional emergency aid to be provided for 1976 and 1977.

Increasing demands are therefore being made on the Bank to con-

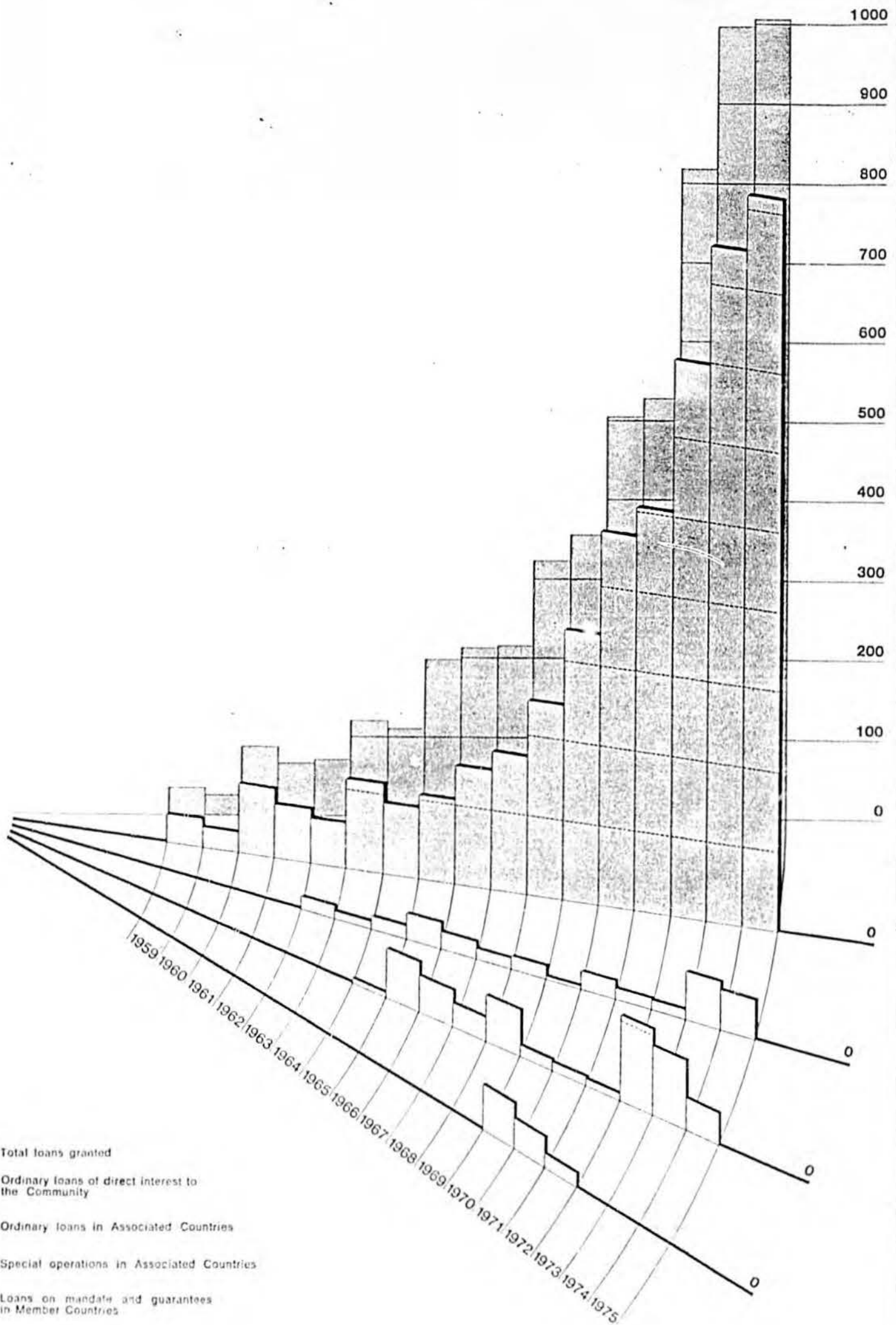
	Loans from EIB resources (maximum)	Loans on special conditions	Grant aid	Total
Morocco	56	58	16	130
Algeria	70	19	25	114
Tunisia	41	39	15	95
Total Maghreb countries	167	116	56	339
Malta	16	5	5	26
Grand total	183	121	61	365

tribute to the implementation of a policy of economic and financial cooperation which the Community is now extending to a growing number of developing African, Caribbean, Pacific and Mediterranean countries. In order to assist the Bank to mobilise in favour of the economic development of these countries the first class credit which it enjoys on the capital markets, the Member States of the Community provide it with adequate guarantees and, as required, soften the financial conditions of its loans by meeting the cost of an appropriate system of interest subsidies. The Bank must consequently allocate for lending outside the Community appreciably more than the approximate

5% which it has so far devoted to them on average.

To do so must not affect its main activity which is within the Community. In an economic situation which threatens to remain quite difficult for some time to come the correction of regional imbalances, the creation of infrastructure of common interest, investments necessary to bring about structural changes and the provision of energy supplies on a more regular, independent and cheaper basis, all call considerable financial resources. To mobilise them the EIB must pursue and intensify its activity in keeping with the task entrusted to it under the Treaty of Rome.

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



Loans granted in 1975

New lending exceeds one thousand million u.a.

In 1975 the European Investment Bank signed 77 loan contracts for a total of 1 006.5 million, compared with 84 contracts for 996.4 million in 1974. This contributed towards a total investment of around 4 400 million.

Ordinary loans from the Bank's own resources rose from 910.7 million in 1974 to 966.4 million in 1975, of which 917.5 million (95%) was lent in Member Countries and 48.9 million in Associated Countries, for the most part in Greece. In addition 40.1 million, as against 85.7 million in 1974, went for loans on special conditions. Of this figure, 35 million was drawn from the resources of Member States for lending in Turkey, and 5.1 million from the resources of the European Development Fund for the Netherlands Antilles and the French overseas department of Guadeloupe.

The balance outstanding on loans from the Bank's own resources, plus guarantees provided, rose by 22.8% between 31 December 1974 and 31 December 1975, from 3 759.6 million to 4 616.6 million.

LOANS WITHIN THE COMMUNITY

917.5 million for loans in Member Countries

In 1975 the Bank granted 64 loans in the Member Countries of the Community for a total amount of 917.5 million, compared with 70 loans totalling 849.7 million in 1974. Such operations showed an 8% increase over 1974, and accounted for 91.1% of the Bank's activity for the year.

This broad trend, however, masks an uneven distribution of lending in individual countries: financing operations in the United Kingdom more than doubled, and in Italy rose by 29%, while in all other Member Countries there was a downturn, often considerable.

mainly Italy and the United Kingdom

This made for a heavy concentration of operations in Italy and the United Kingdom, which took 39.1% and 36.5% respectively of all finance granted within the Community. Loans in France still accounted for 17.2% of the total, while those granted in Ireland, Denmark and Belgium together accounted for only 7.2%. No loans at all were granted in Germany, the Netherlands or Luxembourg, as a result of the relatively low level of interest rates obtaining in those countries. An undertaking has been given, however, to guarantee loans of 49.1 million units of account for the Gundremmingen nuclear power station in Germany.

The geographical spread of loans influenced the pattern of lending in terms of economic policy objectives as laid down in Article 130 of the Treaty of Rome (see Table 6, p. 71 and Graph, p. 22).

Three-quarters in less favoured regions

Loans in the less favoured regions of the Community increased by 24% to 670.6 million, covering 73% of all finance granted in Member Countries. This figure includes operations that not only helped to alleviate regional problems, but also served the common interests of more than one Member Country, in particular by improving the Community's energy supplies. About 88% of these loans related to projects in Italy, the United Kingdom and Ireland, where regional problems are most acute.

Total 1 006.5 million u.s.

Italy	358.8
United Kingdom	334.5
France	158.0
Ireland	37.7
Denmark	17.7
Belgium	10.8
Greece : ord. loans	47.2
AASMM : ord. loans	1.7
Turkey : spec. operations	35.0
AASMM-OCTD : spec. operations	5.1

Table 1 : Loans granted in 1975

Breakdown by country

Country	Number of loans	Amount (million u.s.)	% of grand total	% of Member Countries
Ordinary operations				
Member Countries				
Belgium	1	10.8	1.1	1.2
Denmark	6	17.7	1.8	1.9
France	11	158.0	15.7	17.2
Ireland	2	37.7	3.7	4.1
Italy	26	358.8	35.6	39.1
United Kingdom	18	334.5	33.2	36.5
Total	64	917.5	91.1	100.0
Associated Countries				
Greece	7	47.2	4.7	
AASMM				
Mauritius	1	1.7	0.2	
Total	8	48.9	4.9	
Ordinary operations total	72	966.4	96.0	
Special operations (1)				
Turkey	3	35.0	3.5	
AASMM-OCTD				
Netherlands Antilles	1	4.4	0.4	
Guadeloupe	1	0.7	0.1	
Total	5	40.1	4.0	
Grand total	77	1 006.5	100.0	

(1) Loans on special conditions financed by Member States (Turkey) and by the European Development Fund (AASMM-OCTD) accounted for in the Bank's Special Section.

Total 1 006.5 million u.a.

Table 2: Loans granted in 1975

Sectoral breakdown

Sector	In the Community			In the Associated Countries		
	Number	Amount (million u.a.)	%	Number	Amount (million u.a.)	%
Infrastructure	39	779.3	84.9	6	62.9	70.6
Agricultural development	—	—	—	2	37.0	41.6
Energy	19	327.9	35.7	2	20.8	23.3
Nuclear power stations	6	121.8	13.3	—	—	—
Thermal power stations	—	—	—	2	20.8	23.3
Power lines	2	35.4	3.9	—	—	—
Development of oil and natural gas deposits	4	52.4	5.7	—	—	—
Coal mining	1	13.4	1.4	—	—	—
Gaslines	6	104.8	11.4	—	—	—
Water supply and distribution	7	115.0	12.5	—	—	—
Transport	6	138.7	15.1	2	5.1	5.7
Railways	2	38.5	4.2	—	—	—
Roads, bridges and tunnels	3	70.3	7.6	—	—	—
Shipping	1	29.9	3.3	1	0.7	0.8
Airlines	—	—	—	1	4.4	4.9
Telecommunications	7	197.7	21.6	—	—	—
Agriculture, Industry and Services	154⁽¹⁾	138.2	15.1	28⁽²⁾	26.1	29.4
Agriculture, forestry, fishing	3	1.3	0.1	—	—	—
Industry	150	135.3	14.7	28	26.1	29.4
Mining and quarrying*	1	0.6	0.1	—	—	—
Metal production and semi-processing*	13	47.9	5.2	1	1.4	1.6
Construction materials*	13	14.1	1.5	3	11.3	12.7
Wood working	11	5.0	0.5	1	0.7	0.8
Glass and ceramics	3	2.2	0.2	2	1.9	2.2
Chemicals*	13	36.5	4.0	1	3.0	3.4
Metalworking and mechanical engineering	26	17.2	1.9	4	1.8	2.0
Motor vehicles, transport equipment	7	2.1	0.2	—	—	—
Electrical engineering, electronics	8	12.8	1.4	4	6.3	7.1
Foodstuffs	30	42.8	4.7	3	3.1	3.4
Textiles and leather	7	1.6	0.2	6	6.2	6.9
Paper pulp, paper*	3	1.1	0.1	1	1.5	1.7
Rubber and plastics processing	8	2.6	0.3	—	—	—
Other	3	1.7	0.2	—	—	—
Global loans	4	-52.9 ⁽²⁾	-5.1	2	-11.1 ⁽⁴⁾	-12.4
Services (Research and development)	1	1.6	0.2	—	—	—
Grand total	193⁽¹⁾	917.5	100.0	34⁽²⁾	89.0	100.0

* basic industries

⁽¹⁾ Including 129 global loan allocations.

⁽²⁾ Difference between the sum of the 4 global loans granted in 1975 (10.2 million) and the sum of the allocations from current global loans (53.1 million) approved in 1975.

⁽³⁾ Including 21 global loan allocations.

⁽⁴⁾ Difference between the sum of the 2 global loans granted in 1975 (12.7 million) and the sum of the allocations from current global loans (23.8 million) approved in 1975.

Energy, water supplies 463.7

Telecommunications 197.7

Industry, services and agriculture 164.3

Transport 143.8

Development 37.0

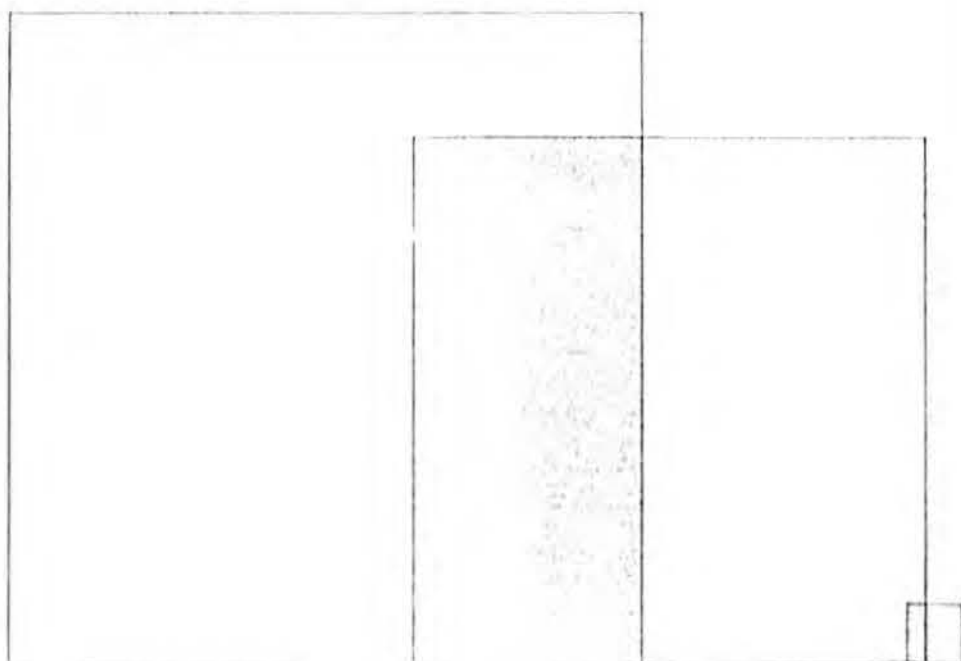
Major support for common energy and communications projects

Loans for projects of common interest totalled 438.8 million, about the same as in 1974; this figure including operations also justified on grounds of regional interest. Over three-quarters of these loans — 338 million — were granted in respect of investments aimed at improving energy supplies in the Community. There were seven loans for construction and equipment of nuclear power stations in the United Kingdom, Italy and France (126.3 million), and a number of loans for gaslines in the United Kingdom, Italy and Belgium (104.8 million), various investments in oil and natural gas development in Italy, the United Kingdom, Denmark and France (82.4 million), and coal mining in the United Kingdom (24.5 million). Finance for infrastructure to improve road and telecommunications links between Member Countries totalled 100.8 million.

Also of sectoral interest, although accounting for only a small proportion of lending in Member Countries, were two projects in Denmark and France. The first concerned the modernisation of an agro-industrial undertaking, and the second the production of advanced-technology undersea pipe-line welding equipment.

Financing operations in the Community in 1975
Breakdown by economic policy objective

- Regional development and conversion
(670.6 million u.a.)
- Common interest to several Member Countries
(438.8 million u.a.)
- Sectoral interest
(5.4 million u.a.)



Note: Some loans satisfy more than one objective (see Table 6, p. 71)

**15 % of loans for
Industrial projects**

The sectoral pattern of lending was in 1975 considerably influenced by the economic crisis. Widespread under-utilisation of capacity and a low propensity of companies to invest meant that loans for industrial projects were down by more than half. Global loan allocations included, finance totalling 138.2 million was advanced for 154 ventures under this heading, i.e. only 15 % of lending within the Community, compared with 36 % in 1974 and 40 % in 1973. Almost all the projects financed were situated in the less developed areas.

and 85 % for infrastructure

On the other hand the Bank was able to give active support to the policy of expanding public investment pursued in most Member Countries both in order to restimulate economic activity and to improve energy supplies. The consequent increase in finance for infrastructure projects was close to 43 %, giving a total of 779.3 million, or 85 % of all financing in the Community. Almost three-quarters of these loans were made for projects located in problem areas.

Lending for infrastructure continued to show a heavy bias in favour of energy projects, for which 19 loans were granted, amounting to 327.9 million or 35.7 % of all finance channelled into Member Countries. Increases were also recorded in the Bank's lending for transport infrastructure (138.8 million) and for projects to improve water supplies in North-East England, Brittany and the Mezzogiorno, and to reduce pollution in the Gulf of Naples (115 million). The Bank's continuing support for the extension and modernisation of telecommunications took the form of 7 loans, for a total of 197.7 million.

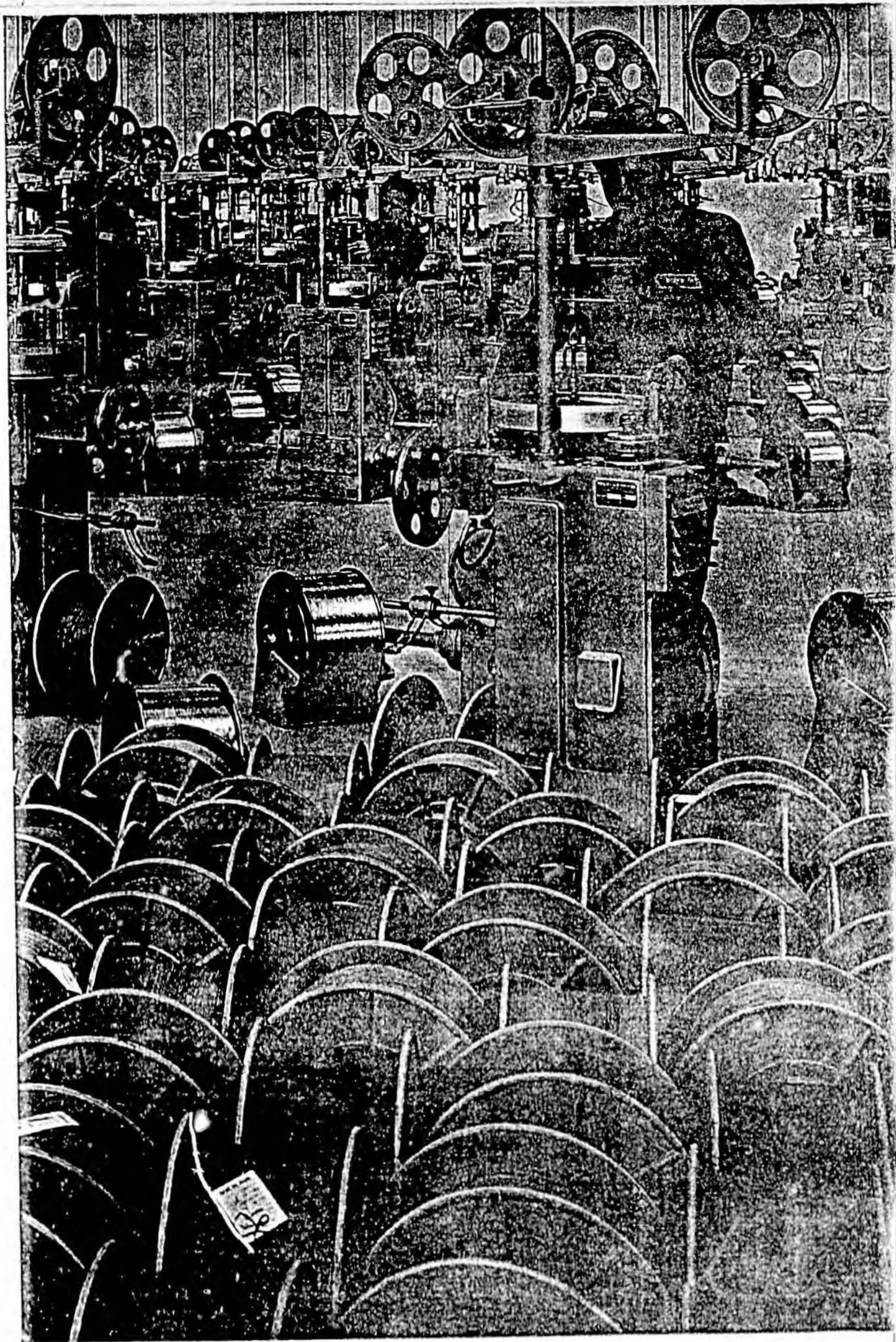
In the productive sector, the major beneficiaries were metal production and semi-processing, in particular coated sheet and tube manufacturing, the food-stuffs and chemical industries. Some way behind these came mechanical engineering, construction materials and electrical engineering.

**Fresh support for
smaller industrial ventures**

Only four global loans, amounting to 10.2 million, were granted to intermediary institutions for financing small and medium-scale ventures. Indeed, a number of such loans granted in previous years were terminated before all the funds had been exhausted, either because of lack of demand for credit, or because of downturns in interest rates subsequent to the setting of the rate on these loans, in spite of which intermediary institutions drew down 63.1 million from global loans still operative on behalf of 129 industrial ventures. This represented something of a decline in comparison with 1974, when 187 allocations were made for a total of 76.2 million, but was still far higher than the 1973 showing (24.5 million for 39 ventures). The global loan is a particularly effective form of financing for regional development, conducive to industrial diversification, largely in labour-intensive sectors. In 1975, for instance, the capital outlay for each job created by ventures financed through global loans was only about 23 000 units of account, compared with an average of 98 000 units of account for larger scale industrial projects receiving individual loans.

Taken together, the projects financed by the Bank in the industrial sector in 1975 led to the creation of almost 12 000 jobs and safeguarded a further 4 000.

Against an economic background of high unemployment, it is worth noting that building the major infrastructures for which loans were made led to the creation of a large number of temporary jobs, estimated to be in the region of 80 000.



In 1975, as in previous years, the bulk of the Bank's lending went to projects in the least developed regions of the Community - 670.6 million units of account in all, or nearly three-quarters of total finance provided in Member Countries. 129 smaller industrial ventures, half of these located in the Italian Mezzogiorno, received between them 63.1 million units of account in allocations from global loans granted to intermediary institutions.

358.3 million for loans in Italy, concentrated in the Mezzogiorno

The figure for lending in Italy rose by 29% compared with 1974 to 358.6 million, i.e. Lit 289 800 million or almost 40% of all financing within the Community.

Two-thirds of the loans in question were granted for projects of regional benefit, mainly in the Mezzogiorno, and the remaining Lit 104 000 million was advanced for infrastructure serving the interests of the Community as a whole.

ENEL received two loans, totalling Lit 36 200 million, for construction of the Caorso nuclear power station near Piacenza in Emilia Romagna, the rated capacity of which will be 840 MWe. Two loans for the same amount were made available to AGIP of the ENI Group, to develop a major, deep-lying oil and natural gas deposit in the Po Valley near Malossa. All four loans will help to improve the energy situation in Italy and the Community at large.

The Alessandria-Santhià, Piedmont section of the "Tunnels Motorway" and the transalpine Fréjus Tunnel linking Piedmont with Savoy, the French phase of which had been part-financed in 1974, received funds from the Bank totalling slightly more than Lit 30 000 million. These road links came under the heading of investment programmes aimed at improving the movement of people and goods between Italy and the rest of the Community.

mainly to finance major Cassa per il Mezzogiorno "special projects"

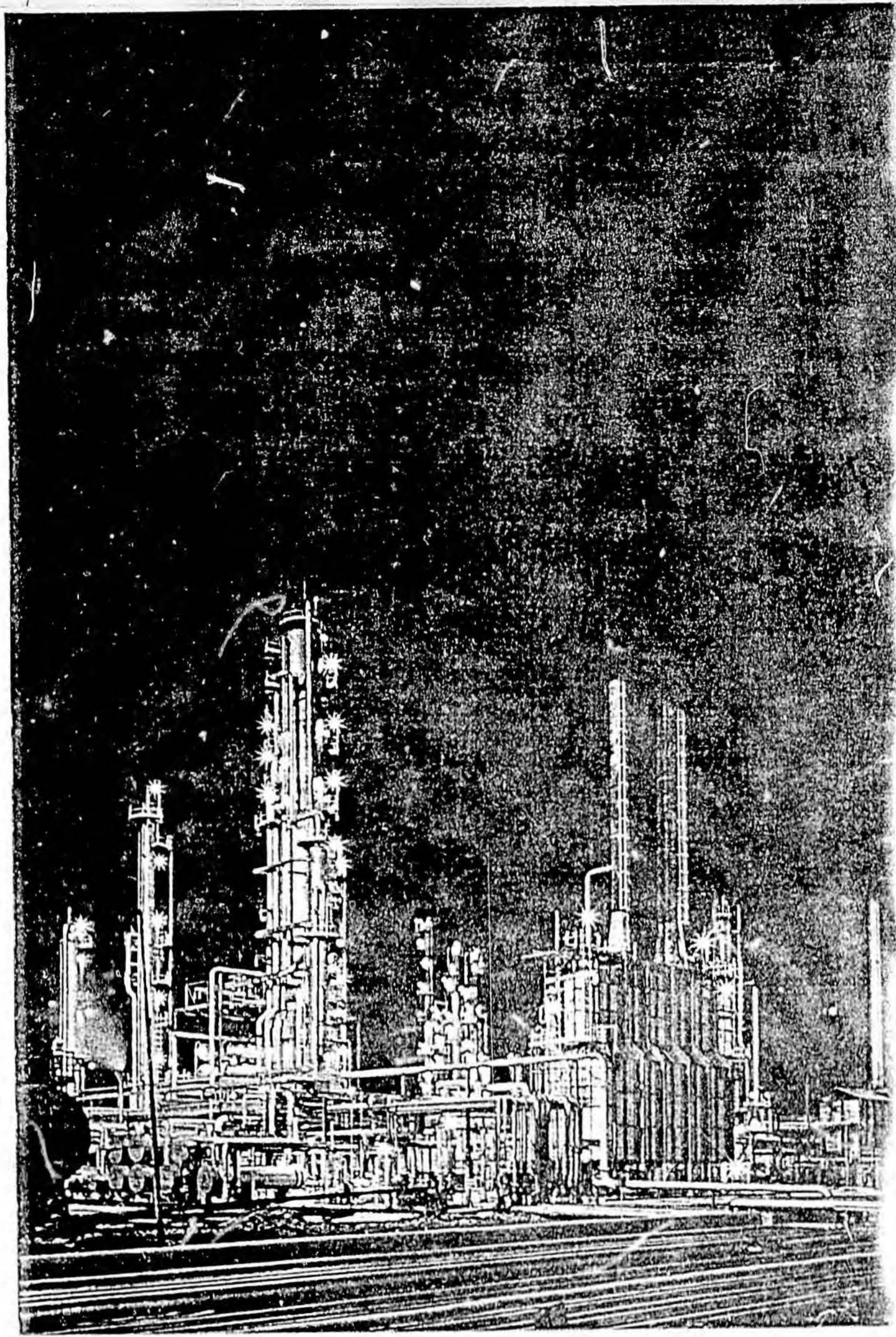
Most of the loans granted for reasons of regional interest went towards financing major infrastructure works, such as water and natural gas supplies and telecommunications installations, essential for the economic take-off of the country's least developed regions. Seven such projects received loans totalling Lit 143 500 million. In addition, the Bank lent Lit 42 300 million for nine industrial projects, chiefly in the chemicals sector.

EIB lending was largely confined to a few regions of the Mezzogiorno: Lit 72 000 million in Apulia and Basilicata, Lit 35 200 million in Campania, Lit 34 500 million in Sicily and close on Lit 17 000 million in Molise and Abruzzi. In these regions over half the loans for infrastructure were made in respect of "special projects" sponsored by the Cassa per il Mezzogiorno.

These "special projects", as defined by law in 1971, emanate from the authorities' concern to narrow the economic gap between the Mezzogiorno and the rest of the country by measures to make key infrastructure works of inter-sectoral and inter-regional importance, and thereby to stimulate the growth of productive activity, the use of natural resources and conservation of the environment.

water supplies in Apulia and Basilicata

One of these projects is designed to utilise the water resources of Basilicata and Apulia to put an end to a shortage that has long impeded the economic development of this part of the country. Two loans for a total of Lit 40 000 million will be used to part-finance two major public works. The first of these is a new section of the Pertusillo Aqueduct, which links up with the Pugliese Aqueduct to supply water from the Pertusillo Dam on the Agri in Basilicata to a number of towns in the heel of Italy. The second comprises construction of a dam and 450 million cu.m. reservoir at Monte Cotugno in Basilicata, and an aqueduct which will make the waters of the Sinni available for various uses, especially crop irrigation, in the Alto Metapontino. A loan was granted for the development of the Metaponto coastal plain in 1966.



Financing operations in Italy reached 358.8 million units of account. The Bank supported essential infrastructure projects (energy, telecommunications and water supplies) and measures taken to combat pollution, chiefly in the Mezzogiorno, where it also helped to finance a variety of industrial projects, in such sectors as chemicals and steel semi-processing.

reducing pollution in the Gulf of Naples

Another of the special projects which attracted an EIB loan, for Lit 24 000 million, was an ambitious scheme for reducing pollution in the Gulf of Naples, the shores and hinterland of which are at present one of the most heavily polluted areas of Italy. The work in hand to reduce pollution will not only help to improve the health situation but also enhance the agricultural, industrial and tourist potential of this part of Campania.

A further EIB loan was made for extensions to the gas pipeline network for distribution in Calabria of natural gas from the recently discovered fields in the Mezzogiorno, in particular the "Campo di Luna" offshore deposit near Crotone, for which two loans were granted in 1974.

Three loans totalling Lit 63 500 million will be used to part-finance extension and modernisation of telephone installations in Sicily, Abruzzi and Molise, and in certain less developed areas of Trentino-Alto Adige and Veneto.

finance for chemicals and iron and steel projects

All the industrial projects for which the EIB has made loans are located in the Mezzogiorno. Chemicals and steel production and semi-finishing attracted the largest share of finance, Lit 25 800 million and Lit 9 000 million respectively. Once again, the EIB helped to finance petrochemicals installations by ANIC of the ENI Group, this time at Gela in Sicily, and the construction of a plant to produce base materials for polyurethane manufacturing in the Montedison complex at Brindisi in Apulia. Loans were also granted for extensions to a chemicals factory being undertaken by the same group at Bussi in Abruzzi, and expansion of a pharmaceuticals factory for the Lepetit Group in Latium.

Two companies in the FINSIDER Group received finance to expand and modernise their tube plants at Taranto in Apulia and Torre Annunziata in Campania. These plants draw their supplies of steel from works in the Mezzogiorno, in particular the Taranto steel complex, which has already received a series of loans from the Bank.

The EIB also provided part of the funds for expanding a fluorescent tubes and vapour lamps factory at Bari in Apulia, for a graphite electrodes plant at Caserta in Campania, and for a metallurgical research centre near Rome.

Finally, the EIB approved 63 allocations, totalling about Lit 30 000 million, for small and medium-scale ventures in the Mezzogiorno, from global loans granted in previous years to Istituto Mobiliare Italiano (IMI), Banca Nazionale del Lavoro, Istituto per lo Sviluppo Economico nell'Italia Meridionale (ISVEIMER), Credito Industriale Sardo (CIS) and Istituto Regionale per il Finanziamento alle Industrie. Finally, the EIB approved 63 allocations, totalling about Lit 30 000 million, for and will lead directly to the creation of 3 800 jobs.

334.5 million for U.K. loans in Scotland, Wales and the North

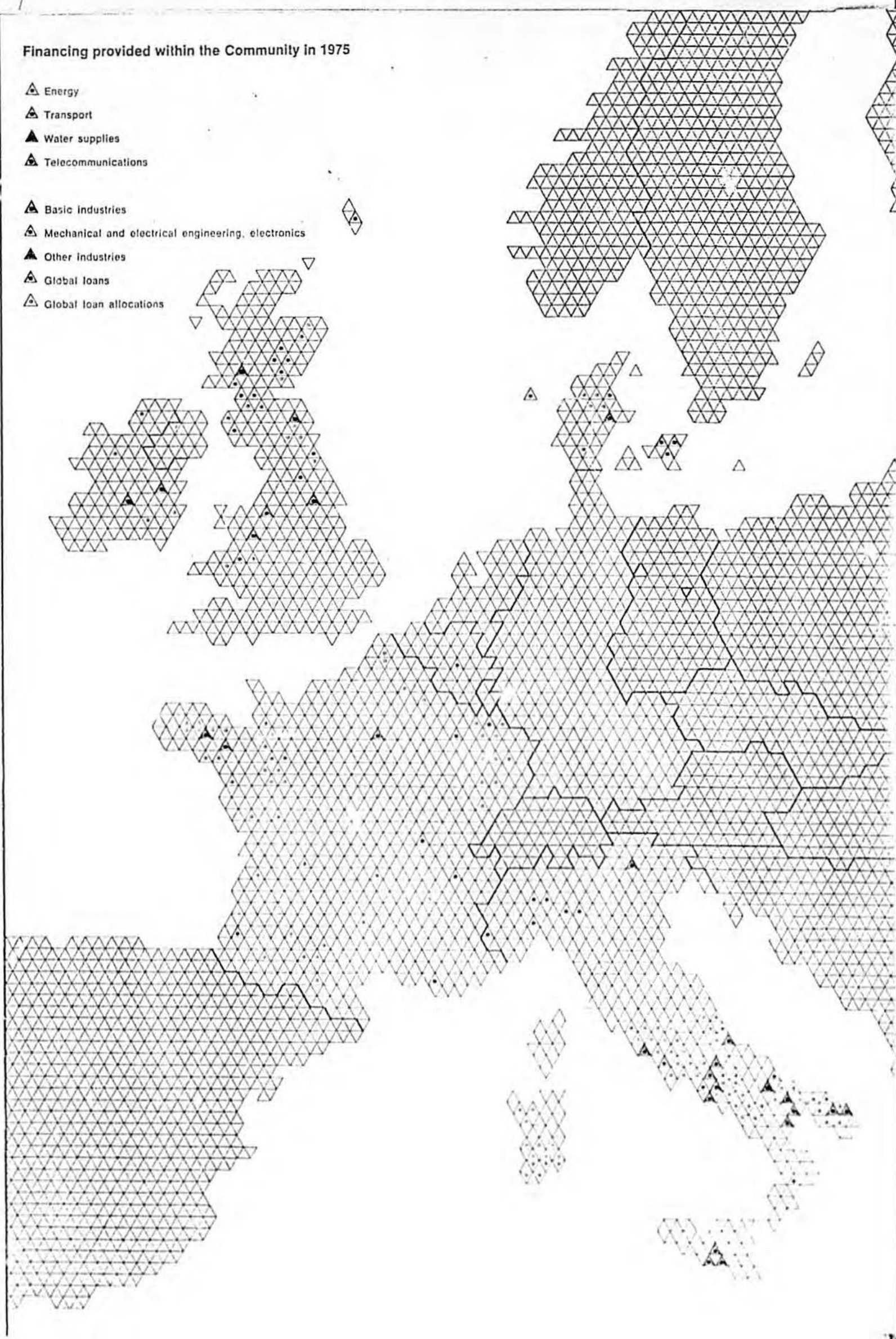
In the United Kingdom the Bank granted loans totalling 334.5 million units of account — £186.5 million —, more than double the 1974 figure.

The fifteen projects financed are all located in regions facing conversion and development problems, particularly in Scotland and the North of England, which attracted almost three-quarters of the credit made available, and Wales. Most of these were infrastructure projects, mainly in the energy sector and connected with the development of North Sea oil and natural gas fields.

Financing provided within the Community in 1975

- ▲ Energy
- ▲ Transport
- ▲ Water supplies
- ▲ Telecommunications

- ▲ Basic industries
- ▲ Mechanical and electrical engineering, electronics
- ▲ Other industries
- ▲ Global loans
- ▲ Global loan allocations



**development of
North Sea oil and gas**

A number of loans amounting in all to £47.8 million were granted to the British Gas Corporation, for extending the gas pipeline network bringing Frigg natural gas from the North Sea to central Scotland, North-West and North-East England, via the coastal terminal at St Fergus. A further EIB loan for £16.9 million was made to finance construction of the petroleum harbour at Sullom Voe in the Shetland Islands. This will be used for transferring crude piped from the Brent and Ninian fields to tankers for shipping mainly to refineries in the United Kingdom and the European mainland.

two nuclear power stations

The development of the North Sea oil and gas fields has brought prospects of economic development that call for increased electricity supplies in Scotland and the North of England. Loans worth more than £50 million were advanced for the nuclear power stations at Hunterston in Scotland and Humberpool in the North-East, and for high-tension transmission lines to link the Peterhead and Inverkip power stations with the Scottish grid.

Two loans were granted in support of coal production and utilisation, one to the National Coal Board for opening two coal mines in Yorkshire and Humberside and South Wales and developing a number of mines in the Midlands, and the other to the British Railways Board for the acquisition of over 2 000 specially designed wagons to deliver coal direct from the mine to the power station.

**telecommunications
and water supplies**

The Bank also part-financed two general infrastructure projects in development and conversion areas, one concerning the extension and modernisation of telecommunications in Wales and the other for improving water supplies in North-East England.

and industrial projects

Four industrial projects received loans totalling £22.1 million, and will lead directly to the creation of some 1 500 jobs, as well as safeguarding over 700 others. The largest loan (£17.5 million) went to the British Steel Corporation for the installation of three new sheet coating lines at Shotton, in an area of Wales especially prone to employment problems. This financing operation brought to £67 million the total so far advanced towards the British Steel Corporation's Ten-Year Development Strategy.

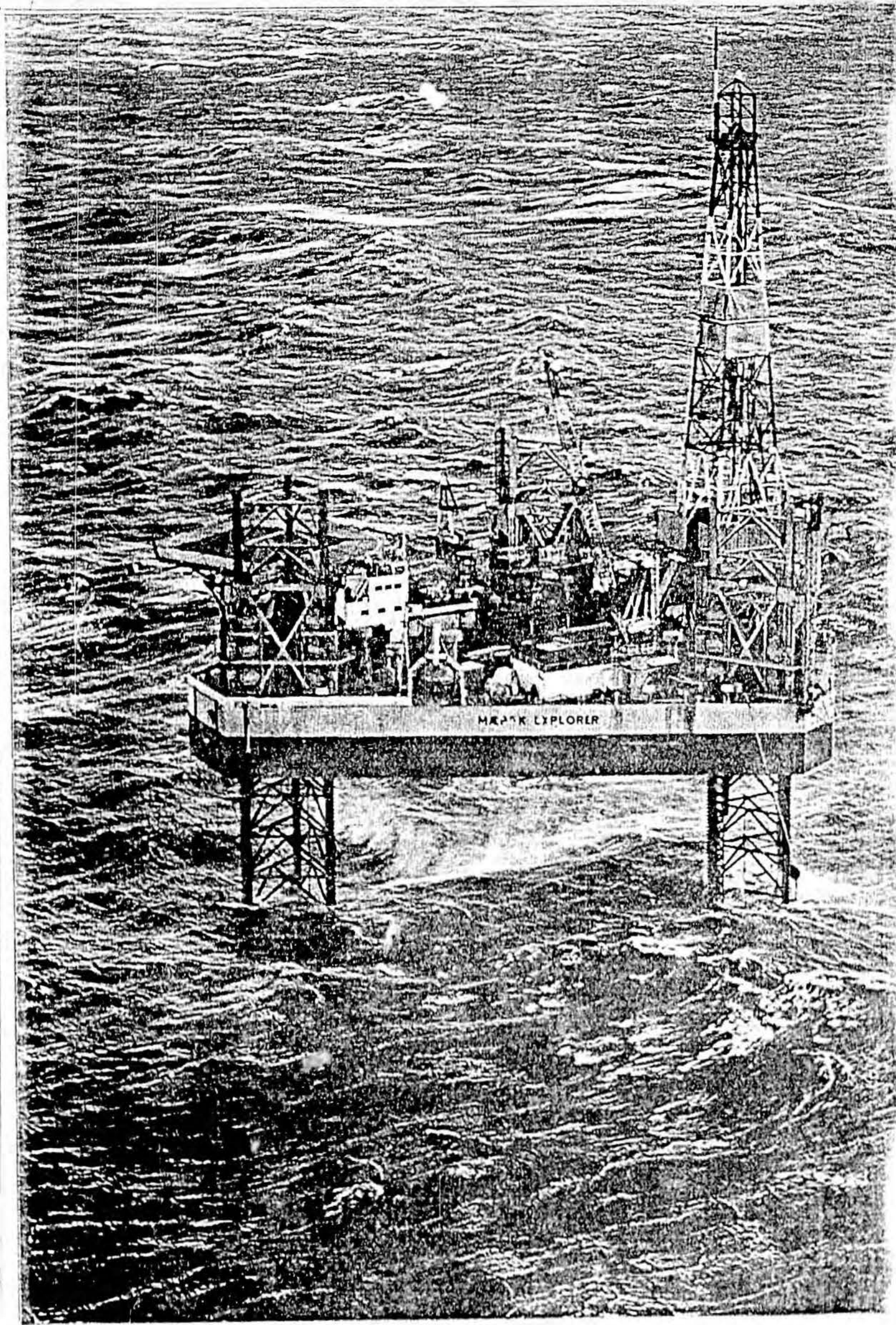
The other loans in the industrial sector helped to finance a whisky distilling, maturing and bottling plant at Shieldhall, a semi-portable typewriters factory in Glasgow, and a plant to produce glucose for the food and brewing industries at Howden in Yorkshire and Humberside.

Under the global loans granted in previous years to Industrial and Commercial Finance Corporation Limited (ICFC), the Bank approved 12 allocations involving a total of £2.4 million, in support of small and medium-scale ventures entailing the creation of about a thousand new jobs.

**158 million for loans in France,
chiefly telecommunications**

Eleven loans were granted in France, for a total of 158 million units of account — Ffrs 845.7 million —, mainly for infrastructure in the fields of energy, transport, water supplies and telecommunications.

Two loans amounting to Ffrs 325.7 million went in support of the extension and modernisation of international telecommunications equipment (exchanges,



MARK EXPLORER

Lending for projects which will help to increase and diversify the Community's energy resources amounted to 327.9 million units of account, or more than one-third of all financing in Member Countries. The Bank again played a role in the development of oil and natural gas fields in Italy, in the Po Valley, and in the Danish sector of the North Sea.

microwave links, telex etc.) and the improvement of telecommunications in Brittany. Since 1967 the EIB has advanced a total of Ffrs 1200 million for projects designed to offset the relative lack of equipment in this sector suffered by the less developed regions of the country.

water The Breton departments of Finistère, Morbihan and Ille-et-Vilaine also received loans totalling Ffrs 50 million to finance modernisation and extension of water mains networks, to improve supplies to many rural communes and further the development of agriculture, industry and tourism. Four loans were granted in 1973 for similar investments.

transport Two loans were granted for transport infrastructure, one for Ffrs 150 million to increase the traffic capacity and improve operating conditions on the Paris-Bordeaux-Hendaye-Spanish frontier railway line serving the Atlantic seaboard, and the other for Ffrs 165 million to finance the Verdun-Rheims section of the Paris-Lorraine-Germany motorway. A loan for the Verdun-Metz section of this road was granted in 1974.

and nuclear energy Three loans totalling Ffrs 135 million helped to finance projects aimed at improving the Community's energy supplies. The largest of these, for Ffrs 100 million, went towards construction of the fourth stage of Bugey nuclear power station at St Vulbas on the Rhône, bringing total bank finance in support of this project to Ffrs 618.6 million.

The second loan went to Framatome for a factory at Chalon-sur-Saône producing pressure vessels and steam generators for nuclear power stations, and the third part-financed construction of advanced technology undersea pipeline welding equipment to be used initially in the North Sea.

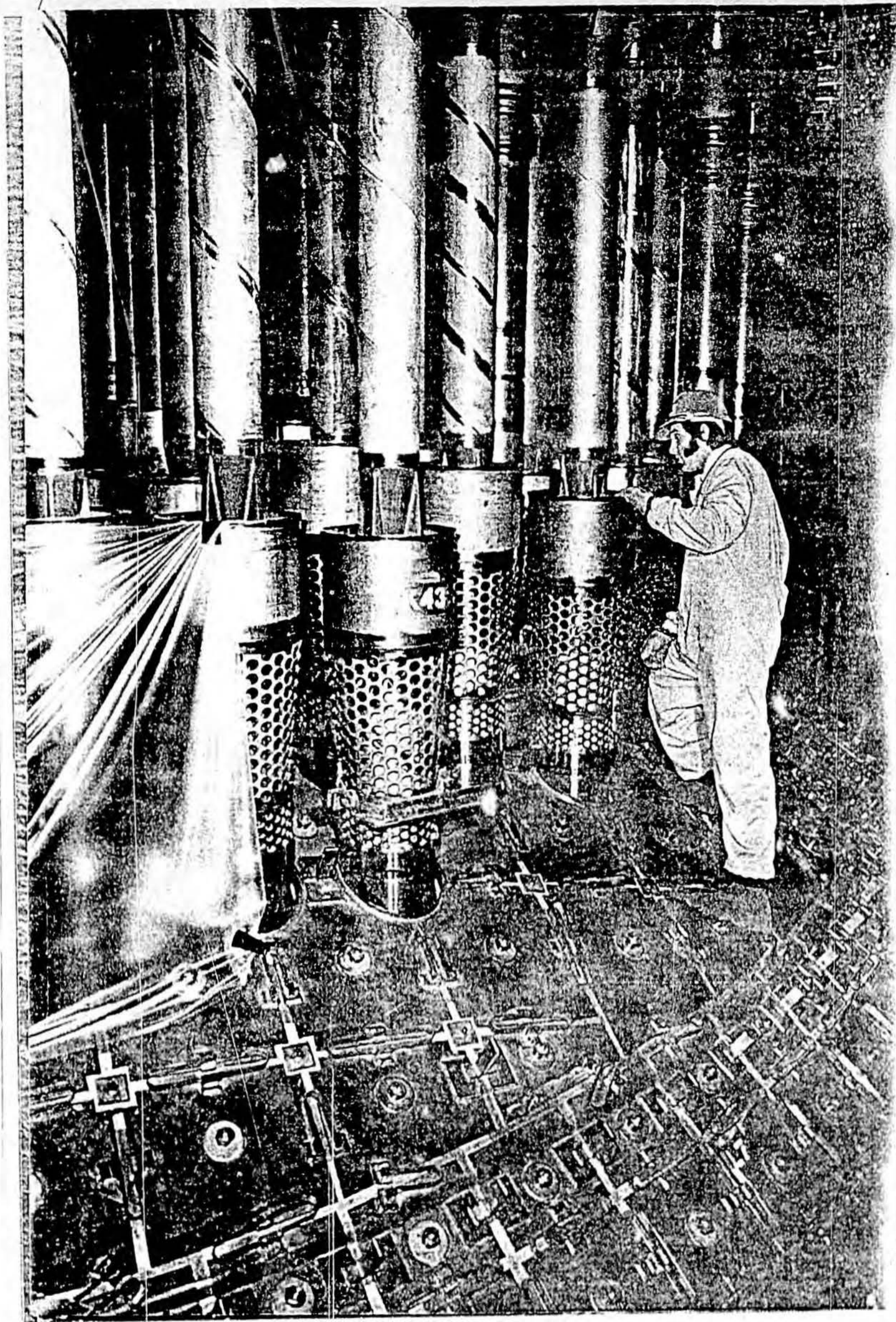
Société Lorraine de Développement et d'Expansion (LORDEX) received a second global loan, for Ffrs 20 million, for extending operations in support of small and medium-scale industrial ventures.

In 1975, 46 allocations worth more than Ffrs 100 million to help to finance fixed assets totalling some Ffrs 300 million were drawn down for small or medium-scale ventures from global loans previously granted to Crédit National, Caisse Centrale de Crédit Hôtelier, Commercial et Industriel and Société de Développement Régional de la Bretagne, and to LORDEX. These investments will lead to the direct creation of over 2 500 jobs and safeguard 1 500 others.

**In Ireland 37.7 million
for two regional
development projects**

In Ireland two loans totalling 37.7 million (£ Ir 22 million) were granted in favour of regional development projects, one for extending a cement works at Platin in County Meath, supplementing the loan granted in 1974, the other in furtherance of the five-year telecommunications extension programme for which the EIB had already provided finance over the previous two years.

The Bank also approved allocation of three sub-loans for £ Ir 1 million from a global loan granted in 1974 to the Agricultural Credit Corporation Limited (ACC); the ventures financed will lead to the creation of 360 jobs.



Finance provided for investments in the United Kingdom amounted to 334.5 million units of account. All the projects in question were located in regions facing development or conversion problems and most of them concerned energy supplies. As in Italy and France, the Bank helped to finance nuclear power stations; it also advanced considerable sums for extension of the network of major pipelines to transport natural gas produced from North Sea fields.

**in Denmark 17.7 million
for the development
of oil deposits**

Six loans were granted in Denmark for a total of 17.7 million (Dkr 125.4 million). The largest of these, worth Dkr 43 million, will contribute to the acquisition and installation of two oil production platforms for the Dan field in the Danish sector of the North Sea. Two further operations supported extension of an electric motors factory in the least developed area of North Jutland and construction of a very modern, high capacity pig slaughterhouse run by a farmers' cooperative in South-East Jutland which will benefit the cooperative's 4 000 members. These three projects will lead to the direct creation of more than 500 jobs and safeguard around 300 others.

and industrial projects.

The Bank also granted three global loans worth Dkr 47.4 million, one to Finansieringsinstituttet for Industri og Håndværk A/S and two to the Danish Government acting through Egnsudviklingsdirektoratet, the Directorate for Regional Development. Five allocations totalling Dkr 10 million were approved from these loans for financing small and medium-scale ventures providing jobs for over 500 workers in less developed areas of the country.

**10.8 million for a gasline
in Belgium**

In Belgium a loan for 10.8 million (Bfrs 500 million) went to Société Européenne du Gazoduc Est-Ouest (SEGEO) for laying a pipeline for conveying natural gas from fields in the North Sea and the Netherlands to southern Belgium and northern France. This gasline will form part of the European network, which has received several loans from the EIB in previous years.

LOANS OUTSIDE THE COMMUNITY

GREECE

**In Greece 47.2 million
for loans from the EIB's
own resources**

Following reactivation of the Financial Protocol with Greece, which had been suspended in 1967, the entire balance of funds provided for under this Protocol was committed in the form of seven loans totalling \$ 55.8 million (1) (47.2 million units of account), or Dr 1 878 million, financed from the EIB's own resources.

**for irrigation work
in the Serres plain**

The largest of these loans, for \$ 30 million, or Dr 1 039.8 million, contributed towards irrigation work in the Serres Plain in Eastern Macedonia. It attracted the interest subsidy of three percentage points financed by Member States which signed the Financial Protocol and reserved for certain infrastructure projects showing an indirect or long-term return. The project forms a key part of the programme to increase the total irrigated area of the country by approximately one third. Flood control on the river Strymon and irrigation of a further 20 000 ha will make for a marked rise in agricultural production and considerably improve the employment situation on irrigated farms.

(1) The Financial Protocol provided for loans from the Bank for the equivalent of \$ 125 million.

and several industrial projects

In the industrial sector, the Bank channelled funds to five projects. Two loans went to projects in Boeotia for constructing a cement works at Kamari and a factory at Oenophyta producing flat-rolled aluminium products. The other three loans went to a new electrical and telecommunications cables factory at Volos in Thessaly; an integrated cotton spinning and weaving plant at Yannitsa in Macedonia and a plant producing nylon filament yarn near Athens. Funds for the first four projects were granted through the intermediary of the Hellenic Industrial Development Bank (ETBA) and for the fifth through the National Investment Bank for Industrial Development (NIBID). These projects will create around 1 500 jobs.

A global loan was also granted to NIBID for financing smaller-scale industrial ventures, in agreement with the EIB. Two allocations were approved in 1975, effectively creating and safeguarding over 200 jobs.

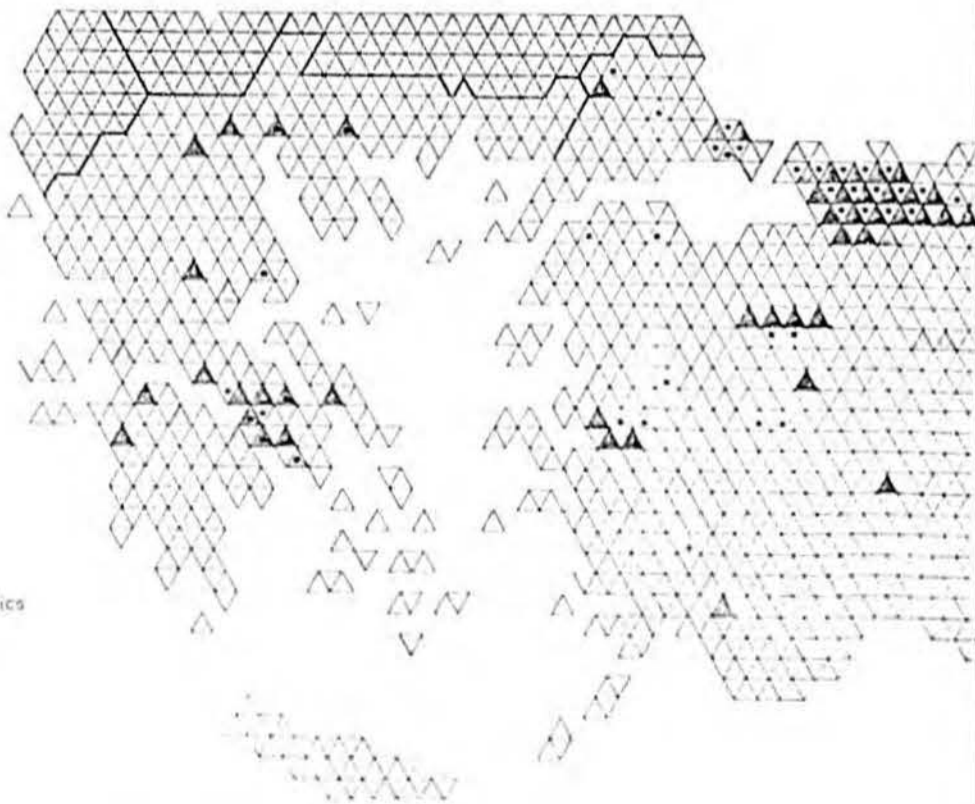
TURKEY

In Turkey 35 million for special loans, mainly for Elbistan power station

In Turkey three loans on special conditions totaling 35 million (TL 605.4 million) were granted by the Bank from funds provided by Member States.

Financing provided in Greece and Turkey

prior to 1975	1975	
△	▲	Energy
△		Transport
▲	▲	Irrigation
▲	▲	Basic industries
△	▲	Mechanical and electrical engineering, electronics
▲		Other industries
△	▲	Global loans
•	•	Global loan allocations



Two large infrastructure projects attracted the bulk of these funds. Finance totalling 77 million was approved for the Elbistan thermal power station project in Eastern Anatolia in 1974 when the first loan (58 million or TL 1 008 million) was made available. The second loan, for 19 million (TL 330.2 million) was granted in 1975.

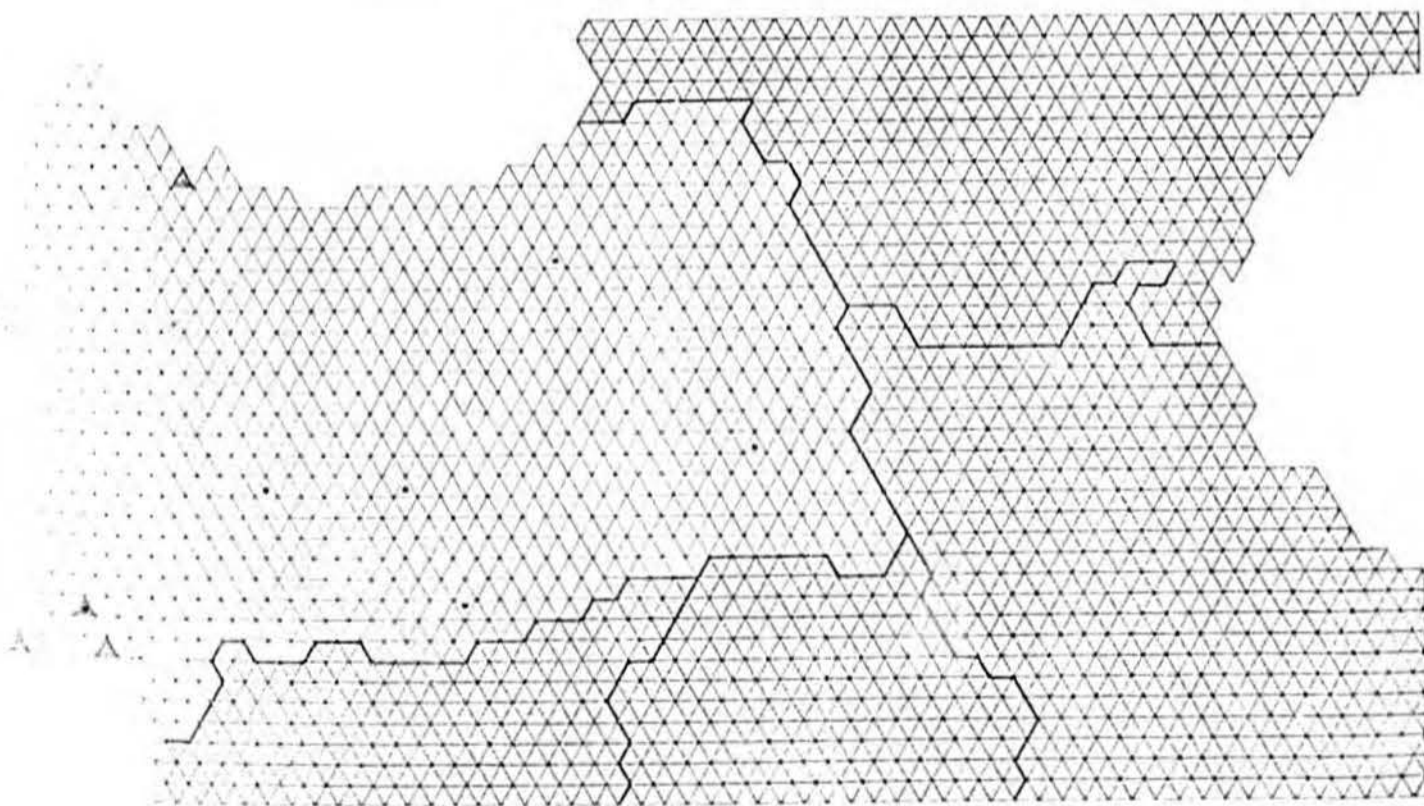
and irrigation of the Berdan Valley

A loan for 11 million (TL 189 million) helped to finance irrigation of 14 000 ha of land in the Berdan Valley in Southern Anatolia. The project comprises an 87 million cu.m. reservoir, and an entire irrigation, drainage and road system; it will also mean improved drinking water supplies for the town of Mersin.

The Industrial Investment and Credit Bank (SYKB) received a further global loan of 5 million (TL 86 million) for financing small and medium-scale ventures.

The Bank also approved 19 allocations totalling 22.3 million (TL 390 million) from the 25 million in lines of credit from its own resources granted to SYKB in 1974 for financing smaller-scale industrial projects and to the Turkish Industrial Development Bank (TSKB) for loans to private industry.

These allocations will lead to the direct creation of around 3 000 jobs as well as safeguarding some 1 700 others. The largest venture concerns a cement works at Yozgat in Central Anatolia which received a loan of 6.4 million through TSKB. The project is being implemented by a joint stock company established with a view to enabling workers who are natives of the town, but working abroad, to channel savings into productive investment in their home province.



AASMM-OCTD

1.75 million from the EIB's
own resources in Mauritius

An ordinary loan of 1.75 million (Mau Rs 13.6 million) from the Bank's own resources was granted for uprating Fort Victoria thermal power station in Mauritius. This operation will help to bring about a significant improvement in the island's electricity supplies.

5.1 million for loans
on special conditions
from the EDF

Two loans on special conditions granted from the European Development Fund (EDF) and managed by the Bank under its Special Section as agent for the Community went towards financing infrastructure projects in the Netherlands Antilles and Guadeloupe.

in the Netherlands Antilles
and Guadeloupe

In the Netherlands Antilles a loan for 4.4 million (Ant. Fl 9.1 million) will help to finance construction of additional infrastructure to enable large aircraft to land at Curaçao international airport.

The French overseas department of Guadeloupe received a loan of 0.7 million (Flrs 4 million) for constructing a new mixed cargo wharf and various port installations at Pointe-à-Pitre.

Operations between 1958 and 1975

Between 1958, when it was established, and 31 December 1975, the European Investment Bank signed 641 contracts providing total financing of 5 660.9 million at current prices, or some 7 950 million at 1975 prices (1). The total cost of capital investments for which the Bank has extended long-term finance amounts to some 35 000 million at 1975 prices (2), corresponding to an average contribution of 22.4 %.

The different phases of development in Bank activity are illustrated in the graph on page 18 based on current prices. Following the initial phase, during which new loan commitments rarely exceeded 100 million, the annual volume of Bank lending progressively increased from just under 200 million in 1966 to 500 million in 1972. Enlargement of the Community led to a rise in Bank operations to more than 800 million in 1973 and to around 1 000 million in both 1974 and 1975.

Leaving aside the initial phase of activity, these trends correspond to an average annual growth rate, over the period 1966-1975, of around 12% at constant prices, or considerably more than twice the rate of increase in gross fixed capital formation in the Community over the same period. Graph A on this page shows the growth in amount and volume of Bank operations financed from own resources and brings out the combined effect of spiralling inflation and enlargement of the Community on activity during the 1970s. The level of activity in 1975, however, was no higher, in real terms, than in 1973.

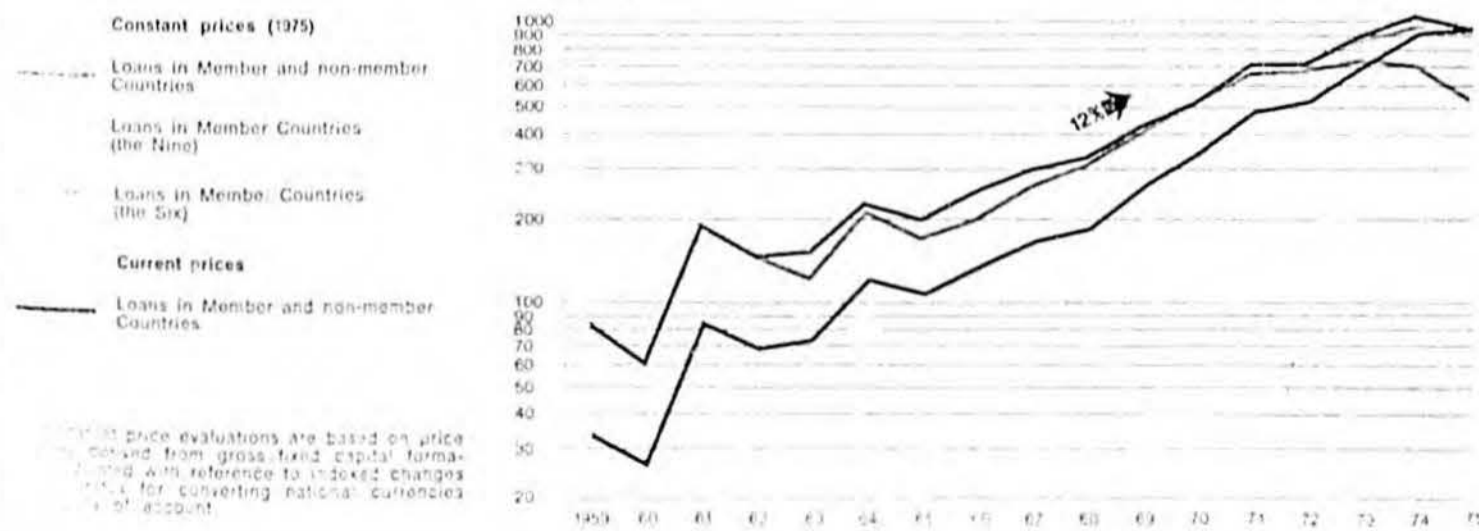
(1) Constant price evaluations are based on national price indices derived from gross fixed capital formation, adjusted to take account of changes in the rates for converting national currencies into units of account.

(2) This represents the total amount of fixed investments in respect of all projects backed by the Bank, calculated from data used in establishing the promoters' financing plans at the date when the Bank's Board of Directors approved the relevant financing operations.

Graph A

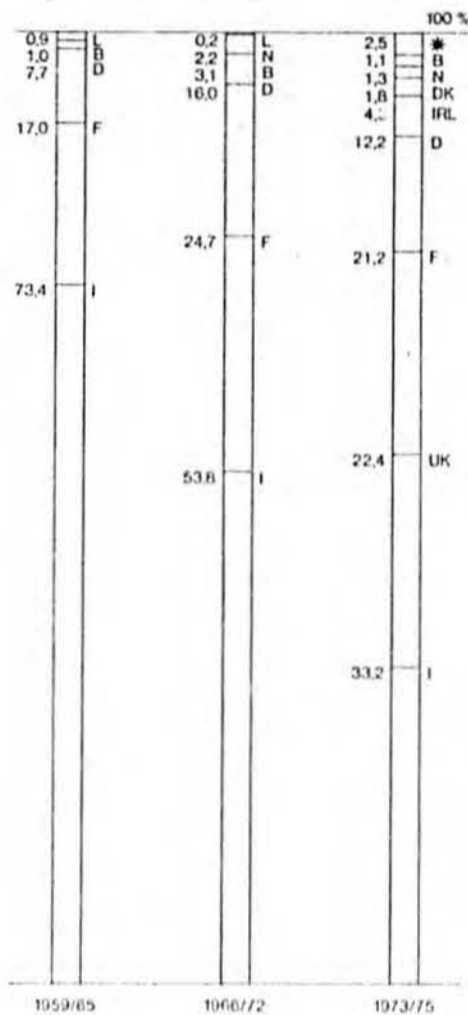
Loans from EIB own resources, 1959-1975 (at 1975 constant prices) (1)

(million u.a.)



Graph B

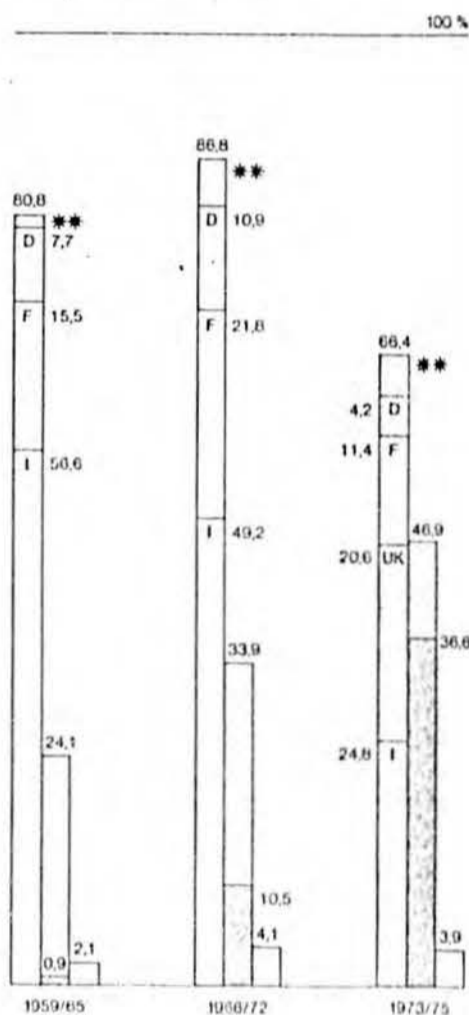
Financing provided within the Community from 1958 to 1975
Breakdown by country



* Outside Community

Graph C

Financing provided within the Community between 1958 and 1975
Breakdown by economic policy objective



Regional interest
Common interest of which Energy
Sectoral interest
** Other countries

Indices of Bank activity (average annual amounts at 1975 prices)

Member Country	1958-65	1966-72	1973-75
Belgium	100	310	650
France	100	210	290

Indices of Bank activity according to economic policy objective (average annual amounts at 1975 prices)

Policy Objective	1958-65	1966-72	1973-75
Regional interest	100	240	540
Common interest to several Member Countries	100	440	1280
Sectoral interest	100	660	1300

OPERATIONS IN THE COMMUNITY

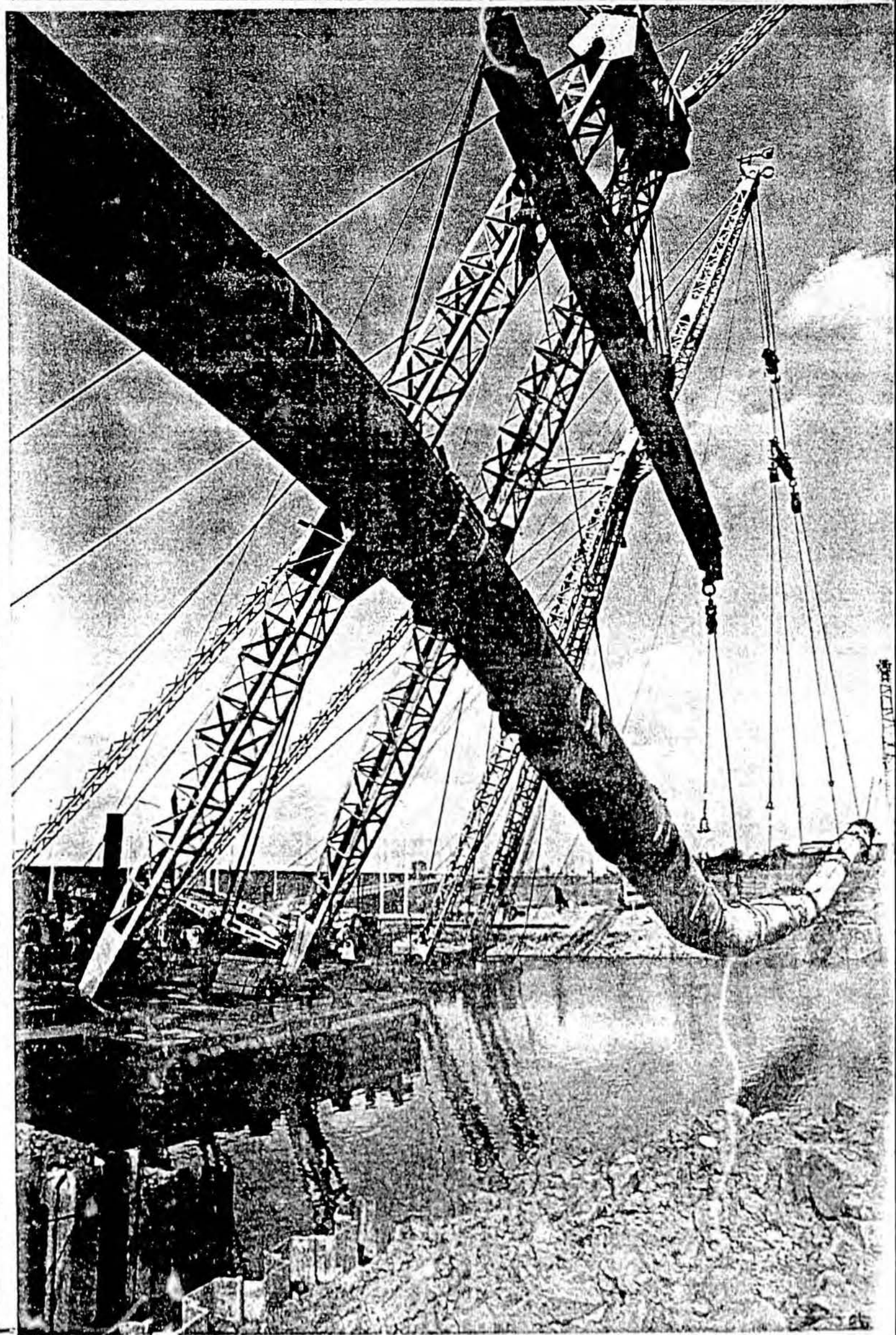
By far the greater part of the finance granted by the Bank has gone to Member Countries. 496 operations in support of projects located in the Community or of direct benefit to Member Countries totalled around 6 870 million at 1975 prices (4 919.4 million at current prices), or 87 % of the total. The Bank thereby contributed towards capital investments totalling around 30 000 million at 1975 prices, leading to the direct creation of 109 000 jobs and safeguarding 44 000 others.

In accordance with the Bank's main object of financing regional development and in view of the economic backwardness of the entire Mezzogiorno, Italy has been by far the leading beneficiary of EIB financing, having received 45 % of total Bank lending in Member Countries. Next come France with 22 %, Germany with 13 % and the Benelux countries with 4 %, while, of the new Member Countries, the United Kingdom has received 11 %, Ireland 2 % and Denmark 1 %. The remaining 1 % relates to loans for projects which although located outside the Member Countries, are of importance to the Community's energy supplies.

Graph B shows trends in the breakdown of financing by country. Although the volume of loans to Italy has continued to increase, its share of total Bank lending within the Community, where it remains the leading beneficiary, has progressively declined. The proportion of funds granted in France and Germany tended to increase, at least until Bank activity was extended to the new Member Countries of the Community. The percentages shown for the first three years of Bank lending in the new Member Countries are probably somewhat below what will be typical when operations are fully under way.

Most of the finance provided by the Bank within the Community since its foundation has benefited the less developed regions or areas facing conversion problems (see Table 5, p. 70). It can be seen from Graph C (1) that the share of lending in support of regional development has tended to decline, in spite of the fact that the average annual amount of such operations increased more than fivefold between the periods 1958-1965 and 1973-1975. In contrast, projects of common interest to several Member Countries have assumed increasing importance and, although originally concerning mainly transport infrastructure (roads, railways, etc.), within the Community, now cover a wider spectrum of activities. Between 1973 and 1975, more than 75 % of funds for projects of common interest helped to improve the Community's energy supplies, e.g. nuclear and hydroelectric power stations, gaslines and equipment for exploiting oil and natural gas. The share of loans for advanced technology and industrial modernisation or conversion ventures has doubled since the initial phase of activity, but remains relatively small.

(1) N.B. : Some loans satisfy more than one objective.



Bank mounted a number of operations in support of natural gas transmission which is of growing importance in the Community's energy supply pattern. Loans were granted not only for the United Kingdom network, but also in Italy for distribution, in Calabria, of natural gas from the Campo di Luna field — and in Belgium, towards the laying of a line which will bring natural gas from the North Sea and the Netherlands to southern Belgium and northern France.

Graph D
Financing provided within the Community
1958 to 1975



A sectoral breakdown of Bank activity within the Community since 1958 shows infrastructure projects topping the list with 197 projects receiving 64.9% of total commitments (see Table 7, p. 72). Graph D makes it clear that the predominance of finance for infrastructure has become more marked and that the breakdown of operations according to type of project financed has substantially changed over the years.

The share of lending for transport infrastructure, although still considerable, is tending to decline in favour of telecommunications and, more especially, energy projects, the latter receiving more than 55% of all funds channelled into infrastructure works between 1973 and 1975. Between 1967 and 1975 a total of around 620 million at 1975 prices was granted for 13 nuclear power stations in Belgium, France, Germany, Italy and the United Kingdom.

Almost 35% of all loans granted since 1958 has gone to productive enterprise. Its share of total Bank lending has however steadily diminished (see Graph D), particularly over the past two years with the slackening pace of economic activity. Nevertheless, the volume of funds earmarked each year for productive enterprise increased more than fourfold between the initial phase (1958-1965) and 1973-1975, with the Bank providing finance for 767 ventures. This high number is attributable to the application, since 1969, of the formula of global loans to banks and other intermediary financing institutions which draw on the proceeds, in agreement with the EIB, to make sub-loans for small and medium-scale industrial ventures in less favoured areas.

Between 1968 and 1975, 32 global loans totalling 440 million at 1975 prices were made available to the financing institutions listed in Table 12, page 76. Up to 31 December 1975, 257 million had been lent towards 468 smaller scale industrial ventures, more than half of this over the past two years alone. Projects financed from global loan allocations are located in the Community's problem areas (see map, p. 28). The average size of allocations was 0.55 million over the 1969-1975 period; they directly improved employment in these areas by creating 30 700 jobs and safeguarding a further 10 500. The global loan formula has enabled the Bank to help in financing investments totalling 810 million at 1975 prices. The capital outlay for each job created averaged 26 000 units of account for global loan projects as against 96 000 units of account for industrial projects receiving individual loans.

The main industrial recipients of individual loans and allocations from global loans were the metals sector (production and semi-processing), followed by the chemicals industry and, some way behind, the mechanical engineering and transport equipment industries. A substantial number of global loan allocations benefited mechanical and electrical engineering projects, the foodstuffs industry, the construction materials sector and the woodworking and paper industries. The effect of these sub-loans, coupled with a fall in lending to the chemicals industry, has been to produce a change in the breakdown of finance by industrial sector: the share of loans to the basic sectors, the main recipients, is tending to diminish, with a higher proportion of finance going to the foodstuffs and processing industries (see Graph D).

Industry

- e Basic industries
- f Mechanical and electrical engineering
- g Agricultural and foodstuffs ind.
- h Other

Activity by sector (in million units at 1975 prices)

Sector	1966-72	1973-75
a	361	833
b	340	1 770
c	201	410
d	291	800
e	163	123
f	270	810