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REPORT ON THE LOAN POLICY OF THE EUROPEAN COMMUNITIES

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I. Introduction

During the debates of the European Parliament on 19 June 1975 a discussion was held concerning the loan policy of the Communities. In fact the Parliament requested the Commission to present a comprehensive survey on the activities of the Communities institutions in the financial field and on the principles which will guide the Communities' loan policy in the future.

In his answer to the Parliament, Mr. Cheysson, on behalf of the Commission confirmed the importance of the loan policy for the financing of the present and future Community activities.

II. Legal provisions

It is foreseen in the different Treaties that the Communities can take recourse to capital markets in order to finance some of their tasks.

E.g. Article 49 of the E.C.S.C. Treaty stipulates that "the High Authority is empowered to procure the funds to carry out its tasks :

- by contracting loans"

Likewise Article 130 of the E.E.C. Treaty, which gives the outline of the activities of the European Investment Bank, reads as follows :

"The task of the European Investment Bank shall be to contribute, by having recourse to the capital market, and utilising its own resources, to the balanced and steady development of the Common Market in the interest of the Community, etc"

Also the Euratom Treaty in its Article 172. provides for the possibility to borrow on the capital markets.

The above mentioned articles which empower the various community institutions to borrow refer to specific goals which can be partly financed through such loans. However, the Community can float loans under special circumstances if such operations should prove necessary to attain one of the objectives of the Treaty; e.g. in order to overcome difficulties of a temporary nature which threaten the proper functioning of the Community or the progress towards further integration.

This was the case when the Community on the basis of Article 235 of the E.E.C. Treaty was enabled to float loans the proceeds of which are to be put at the disposal of Member States experiencing serious balance of payments difficulties as a consequence of the energy crisis.

III. The European Coal and Steel Community

It is outlined in the E.C.S.C. Treaty that the Community, in order to promote the expansion and modernisation of production and in order to safeguard employment, can place financial means at the disposal of undertakings for their investment (see articles 2, 3 and 5).

To this end the High Authority, according to article 49, is empowered to procure the funds it requires, notably by contracting loans which have to be exclusively used to grant loans (art. 51, §1). Since the fusion of the executives of the three Communities, the tasks of the High Authority are carried out by the Commission.

In the framework of the energy and coal- and steel policy, the goals of which are regularly discussed with all parties concerned (Commission, European Parliament, governments producers, consumers), the E.C.S.C. grants loans which globally fall into three categories :

- a) loans to undertakings which facilitate the carrying out of investment programmes (art. 54);
- b) loans to help finance programmes either for the creation of new and economically sound activities or for the conversion of existing undertakings which intend to reabsorb redundant workers into productive employment (art.56);
- c) loans to facilitate the realisation of housing programmes for workers in the coal and steel industry.

The conditions of the loans granted have to correspond with those of the funds raised on the capital market, with exception of very definite sectors (like the coke-plants) where expansion must be supported, and of the loans which have social and regional aspects : "prêts de reconversion" (sub. b), environmental policy, creation of professional training centres. In this case a certain interest subsidy is granted out of budget resources. The subsidy is now 3 % for the first five years of the loan. On the contrary, the "housing programme" loans with a life of 20 to 25 years and bearing an interest rate of 1 %, are financed mainly out of own resources.

During the period 1954-1974 the total amount of loans raised was 1 995 million U.A. (*) and, account taken of amortization of 380 million U.A., total outstanding loans at the end of 1974 amounted to 1 615 million U.A. Yearly issues grew from 74,5 million U.A. in 1954 to 527,7 million U.A. in 1974 and amounted to 658 million U.A. in 1975.

For the period 1954 - 1974 the loans granted amounted to 1.912 million U.A. of which 1 480 million U.A. for normal industrial loans (sub.a), 275 million U.A. for the "prêts de reconversion" (sub. b) and 157 million U.A. for housing programmes (sub. c). Total loans granted during 1975 amounted to 709 million U.A.

A detailed description of the E.C.S.C.'s financial activities can be found in annex I of this report.

(*) All figures in E.C.S.C. Unit of Account at the exchange rates of 31st December 1974.

IV. The European Investment Bank

Article 130 of the E.E.C. Treaty stipulates that the E.I.B., by having recourse to the capital market, can grant loans and give guarantees to help finance projects in all sectors of the economy the realisation of which contributes to the balanced and steady growth of the common market in the interest of the Community.

According to its Statute, the E.I.B. is a non-profit-making body but this means, naturally, that it covers its operation costs. In addition, the Statute provides for the accumulation of reserves and provisions.

In the past its main activities comprised of helping to finance the following categories of projects :

- investments in less developed regions of the Community, e.g. South Italy, Ireland, certain areas in France and the United Kingdom and certain border areas in Germany.
- investments in industrial areas suffering from structural difficulties such as North and East France, mining areas in Germany and Belgium, old industrial centres in the United Kingdom.
- investments of particular interest to European development e.g. advanced technology, environmental protection, energy (especially nuclear installations).
- investments in infrastructure of common interest and investments resulting from technical and economic cooperation between enterprises in the different Member Countries.

Apart from these intra-Community activities the E.I.B., by special decision of its Council of Governors, has contributed to the financing of projects, outside the Community, of the following kind :

- investment outside the E.E.C. but of particular interest to the Community (e.g. a pipe line through Austria to transport Soviet natural gas to France and Italy).
- within certain predetermined limits investments in countries which have concluded association or cooperation agreements with the E.E.C. (the Yaounde and Lome Convention countries, the Maghreb countries, Portugal, etc...).

Apart from all these operations which the Bank finances from its own resources, it sometimes acts as the agent for Member States. In this respect may be recalled the management by the Bank of the special operations in Turkey, financed out of the Member States' resources and provisions for the management in future of the so-called "risk capital" operations to be financed out of the European Development Fund in the A.C.P. countries. These agency operations are accounted for outside the Bank's own balance sheet in the "Special Section" created in 1963 for that purpose. The Bank's capital amounts to 3 543,75 m. U.A. of which 557 m. U.A. are paid up or payable. During the period 1958/1974 it has granted loans for 4 651,5 m. U.A. which helped finance investments of about 21 billion U.A. Of this amount some 85 % went to projects within the Community's borders.

In 1975 the total of new commitments signed by the E.I.B. was of the order of 1 000 m. U.A.

The total amount of loans floated during the period 1961/1974 was 3.390 m. U.A. and total outstanding loans at the end of 1974 stood at 3 124 m. U.A. Yearly issues grew from 21 m.U.A. in 1961 to 825 m.U.A. in 1974. In 1975 the calls of the E.I.B. on financial markets amounted to about 831 m.U.A. of which nearly 814 m.U.A. resulted in public or private placings.

A detailed description of the financial activities can be found in annex n°2 of this paper.

V. The Community loan mechanism

The Community initiative to raise external loans was based mainly on the need to help member countries overcome balance of payments difficulties originating in the oil price increases. It is therefore of a temporary nature.

Two regulations, adopted 17th February 1975, contain the following main provisions :

- The fund raising operations can be concluded either directly with third countries and financial institutions or on the capital markets.
- The maximum amount is limited to the equivalent in European units of account of three billion U.S. dollars and the average term of the funds borrowed may not be less than 5 years.

- The loans granted to any Member State are conditional upon the Member State concerned adopting an economic programme to improve its balance of payments.
- The operations have to be "blank", lending and borrowing conditions have to be the same.
- In order to guarantee the servicing of the external loans under any circumstances, Member States have adopted a guarantee mechanism whereby they will stand to provide the Community with the necessary funds.
- At least two Member States of the E.E.C. will make use of this possibility in 1976.

Further details can be found in the two Council regulations annexed hereto (annex n° 3).

VI. The Euratom loans *)

The estimates with regard to the financing need for the supply of electricity by nuclear energy show that in the coming years considerable amounts will have to be raised on capital markets.

To cope with this problem the Commission has proposed a common financing policy, in particular the raising of external funds by Euratom itself through loans which, according to Article 172 of the Euratom Treaty, can be raised on national and international capital markets.

These loans would serve as supplementary finance for projects in the nuclear energy field and would normally not exceed 15 to 20 % of total investment of each project.

The Commission is of the opinion that loans of an annual volume of 500 million U.A. would help substantially towards the implementation of the Community's energy programme.

The Euratom loan mechanism has been approved by the various Community bodies, and notably the European Parliament in its session of 18th June 1975 has expressed itself in its favour. The final decision on the proposal by the Council is still pending.

*) On the basis of the Council Decision of May 28th, 1959, two loans have already been granted in the past for the financing of nuclear power stations.

If adopted this mechanism will be worked out by the Commission in cooperation with the E.I.B. which also grants loans in the nuclear energy field.

VII. General principles and final considerations

The above analysis shows that the Community's borrowing policy is at the moment going through a period of change. The ECSC and the E.I.B. have been active for a long time, and have well established and growing positions in the financial markets. In addition to these well established borrowers the Community has decided to start Community loans, and has adopted in principle the Commission's proposal for Euratom loans. The Commission has moreover recently sent to the Council a proposal for the creation of a European Export Bank which would be largely financed by borrowing.

These developments reflect the desire that the Community should be able to help more effectively to achieve the policy targets it adopts. Thus, the major economic changes in the energy sector justify the Euratom proposal, which will help the energy objectives for 1985 to be fulfilled. The Community loans is an important concrete step by which the Community can help towards the goal of economic and monetary union. For the future, the Commission has proposed the development of a European Export Bank to help finance multinational projects of Community interest of which financing has hitherto been sometimes difficult because of the lack of a central Community organization.

In these circumstances it is not possible to forecast accurately the future scale of the Community's borrowing, but it seems likely that the trend will be upwards.

Community borrowing is not however an objective in itself. Community financial policy is to be considered as being of a complementary nature even if it happens to be essential in view of the amount or conditions provided. In the framework of the Communities' activities it is directly linked to the devising and implementing of eg a common regional, social, industrial, energy or commercial policy. It is necessary that a certain cohesion exists between the fixing of common policies and projects and the way in which these will be financed as these policies will have to

be adjusted in the light of changing economic and political circumstances. It should be able to respond quickly to changing market conditions, to take advantage of new financing formulae or newly emerging markets and in general to work efficiently on capital markets.

Community financing serves, above all, a purpose if funds can be borrowed at better conditions than can be obtained by individual Member States or by private bodies, or if funds can be obtained which would not otherwise be available for individual countries or other public or private borrowers. Usually, the Community can obtain better terms in the financial markets than are available to the individual borrowers in question. The Community's name thus provides an improvement which, on the large sums involved, can be very significant.

This ability to borrow on the best terms depends on the judgment which the market makes of the borrower. In the case of E.I.B., the Bank's capital and reserves, as well as the quality of its existing borrowers, are ample guarantee. In the case of the ECSC, to its reserves and the quality of its portfolio is added the ability of the ECSC to impose a levy on the coal and steel industries. The Community loan is included in the Community budget, but a supplementary guarantee is provided by the Member States under special arrangements. For Euratom loans a simpler procedure is envisaged, providing for a guarantee through the Community budget (also the technique proposed for the European Export Bank) and they will also be able to rely on the quality of its portfolio. The provision of satisfactory guarantees is essential if Community lending is to retain its advantage.

The methods implemented to raise the necessary funds should of course be adapted to the character of investment for which the funds are needed. Thus, account should be taken of whether funds should be medium, long or extremely long term, whether commercial principles should be applied or whether a soft loan element be included (this involves budgetary costs, and will need to be reserved for particular priority areas); whether sufficient guarantees could be provided for by the final debtor or additional guarantees, supplied by Member States and/or Community bodies, are necessary.

Externally, the Community's lending activity has increased and will increase further. There have been Financial Protocols with Greece and Turkey for many years, in the framework of Association Agreements. There is now an ambitious lending programme in the context of the Lome Agreement: the Community has given some emergency aid to Portugal, and Financial Protocols have been decided with the Maghreb countries and with Malta. Further financial activities are to be envisaged, renewing the existing Financial Protocols with Greece and Turkey, developing financial activities with Portugal, and also providing lending to other Mediterranean countries. This development in the external lending activity of the Community is a counterpart of the Community's growing role in external relations. The European Investment Bank has proved an excellent instrument so far for the management of this lending activity, and the Commission believes that this should continue in the future. This poses a problem of balance in the activities of the E.I.B., between its rapidly increasing external lending and its much larger internal activity. The Commission believes that priority must continue to be given in the E.I.B. to internal lending, notably regional, but that this priority need not conflict with developing external lending as far ahead as can at present be foreseen.

Faced with this growing lending activity and the need for its financing, how best can the Community approach the financial markets? At this stage, no definitive answer can be given to this question; as noted above, we are in a transitional period. The ECSC and the E.I.B. have easy access to financial markets on the best terms. Both borrowers are known. The addition of Euratom and Community loans to the range of the Community borrowing instruments will give us further experience of the extent to which different means of approaching the financial markets help to maximise the amount which the Community may raise in this way. The borrowing activities of the Community, provided that adequate guarantees are available, are at the moment well below the total exposure which might be regarded as limiting by potential lenders. In this context, the Commission believes that coordination of borrowing activities of the Community is necessary to avoid conflicts of timing of issues and, for its part, has made the necessary arrangements for all such activities within its competence.

It is clear from the above that developing a Community loan policy could greatly increase the Community's means of financial intervention. This immediately raises a problem of Parliamentary control.

Parliament already receives full information about the financial activities of the ECSC, in particular when it is consulted regarding the fixing of levies and through discussions of the auditors' report. On the other hand the borrowing operations of the E.I.B. do not fall under direct Parliamentary control although the Bank regularly provides Parliament with information on its activities, and the European Parliament may put questions to the Council and the Commission about E.I.B. activities. The Community loan, being inscribed in the Community budget, is subject to Parliamentary control. This is also the case for the Euratom loans, and is suggested for the European Export Bank. The flexibility of the use of the Community budget in this context to provide the necessary guarantees, as well as its benefit in increasing Parliamentary control, are arguments for having greater recourse to this means in the future. It will of course be moreover open to the "Cour des Comptes" to examine the consequences of any budgetary activities.

MEMO on ECSC borrowing and lending

I - the bases for the ECSC's financial operations

1. The Treaty of 18 April 1951 establishing the European Coal and Steel Community, gave the institutions of the Community, among other tasks, those of:

"promoting the orderly expansion and modernization of production" (Article 3(g)) and of "safeguarding continuity of employment" (Article 2).

To this end, the Community shall "place financial resources at the disposal of undertakings for their investment" (Article 5) either in ECSC industries or in industries which contribute directly and primarily to increasing the production, reducing the production costs or facilitating the marketing of products within ECSC jurisdiction (Article 54) - or in other industries where such investment will promote employment for redundant workers from ECSC industries.

The Treaty provides that:

- the High Authority is empowered to contract loans (Article 49)
- the funds obtained by borrowing may not be used except to grant loans (Articles 51(1) and 54(1))
- the High Authority may guarantee loans granted direct to undertakings by third parties (Article 54 paragraph 1).

The tasks of the High Authority were assigned to the Commission by the Merger Treaty of 8 April 1965. Within the Commission, the Directorate-General for Credit and Investments is the department responsible for implementing the Communities' policy of granting and contracting loans,

including policy on ECSC loans, which have in fact so far been the most important.

2. This policy accords with the energy policy and the iron and steel policy laid down by the Commission. It is an instrument helping to attain the General Objectives for Coal and Steel which the Commission formulates periodically with the assistance of all the parties concerned: governments, producers, workers and consumers. It is also a practical means of backing up the opinions which the Commission is called on to give on the investment programmes of undertakings.

Because coal and steel undertakings are required to report their investments when in project form and to answer an annual survey on work actually carried out and their overall investment forecasts, there is a steady stream of information guiding those formulating ECSC borrowing and lending policy.

3. Three types of loans are granted within the framework of the ECSC:

(a) industrial loans which are granted by the Commission directly, in the case of undertakings covered by the Treaty for investments situated within the Community (Article 54(1)), or with the unanimous consent of the Council in the case of undertakings not covered by the Treaty or of investments located outside the Community (Article 54(2));

(b) conversion loans which are granted directly in the case of industries within ECSC jurisdiction; - or, with the assent of the Council, in any other industry,

with a view to facilitating the creation of new and economically sound activities capable of reabsorbing redundant workers into employment

- either by the introduction of new technical processes or equipment in the coal and steel industry (Article 56(1))

- or by fundamental changes in marketing conditions for these industries (Article 56(2)).

(c) loans intended to help finance residential construction programmes for coal and steel workers: "workers' housing".

Industrial loans and conversion loans are granted out of funds obtained by borrowing, at a rate the same or very nearly the same as the cost of the corresponding borrowings. The ECSC makes no financial profits. Interest rebates out of budgetary resources - at present three percentage points over five years - are, however, granted in a large proportion of conversion loans, and in some industrial loans for the purpose of speeding up the attainment of certain particularly important objectives: at present these are the construction of coking plant and vocational training centres, and exceptional measures for safeguarding the environment.

For all loans the Commission asks undertakings to put up first-class, but not necessarily public, guarantees. Many loans are concluded on the basis of mortgages, bank securities, etc.

"Workers' housing" loans are most often granted out of the Community's own funds at the rate of 1% and for a period in the region of twenty years. Combined with other funds provided by national financial institutions, these loans permit construction on favourable terms.

4. The loans are contracted on capital markets inside and outside the Community, in the currencies of member countries and in dollars, Swiss francs, or in composite units of several currencies.

The funds obtained by borrowing are re-lent in the same currency and for the same period, so that the ECSC takes no currency risk.

The ECSC's credit standing is based, first of all, on its right to charge the ECSC levy: up to a limit of 1% of the value of coal and steel production this is by Commission decision, and above this limit after authorization by the Council, acting by a two thirds majority. Even the 1% limit, however,

represents a possible figure in the region of 300 million u.a. per annum, which over and above the budgetary requirements for administrative expenditure, readaptation or research, leaves a very wide margin for any possible difficulty the ECSC might find in complying with redemption maturities as a result of undertakings defaulting on ECSC loans.

In order to improve its credit standing even further, the ECSC has, however, set up a guarantee fund also on the basis of funds from the levy, at first fixed at 100 million u.a., and then increased from 1973 to 1975 by the new Member States' contributions to the ECSC reserves.

In addition the ECSC has set up, on the basis of interest earned from investing guarantee fund resources and resources from reserves set aside for budgetary commitments to be met in following years, a special reserve (at present 90 million u.a.) which is not kept liquid because its funds are lent long term at low interest rates to finance workers' housing, but which is nevertheless a useful guarantee since the claims in Community hands will definitely be honoured. The special reserve also includes the ECSC officials' former pension fund (34 million u.a.), 60% of which is used for "workers' housing" loans and 40% for loans to help Community officials themselves to acquire their own homes.

These financial guarantees taken together backed up even further by the size and standing of the undertakings to which the ECSC lends, give it first class status on the European and world capital markets. When it floats public loans in New York, the ECSC obtains the triple-A rating which is granted only to the best debtors (see the ECSC balance sheet at 31 December 1974 in Annex I).

II. The ECSC's financial operations from its inception in 1954 until 1974

The first loan contracted by the High Authority was raised in 1954 on the responsibility of President Jean Monnet. The \$100 million loan was for twenty-five years and carried an interest rate of 3.7/8%.

For 1974, the total of loans contracted was the equivalent of 528 million u.a. This figure, and all the figures in this report, is given in units of account at the 31 December 1974 conversion rate.

Details of the operations are given in Annex II.

In twenty-one years the total of both private and public loans contracted is 1 995 million u.a. After redemptions of 380 million u.a., the amount outstanding totalled 1 615 million u.a. at 31 December 1974.

In fact, up to and including 1971, it was exceptional for amounts lent to total more than 100 million u.a. in a year. In 1972 and 1973 they went above 200 million u.a. and in 1974 above the 500 million u.a. mark.

Table I

Total loans contracted per year

in million u.a. at 31 December 1974 conversion rates

<u>Year*</u>	<u>Number of loans</u>	<u>Total</u>
1954	1	74 467 926.66
1956	2	30 335 709.85
1957	5	33 667 892.90
1958	1	37 233 963.33
1960	1	26 063 774.34
1961	6	25 337 123.59
1962	8	69 055 046.56
1963	4	26 852 139.57
1964	7	129 416 751.55
1965	3	65 652 634.08
1966	5	80 432 562.89
1967	4	48 787 101.27
1968	5	105 687 186.48
1969	4	61 249 269.90
1970	2	67 112 237.57
1971	6	99 833 048.87
1972	8	193 980 958.48
1973	15	292 544 881.50
1974	13	527 711 957.93
	<u>100</u>	<u>1 995 424 167.32</u>

*no loan in 1955 and 1959.

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The increase is due both to:

- the transformation of the capital market into more and more of a world market, increasingly mobile, with borrowing opportunities shifting rapidly from one country to another and Eurocurrencies assuming growing importance; it is therefore more difficult for undertakings to have direct access to the market;
- increasing investment by the coal and steel industries owing to the boosting of coal programmes after the increase in oil prices and to new steel programmes implemented when the demand for steel rose sharply before the present recession;

The two sets of factors combine to create greater demand for finance from the ECSC, which has direct access to all the financial markets where there are funds available for lending.

Table II

Investments made by the Coal and Steel industries
Eur 6/Eur 9

	<u>Coal industry*</u>	<u>Iron-ore mines</u>	<u>Steel industry**</u>
1954	445/	29	453/
1955	408/	31	524/
1956	404/Eur 9	44	570/Eur 9
1957	471/Average	50	708/Average
1958	469/1954-64	41	644/1954-64
	546		1167
1959	406/	40	587/
1960	370/	43	775/
1961	380/	52	1123/
1962	366/	46	1230/
1963	325/	28	1480/
1964	291/	24	1315/
1965	219/450	26	932/1774
1966	189/422	17	843/1083
1967	159/371	16	730/990
1968	150/278	21	802/1054
1969	101/228	20	1039/1277
1970	108/258	21	1706/2073
1971	136/288	26	2266/2851
1972	151/335	21	2639/3229
1973	148/307	25/26	2584/3028
1974	/362	/28	/2799
1975	/587***	/28	/3050

*i.e.: collieries, pithead coke-ovens, independent coke-ovens, briquetting plants (pithead power stations are not included).

**i.e.: steelworks coke-ovens, preparation of the burden, direct reduction, blast furnaces, steelworks, rolling mills, power generating plant and miscellaneous.

***Forecasts.

1. With regard to the breakdown of loans by currency, at the end of 1974 dollars represented the largest amount in the total, because of the major loans (\$570 million) contracted in this currency in 1974, in particular on the oil Eurodollar market. Next comes the German mark, which for ten years has been a regular source of borrowed funds for the ECSC, just as Luxembourg francs and to a lesser extent Belgian francs have been for the last twenty years.

Loans in Italian lire have been contracted less frequently and loans in French francs have expanded only in recent years, and this is also true in respect of borrowing on the Swiss market.

The Dutch guilder has been used regularly, but only from 1961 to 1967.

Lastly, in 1966 the ECSC floated a loan in "units of account" as defined on a gold basis and in 1970 a loan in "European monetary units" the value of which was fixed for the entire duration of the loan in the various currencies of the Six.

Table III

Breakdown of loans contracted by currency¹ 1954-74

Currencies borrowed	Total amount of loans contracted ²	million u.a.	
		Redemptions	Amount outstanding
US dollar	726.06	150.39	575.67
DM	514.31	119.11	395.20
Lit	143.20	16.04	127.16
FF	118.85	9.41	109.44
Fl	61.92	35.98	25.94
SF	154.37	27.48	126.89
Bfrs	77.48	8.83	68.65
Lfrs	122.39	9.07	113.32
£	56.84	-	56.84
u.a.	20.00	3.90	16.10
Total	1 995.42	380.21	1 615.21

¹The main features of the loans contracted by the ECSC up to 31 December 1974 and the definitions for £ (European monetary units) and for u.a. are given in Annex I.

²On the basis of the rates adopted for the conversion of national currencies into units of account at 31 December 1974.

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2. With regard to interest rates, it will be noted that, apart from some very rare exceptions, they have risen steadily in all currencies over the last twenty years, and that recent rates are over twice and sometimes almost three times the 1954 rates.

Of course the ECSC, like other borrowers, can only follow the market trends. Because of its credit rating it can, however, obtain rates appreciably lower than the current rates - which is one of the advantages of its financial operations.

3. With regard to redemption periods, they have grown increasingly shorter, especially over recent years, when it has become impossible to borrow very long term (20 or 25 years). Many loans have even had to be concluded for periods of not more than 5 to 7 years.

4. Apart from loans granted out of own funds, the amounts and terms of loans granted match those on which the ECSC has borrowed. For the twenty-one years from 1954 to 1974 the breakdown between the various categories of investment and the various countries is as follows. On the whole, these breakdowns reflect the respective sizes of the industries concerned in the different countries. The short period during which the new member countries have been able to benefit from these loans should obviously be borne in mind.

Table IV

A. Loans to finance industrial investment 1954-74
(Article 54)

Coal industry	280.17
Iron-ore mines	25.65
Steel industry	1 046.89
Conventional power stations*	111.02
Steel-using industries	<u>4.94</u>
	1 479.73

All these loans were made out of funds obtained by borrowing

*Pithead power stations (Article 54, paragraph 1) and, partly, non-pithead power stations (Article 54, paragraph 2).

B. Loans to finance conversion investment up to 1974
(Art. 56)

<u>Category</u>	<u>Amount</u> (million u.a.)	<u>%</u>
Construction of vehicles and accessories	46.79	17.0
Steel	45.75	16.6
Chemical industry	37.60	13.7
Non-ferrous metals	25.65	9.3
Trading estates	23.22	8.4
Electric power stations	18.40	6.7
Rubber	17.26	6.3
Wood and furniture	9.34	3.4
Mechanical engineering	8.0	2.9
Ceramics, glass, lime, stone	7.92	2.9
Paper, printing industries	7.65	2.8
Electrical engineering	7.40	2.7
Cast-iron, steel and other metal articles	6.07	2.2
Textiles, clothing	3.08	1.1
Processing of plastic products	2.62	0.9
Manufacture of structural metal products	1.23	0.5
Food-manufacturing industries	1.22	0.4
Aircraft construction	1.15	0.4
Transport	1.07	0.4
Miscellaneous	<u>3.91</u>	<u>1.4</u>
Total	275.30	100.0

Of these loans, 270.27 million u.a. were provided from funds obtaining by borrowing and 5.03 million u.a. from own funds.

Table 5

Breakdown by country
of loans granted from 1954-1974 (in million u.a.)

	<u>Industrial loans</u>	<u>Conversion loans</u>	<u>Total</u>
Denmark	7.81	-	7.81
Germany	724.98	102.27	827.25
Belgium	69.53	44.05	113.58
France	357.97	62.87	420.84
Italy	225.66	24.76	250.42
Luxembourg	3.02	-	3.02
Netherlands	33.65	24.19	57.84
United Kingdom	<u>46.17</u>	<u>17.16</u>	<u>63.33</u>
Community	1.468.79	275.30	1.744.09

The Community granted the following loans, from its own funds (108.40 million u.a.), and from funds obtained by borrowing (48.59 million u.a.), for construction programmes - or in some cases improvement programmes - for workers' housing, involving 132 160 dwellings.

Table 6

Loans for workers' housing

	1954/74	(in million u.a.)
Denmark	0.27	
Germany	79.17	
Belgium	26.06	
France	23.72	
Italy	13.20	
Luxembourg	4.22	
Netherlands	8.63	
United Kingdom	<u>1.72</u>	
	156.99	

Finally, the ECSC granted loans totalling 10.97 million u.a. from its own funds, for technical research on workers' housing (3.12 million u.a.), the stocking of coal (6.62 million u.a.) and a number of welfare activities (1.23 million u.a.).

The possibility of providing guarantees did not in practice prove to be an important support for the industry. Only 52 130 000 u.a. in guarantees were granted from 1954 to 1974, almost exclusively in the steel industry.

III. Recent ECSC financial operations and outlook

The increase in the number of operations in 1974 continued in 1975, with a rise in the total amount of loans contracted from 529 to 658 million u.a.

In terms of currencies used, the predominant position occupied by the dollar in 1974 was less marked in 1975; operations were also carried out in French francs and Dutch guilders and there was an increase in the number of loans contracted in German marks; Swiss francs played an important role this year as a result of Switzerland's considerable liquid assets.

Table VII

	1974	1975
	<u>in million u.a. at the 31 December 1974 rate</u>	
US \$	424.47	282.98
DM	77.65	140.38
Lit	13.74	34.37
FF	-	20.92
F1	-	23.84
SF	5.19	112.53
Bfrs	-	30.83
Lfrs	<u>8.22</u>	<u>12.33</u>
	529.27	658.18

With regard to the methods of placing, the ECSC borrowing was divided in 1974 between private loans and bond issues. The largest public loan - \$100 million - was placed on the New York market. In view of the success of this loan, two further bond issues totalling \$275 million were placed on good terms on the New York market at the beginning and at the end of 1975.

With regard to interest rates, the credit rating of the ECSC remained so high its borrowings were made at the lowest rates obtaining on the market. The rates varied on the whole according to the currencies between 8.5 and 10% in 1974, and between 8 and 9.5% in 1975.

With regard to the redemption periods most ECSC borrowings in 1974 were for a period of 5 to 7 years, while in 1975 it was possible to extend the period to 8 or 10 years, at least for the first part of the year.

As a matter of principle, the loans granted match, as to their characteristics, the ECSC borrowings. The breakdown of the amounts by period differs, however, from that of the loans granted, since there is often a gap of several days or several weeks between the time when the ECSC borrows funds and the time when the loans are granted.

The loans granted totalled 387 million u.a. in 1974 and 709 million u.a. in 1975.

With regard to the importance of these loans in the financing of investments in the industries in question, in 1974 they accounted for 9% of total investments in the steel industry and 17% of total investment in the coal industry. In 1975 these figures were probably about 20% for the steel industry and 25% for the coal industry, if, in referring to the investments planned for 1975 one takes account of the fact that investment forecasts are not always fully realized.

The following breakdown shows how these loans were granted by sector in million u.a. at the 31 December 1974 rates:

Table VIII

	<u>1974</u>	<u>1975</u>
Coal industry (x)	62.18	141.40
Iron-ore mines	2.38	-
Steel industry (x)	248.14	498.67
Conventional power stations	11.27	0.50
Total industries loans (Art.54)	323.97	640.57
Conversion (Art. 56)	49.44	52.03
Workers' housing	<u>4.46</u>	<u>16.28</u>
General total	377.87	708.88

(x) As in Table II above, pithead and private coke-ovens are included with the coal industry and steelworks coke-ovens with the steel industry. (In 1974 and 1975, however, the loans granted were all allocated to steelworks coke-ovens).

Table 9

The breakdown of loans granted per country is as follows

	Total		Industrial loans		Conversion		Workers' housing	
	1974	1975	1974	1975	1974	1975	1974	1975
Denmark	0.27	20.72	-	20.33	-	-	0.27	0.39
Germany	150.06	140.86	136.41	129.63	13.09	3.73	0.56	7.50
Belgium	10.28	29.66	-	28.94	10.28	-	-	0.72
France	84.77	104.39	77.86	90.17	6.52	9.90	0.39	4.32
Italy	65.18	153.27	63.53	152.51	0.54	-	1.11	0.76
Luxembourg	0.41	1.06	-	0.61	-	-	0.41	0.45
Netherlands	1.85	28.71	-	22.98	1.85	4.90	-	0.83
United Kingdom	65.05	230.04	46.17	195.40	17.16	33.50	1.72	1.14
Ireland	-	0.17	-	-	-	-	-	0.17
Community	377.87	708.88	323.97	640.57	49.44	52.03	4.46	16.28

CONCLUSION

The credit status of the ECSC is based on its right to collect the ECSC levy and on the reserves entered on its balance sheet. The levy has for several years been kept at a relatively low rate.

The reserves, which remained stable for a long time, were slightly increased as a result of the contributions of the new Member States and will have to continue receiving certain amounts, both to meet the expansion in ECSC financial operations and to allow continued social investment.

It is important to point out that the ECSC reserves are not a passive hoarding of capital. At present half of the reserves (the Special Fund of 90 million u.a. and the Pension Fund of 34 million u.a.) is used for loans at very low interest rates and for very long periods to finance workers' housing. The other half (the Guarantee Fund of 120 million u.a.) is invested on the money market and produces interest which is used either to increase the Special Fund or to finance the interest rate subsidies which are granted to conversion loans for the creation of jobs to reabsorb redundant workers and to a number of industrial loans, particularly for the improvement of the environment. The ECSC reserves have therefore a social role which is of direct importance. In addition, by allowing the ECSC to provide undertakings with investment funds at lowest cost, they contribute simultaneously to ensuring long-term employment, by increasing the productivity of undertakings, and to supporting short-term economic activity, by maintaining investments.

However, it is quite clear that, whatever advantage coal and steel undertakings might find in borrowing funds which the ECSC may procure for them, the action of the ECSC remains supplementary not only to undertakings' own funds but also to other funds obtained by borrowing which they must be able to obtain elsewhere.

With regard to individual projects, the Community limits its participation to a level not exceeding 40 to 50% of the cost of the project; the proportion which it is desirable to finance may depend on the nature of the projects or on that of the undertaking, but will of course not exceed the amount applied for.

In terms of aggregate figures, an examination of the average percentages which will be reached in 1975 (see paragraph III) shows clearly that participation by the ECSC covered a relatively sizeable proportion of the total loans contracted by coal and steel undertakings.

Apart from the coal and steel industries, conversion loans to facilitate investment have been of considerable importance in a wide range of other industries. By contrast, very little attention has been paid so far to the ECSC's responsibility, laid down in the second paragraph of Article 54, to assist the financing of works and installations which contribute directly and primarily to increasing the production, reducing the production costs or facilitating the marketing of products within its jurisdiction.

This clause was used in particular in 1974 with loans of 11 270 000 u.a. to promote the marketing of coal by constructing conventional power stations not forming part of the mining industry, and in one case, not so recently, (4 940 000 u.a.) to facilitate the marketing of steel. It is at present planned to make further use of the clause to contribute to the financing of investment intended to assure raw material supplies for the steel industry. Certainly, the provisions of the Treaty, insofar as the necessary resources can be raised (which is at present the case), provide a means of contributing, on a supplementary basis but effectively nevertheless, to promoting the development of the Community's own energy production and of steel production, which is an important element in its general economic prosperity.

BALANCE SHEET OF THE EUROPEAN COAL

A unit of account represents the exchange value of the various currencies
 = Bfr 48.6572 = Lfr 48.6572 = Dkr 7.57831 = FF 5.97402 = Fl. 3.35507

ASSETS

I — Disbursed loans	1 474 735 798.19
II — Cash and Bank accounts	470 841 030.54
III — Short and medium-term placements	24 475 043.84
IV — Investments	66 909 981.74
V — Fixed assets	1,—
VI — Recoverable issuing costs	23 317 536.33
VII — Miscellaneous	45 014 904.58
VIII — Accrued Income	45 198 393.76
	2 150 492 68.98
Suspense accounts:	
· I — Enterprises' liabilities under guarantee	22 517 066.38
· II — Contributions due from new Member States	13 847 898.13

¹ Parities established in conformity with decision 3542/73 ECSC and 3329/74 Commission of the European Communities (Official Journal of the European Communities of 29 December 1973 and 31 December 1974).

Auditor's Note

Having examined the books, vouchers and documents of the bookkeeping and the explanations supplied to me, I herewith certify that the financial position of the European Coal and Steel Community at 31 December 1974 is correctly and properly reflected in the above document.

Luxembourg, 15 May 1975

P. GAUDY
 Auditor

AND STEEL COMMUNITY AT 31 DECEMBER 1974

at the following rates of conversion: 1 EMA unit of account = DM 3.21978
 = Lit 872.885 = £ 0.572465 = £ Ir. 0.572465 = Sfr 3.37685 = US \$ 1.34286 = ¥ 0.87972

		LIABILITIES
I — A — Loans	1 615 215 414.56	
B — Reimbursement premiums to be paid	1 908 843.98	1 617 124 258.54
II — Reserves		
A — Guarantee fund	120 000 000.—	
B — Special fund	90 000 000.—	210 000 000.—
III — Allowances		
A — Financial aid	167 947 219.54	
B — Other	33 357 027.52	201 304 247.06
IV — Former pension fund		33 949 726.38
V — Miscellaneous		40 949 162.24
VI — Accrued liabilities		47 149 478.89
VII — Unallocated balance		15 816.87
		2 150 492 689.98
Suspense accounts:		
I — Liabilities under guarantees	22 517 066.38	
II — Unallocated contributions from new Member States	13 847 898.13	

**European Coal and Steel Community
 Commission of the European Communities**

A. NICOLETTI
*Director-General
 for Credit and Investments*

R. HACKER
*Director for Borrowings
 and Administration of Funds*

MAIN CHARACTERISTICS OF LOANS

Year of issue	Interest % p.a.	Term (years)	Initial amount		Balance outstanding at 31 December 1974 (in units of account)
			in currency of loan	equivalent in units of account	
1954	3½	25	US \$ 100 000 000	74 467 927	22 861 655
1957	5½	18	25 000 000	18 616 982	1 638 294
1957	5	5	10 000 000	7 446 793	—
1958	5	20	35 000 000	26 063 774	7 223 389
1958	4½	5	15 000 000	11 170 189	—
1960	5½	20	25 000 000	18 616 982	7 558 495
1960	4½-5	5	10 000 000	7 446 793	—
1962	5½	20	25 000 000	18 616 982	10 015 936
1964	5½	20	30 000 000	22 340 378	14 893 585
1966	6½	20	15 000 000	11 170 189	8 936 151
1966	6½	20	20 000 000	14 893 585	11 877 634
1967	6½	20	25 000 000	18 616 982	16 085 072
1967	6½	20	20 000 000	14 893 585	12 882 951
1971	7½	15	20 000 000	14 893 585	14 893 585
1973	7	15	30 000 000	22 340 378	22 340 378
1974	7½	15	50 000 000	37 233 963	37 233 963
1974	8½	5	20 000 000	14 893 585	14 893 595
1974	9½	8	100 000 000	74 467 927	74 467 927
1974	9½	10	100 000 000	74 467 927	74 467 927
1974	10	10	200 000 000	148 935 853	148 935 853
1974	8½	5	100 000 000	74 467 927	74 467 927
				726 062 286	575 674 307
1955	3½	25	DM 50 000 000	15 529 011	4 649 324
1957	4½	20	2 977 450	924 737	185 872
1964	5½	12	100 000 000	31 058 023	7 143 345
1964	5½	15	100 000 000	31 058 023	13 013 311
1964	5½	12	30 000 000	9 317 406	1 863 481
1965	5½	18	150 000 000	46 587 034	32 300 344
1965	5½	5	23 000 000	7 143 345	—
1967	6½	5	30 000 000	9 317 406	—
1968	6½-6½	10	120 000 000	37 269 627	18 634 814
1968	6½	13	60 000 000	18 634 814	13 044 369
1969	6½	15	40 000 000	12 423 209	12 423 209
1969	6½	13	50 000 000	15 529 011	12 423 209
1969	6½	15	30 000 000	15 529 011	15 529 011
1971	7½	15	100 000 000	31 058 023	31 058 023
1972	6½	15	100 000 000	31 058 023	31 058 023
1972	7	16	150 000 000	46 587 034	46 587 034
1973	6½	15	150 000 000	46 587 034	46 587 034
1973	7½	15	100 000 000	31 058 023	31 058 023
1974	10	5	20 000 000	6 211 605	6 211 605
1974	10	5	30 000 000	9 317 407	9 317 407
1974	10	7	50 000 000	15 529 011	15 529 011
1974	9½	7	150 000 000	46 587 033	46 587 033
				514 313 850	395 203 482
1963	5½	20	Lit 15 000 000 000	17 184 394	10 310 637
1966	6	20	15 000 000 000	17 184 394	13 747 515
1966	6	20	15 000 000 000	17 184 394	13 747 515
1968	6	20	15 000 000 000	17 184 394	16 038 768
1968	6	20	15 000 000 000	17 184 394	16 038 768
1972	7	15	20 000 000 000	22 912 526	22 912 526
1972	7	15	20 000 000 000	22 912 526	22 912 526
1974	7	15	10 000 000 000	11 456 263	11 456 263
				143 203 285	127 164 518
1957	3½	25	Bfr 200 000 000	4 110 388	1 742 806
1957	3½	25	20 000 000	411 040	174 280
1962	5½	20	300 000 000	6 165 583	3 452 726
1963	5½	20	300 000 000	6 165 583	3 884 317
1968	6½	15	750 000 000	15 413 957	14 180 841
1970	8½	20	500 000 000	10 275 971	10 275 971
1971	7½	15	700 000 000	14 386 360	14 386 360
1973	7½	12	1 000 000 000	20 551 943	20 551 943
				77 480 825	68 649 244
1970	8	15	£ 50 000 000	56 836 266	56 836 266
			carry forward	1 517 896 512	1 223 527 817

CONTRACTED TO 31 DECEMBER 1974

Year of issue	Interest % p.a.	Term (years)	Initial amount		Balance outstanding at 31 December 1974 (in units of account)
			in currency of loan	equivalent in units of account	
				brought forward	1 223 527 817
				1 517 896 512	
1964	5	20	FF 150 000 000	25 108 721	15 692 951
1971	8½	18	150 000 000	25 108 721	25 108 721
1972	7½	15	150 000 000	25 108 721	25 108 721
1973	7½	15	60 000 000	10 043 488	10 043 488
1973	7	7	50 000 000	8 369 573	8 369 573
1973	7½	18	150 000 000	25 108 721	25 108 721
				118 847 945	109 432 175
1961	4½	20	Fl. 50 000 000	14 902 818	6 914 908
1961	4½	5	10 000 000	2 980 564	—
1962	4½	25	6 000 000	1 788 338	929 936
1962	4½	20	25 000 000	7 451 409	4 008 858
1962	4½	5	20 000 000	5 961 127	—
1963	4½	5	10 000 000	2 980 564	—
1963	4½	30	1 750 000	521 599	331 439
1964	5½	20	25 000 000	7 451 409	4 992 444
1965	5½	20	40 000 000	11 922 255	8 762 857
1967	6½	5	20 000 000	5 961 127	—
				61 921 211	25 940 442
1957	3½	25	Lfr 5 000 000	102 760	—
1957	5½	25	100 000 000	2 055 194	1 054 458
1961	5½	25	100 000 000	2 055 194	1 431 922
1961	5	25	100 000 000	2 055 194	1 420 754
1962	4½	15	300 000 000	6 165 583	1 849 675
1962	5½	15	250 000 000	5 137 986	3 777 452
1964	5½	20	150 000 000	3 082 791	2 055 194
1971	6½	8	150 000 000	3 082 791	3 082 791
1971	7	15	250 000 000	5 137 986	5 137 986
1971	7½	12	300 000 000	6 165 583	6 165 583
1972	6½	12	300 000 000	6 165 583	6 165 583
1972	6½	12	400 000 000	8 220 778	8 220 778
1973	6½	15	300 000 000	6 165 583	6 165 583
1973	7	12	800 000 000	16 441 554	16 441 554
1973	7	15	800 000 000	16 441 554	16 441 554
1973	8	12	300 000 000	6 165 583	6 165 583
1973	8	12	200 000 000	4 110 389	4 110 389
1973	7½	15	500 000 000	10 275 971	10 275 971
1973	7½	8	250 000 000	5 137 986	5 137 986
1974	10	7	400 000 000	8 220 778	8 220 778
				122 386 821	113 321 574
1956	4½	18	Sfr 50 000 000	14 806 699	—
1961	5½	5	9 000 000	2 665 205	—
1961	4½	5	2 290 000	678 147	—
1962	4½	18	60 000 000	17 768 038	8 439 818
1969	5½	18	60 000 000	17 768 038	17 768 038
1972	7½	12	50 000 000	14 806 699	14 806 699
1973	6½	15	80 000 000	23 690 718	23 690 718
1973	6½	15	65 000 000	19 248 708	19 248 708
1973	7	7	75 000 000	22 210 048	22 210 048
1973	7½	5	50 000 000	14 806 699	14 806 699
1974	9½	5	20 000 000	5 922 679	5 922 679
				154 371 678	126 893 407
1966	5½	20	u.s. 1 20 000 000	20 000 000	16 100 000
				1 995 424 167	1 615 215 415

¹ The European Monetary Unit (E) is a unit of account, the value of which is fixed invariably at DM 3.66 or Bfr 50 or FF 5.55419 or Lit. 625 or Lfr 50 or Fl. 3.62 depending on the choice of the holder. The equivalent of the loan in units of account has been calculated on the basis 1 E = DM 3.66.

² At present, this unit of account has the same value as that used by the former European Payment Union, as defined in Article 26a of its Charter, i.e. 0.88867088 gramme of fine gold. This value could change under certain circumstances.

THE BORROWING AND LENDING OPERATIONS OF THE EUROPEAN INVESTMENT BANK1. Résumé of the main institutional features

The basic task of the EIB, which was set up by the Treaty of Rome establishing the European Economic Community, is to contribute, using the capital markets and its own resources, to the balanced development of the common market and, for this purpose, to grant loans and give guarantees which facilitate the financing of projects in all sectors of the economy, provided that they satisfy the criteria laid down in Article 130 of the Treaty, namely that they are projects for developing less developed regions, projects for modernizing or converting undertakings or for developing fresh activities called for by the progressive establishment of the common market, or projects of common interest to several Member States.

The EIB is a non-profit-making institution; its interest rates must, however, be calculated in such a way that the Bank is able to meet its obligations, to cover its expenses and to build up the necessary "statutory" and other reserves.

The members of the EIB are the Member States of the Community. Its rules of procedure are laid down in the Protocol on the Statute of the EIB annexed to the Treaty of Rome and in Protocol No 1 of the Treaty concerning the accession of the United Kingdom, Denmark and Ireland to the EEC.

The EIB has its own organizational structure which affords the independence necessary to perform its tasks, namely a Board of Governors, which lays down inter alia general directives for the Bank's credit policy and approves the accounts and the annual report, a Board of Directors, which has sole power to take decisions in respect of granting loans and guarantees, and a Management Committee, which is responsible for the Bank's current business, prepares the decisions of the Board of Directors and ensures that they are implemented. A Committee consisting of three members, appointed on the grounds of their competence by the Board of Governors, verifies each year that the Bank's operations and accounts are kept in a proper manner.

Under the Statute, coordination within the Community is ensured by:

- the consultation procedure whereby an opinion is sought from the Commission, and also from the Member State in whose territory the project is located, on each application for finance;
- the presence on the EIB's Board of Directors of a director appointed by the Commission.

Furthermore, both institutions are in direct contact with one another and, whenever necessary, discussions are held between the officials concerned.

2. The EIB's main tasks

The types of project in the Community eligible for EIB finance are specified in Article 130 of the Treaty of Rome; they must, in addition, comply with the rules laid down in the Bank's Statute in relation to the conditions governing securities and the project's financial viability and economic importance and also with the general directives for the Bank's credit policy laid down by the Board of Governors.

In practice, the EIB has endeavoured to interpret these rules flexibly so as to tailor its activities to the major problems in the Community as they develop. For instance, it may at present finance:

- investments in the less advanced regions of the Community (for example, southern Italy, Ireland, the northern and western areas of the United Kingdom, western France, certain border areas in Germany and West Berlin);
- investments in industrial regions experiencing structural difficulties and where there is a need for reconversion programmes (for example, old industrial regions in the United Kingdom and in northern and eastern France, mining regions in Germany and Belgium);
- certain investment schemes for modernizing or converting industries in sectors experiencing structural difficulties;
- investment schemes which are of priority importance for European development (for example, sophisticated technology, environmental protection and, above all, energy supplies, notably nuclear power stations, gas pipelines, oil drilling rigs);

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- infrastructure investments of common interest to several member countries (for example, motorways, railways and inland waterways, telecommunications facilitating trade within the Community);
- investments resulting from close technical and economic cooperation between undertakings in different member countries.

Furthermore, Article 18(1) and (2) of the Statute provides that, by way of derogation authorized unanimously by the Board of Governors, the EIB may grant loans for investment projects to be carried out outside the European territories of the Member States. In practice, these clauses have been used in two types of situation:

- (a) By decisions taken by the Board of Governors on a case-by-case basis, the Bank has, on several occasions, been authorized to contribute to the financing of investment projects which were located outside the Member States but which served their common interest. This procedure was applied in 1973 in respect of the granting of loans for the construction of a gas pipeline to supply the Community, via Austria, with natural gas from the Soviet Union. It was again applied in 1974 for the financing of the investment necessary for exploiting the Ekofisk oil and natural gas deposits in the Norwegian sector of the North Sea.
- (b) Where association agreements providing for financial aid or financial protocols have been concluded between the Community and developing countries, the Bank has, for the purpose of applying each of these agreements or protocols, been authorized by its Board of Governors to extend its lending operations to these countries, up to a given ceiling, the necessary funds coming from its own resources (Greece, AASMM, Turkey) and from special resources provided by the Member States (Turkey) and the European Development Fund (AASMM) (cf. Annex No 8).

A further extension of these two categories of operation outside the Community is planned under the Lomé Convention currently undergoing ratification and in connection with the emergency aid which the Community is preparing to grant to Portugal in the form of EIB loans (cf. Annex No 8, section 5). In addition, yet another extension of operations could well occur as a result of the negotiations under way or planned with other developing countries, subject, of course, to the limits imposed by the amount of funds available to the EIB and the balance to be maintained between the various tasks entrusted to it both within and outside the Community.

Generally speaking, interest subsidies financed out of the resources of the Member States (Greece) or the EDF's resources (~~AASMM~~ and, subsequently, the ACP countries) are granted on part or all of the amount of the Bank's loans in the countries with which the Community has signed association or cooperation agreements.

In these countries, the EIB's role is not, incidentally, restricted to granting finance from its own resources. The Bank is also called on to assist the granting and/or management of loans on special conditions financed by the resources of the Member States (Turkey) or by the European Development (~~AASMM~~, and soon the ACP countries).

In order to ensure that Community aid is made in ways properly related to the often difficult economic and financial situations of these countries and that the Bank makes an effective contribution to solving their development problems, the funds raised on capital markets must be supplemented by a suitable amount of assistance on favourable terms from budget resources. These special operations are not recorded by the EIB in its balance sheet but in the Special Section designed for this purpose. The Bank here acts on a mandate from the Member States and the Community, subject to specific conditions and in accordance with two basic principles, namely that:

- the EIB, acting on a mandate from the Member States or the Community, make available to the latter its banking experience to assist it in assessing the technical and financial aspects of the projects and with the operation arrangements and their administration;
- appropriate procedures enable the Member States and the Commission to decide whether the projects comply with the objectives laid down in the cooperation agreements.

Thanks to their great degree of flexibility, operations under mandate recorded in the Special Section can be a very useful intervention instrument

whenever the Community wishes to provide forms of assistance of a banking nature or repayable aid at times when loans from the Bank's resources are not feasible or the volume of such loans would be inadequate.

3. Résumé of the EIB's lending operations between 1958 and 1974

During the entire period 1958-74, the Bank signed 564 contracts providing for total financing of 4 654.5 million units of account. The total cost of the capital investments to which the Bank has contributed amounts to some 21 000 million units of account.

The amount of finance granted each year has risen sharply in recent years. Totalling less than 100 million u.a. in each of the first five financial years, it was slightly higher in 1964 and 1965, rose to around 200 million u.a. between 1966 and 1968 and to more than 300 million u.a. in 1969 and 1970, was in the region of 500 million u.a. in 1971 and 1972, topped the 800 million u.a. mark in 1973 to reach nearly 1 000 million u.a. in 1974.

Tables 3, 5 and 6 annexed to this document give the breakdown of financing operations during this entire period by own resources and special resources operations and by country and economic policy objective.

The operations of direct benefit to the Community account for just over 4 000 million u.a., or 86% of the total. The operations in the associated countries financed from own resources or from budget resources managed under the Special Section account for 4.9% (227.7 million u.a.) and 9.1% (424.9 million u.a.) respectively.

Within the Community, financing operations of regional interest, totalling 3 044 million u.a., account for about three-quarters of this assistance; about half of these investment operations concern the Mezzogiorno. Assistance granted in respect of projects of common interest, some of which are also of regional interest, has reached almost 1 500 million u.a., almost 800 million u.a. of which was allocated to investment projects designed to improve Community

energy supplies and almost 500 million u.a. of which was granted in respect of transport infrastructure projects.

A sectoral breakdown of financing operations in the Community illustrates the wide diversity of the projects financed - covering "all sectors of the economy". Loans to assist infrastructure projects, which each received a larger volume of funds, account for about 60% of the total finance, which was granted in respect of 158 projects. The remaining 40% (1 589.3 million u.a.) granted to productive enterprise has gone to a large number of projects: 432 individual loans, plus 340 subloans granted by intermediary financial institutions to small and medium-scale ventures.

4. The resources enabling the EIB to perform the tasks entrusted to it

The Bank's own resources comprise paid-up capital, "statutory" and other reserves and its borrowings on capital markets¹.

At its inception, the Bank's capital totalled 1 000 million u.a. subscribed by the Member States, 25% of which has been paid in, the remaining 75% constituting the guarantee capital which the Bank may call in only if this became necessary to meet obligations to creditors.

Since 1971, the Board of Governors has decided to increase the Bank's capital on three occasions, once, in 1973, on the occasion of the accession of Denmark, Ireland and the United Kingdom and, most recently, in July 1975 because of the expansion in its activities: under the Statute, the aggregate amount outstanding at any time of loans and guarantees granted by the EIB must not exceed 250% of its subscribed capital. Furthermore, in order always to be

¹As stated earlier (Section 3, p. 5), the EIB also manages budgetary resources provided directly by the Member States or by the European Development Fund for its special operations in developing countries linked to the Community by cooperation agreements. These special operations, which are not covered by the balance sheet, will not be described again in this Section.

in a position to raise funds on capital markets on the best possible terms, the EIB must be able to show an acceptable liabilities/assets structure.

The Bank's capital has, therefore, been raised as follows:

<u>Date on which capital raised</u>	<u>Subscribed capital</u> (million u.a.)	<u>Including paid-up capital totalling</u>
1958	1 000	250
26 April 1971	1 500	300
1 January 1973	2 025	405
10 July 1975	3 543.75 ¹	556.88

¹Germany, France and the United Kingdom, 22.22%; Italy, 17.78%; Belgium and the Netherlands, 5.85%; Denmark, 2.96%; Ireland, 0.74%; Luxembourg, 0.15%.

In addition to its paid-up capital, the Bank must progressively build up a reserve fund of up to 10% of the subscribed capital. It also sets aside additional "statutory" and other reserves. On 31 December 1974, "statutory" reserves stood at 110 million u.a. and other reserves at around 176 million u.a., bringing its total own resources (capital, "statutory" and other reserves) to around 691 million u.a. (cf. Balance sheet, Table 1 annexed to this document).

Since 1961, when the EIB issued its first loan, funds raised on capital markets have accounted for an increasingly larger proportion of the Bank's resources and are now its major source of finance for the tasks allotted to it.

The annual volume of loans issued has risen steadily from about 21 million u.a. in 1961 to 825 million u.a. in 1974; the aggregate amount of loans issued during this period amounts to 3 389.5 million u.a., and total loans outstanding on 31 December 1974 stood at 3 123.8 million u.a. (cf. Annex 1, Balance sheet; Annex 7, Issues made up to and including 1974).

In 1974, in spite of the oil crisis, the Bank made calls on the capital markets for a total of 825.5 million u.a., compared with 612.3 million u.a. in 1973. These issues included a loan denominated in EURCOs for approximately 61 million u.a., three totalling 64.5 million u.a. and denominated in German marks, Dutch guilders and Luxembourg francs, and four totalling 34.9 million u.a. and denominated in Swiss francs. However, most of the loans issued in 1974 were denominated in US dollars (665 million u.a.) and, given the source of these funds, made a significant contribution to recycling capital.

In the first nine months of 1975, the Bank raised a total of 412 million u.a. by means of thirteen public or private issues in German marks, Dutch guilders, Belgian francs, Luxembourg francs, Swiss francs and US dollars.

In order to have continual access, on the best possible terms, to an adequate volume of lending resources to cope with the extension of its operations, the Bank attaches major importance to:

- retaining first-class credit rating, necessitating an acceptable balance-sheet structure at all times, the pursuit of a lending policy based on the soundest possible banking criteria and the possession of first-class guarantees;
- operating regularly on important national and international capital markets;
- adapting continually to market conditions.

The EIB's lending rates are determined both by the rates at which it borrows, by the fact that it operates on a non-profit-making basis, and by the need to cover its expenses and to build up adequate "statutory" and other reserves. Since its task is to promote activities of general interest, it endeavours to offer its borrowers the most favourable terms compatible with these constraints; in practice, its lending rate is close to the average cost of its borrowings. Since the beginning of 1974, it has fluctuated as follows: 8.75% at the beginning of 1974, 9.5% from April onwards, 9.875% from June onwards, 10.5% from September onwards, 9.875% from February 1975 onwards, then 9.5% from the end of April, 9.25% from mid-June and, finally, 9.5% since 29 July 1975.

The term of each loan depends essentially on the nature of the project concerned, particularly the period of technical depreciation; it is generally between seven and twelve years for industrial projects and may, in principle, be up to a maximum of twenty years for infrastructure projects.

5. THE EIB'S FINANCING OPERATIONS IN 1974 (cf Annexes 2, 4 and 6, and the 1974 Annual Report)

In 1974, the European Investment Bank signed 84 loan contracts totalling 996.4 million units of account.

This is an increase of 22% over 1973 (72 loans totalling 816 million u.a.); in 1972, lending totalled 527 million u.a.

The doubling in value of loans granted in the three new member countries (United Kingdom, Ireland and Denmark) and the marked expansion in operations in Italy were two of the most notable features of the EIB's activities in 1974.

In the Community taken as a whole, investments in the less-favoured regions still attract the lion's share of the Bank's financial support, totalling 540.2 million u.a., or about two-thirds of the loans granted by the Bank in the member countries.

The bulk of the Bank's other financing operations in the Community have concerned investment projects for improving energy supplies, two examples being nuclear power stations and the development of natural gas and oil fields in the North Sea.

Loans in Turkey and the Associated African States also increased sharply (23%).

The Bank's loans, most of which were financed by funds raised outside the Community, made a significant contribution to solving the problems facing several member countries when their balance-of-payments deficits deteriorated in 1974.

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Financial operations in the Community¹ totalled 849.7 million units of account. As regards the new member countries, loans amount to 149.5 million u.a. (£80 million) in the United Kingdom compared with 67 million u.a. (£33 million) the previous year, 46.4 million u.a. (£25 million) in Ireland and 19.6 million u.a. (Dkr 138 million) in Denmark, the bulk of this total going to projects of regional interest.

Loans granted in Italy totalled 278 million u.a. (Lit 227 000 million) for 22 operations, or more than one third of all lending within the Community; consequently, Italy was once more the country which received most finance. A total of 250.2 million u.a. was allocated to projects of regional interest in mainland Mezzogiorno, in Sicily and in Sardinia.

Loans granted in France amounted to 193.7 million u.a. (FF 1 081 million), a slight increase over 1973 mainly because of projects of common European interest in the fields of energy and communications. The Bank granted loans totalling 96.1 million u.a. (DM 290 million) in Germany, mainly for projects to help improve energy supplies.

Finally, loans totalling about 32 million u.a. (Fl 100 million) were granted in the Netherlands for a gasline of interest to several countries and, in Belgium, a nuclear power station received a loan of 16.1 million u.a. (Bfrs 730 million).

Loans granted in the less-favoured regions of the Community increased sharply by comparison with 1973 and, amounting to 540.2 million u.a., account for about two thirds of the total finance allocated to the Community. This figure includes an amount of 168.1 million u.a. for projects which also satisfy other intervention criteria laid down in Article 130 of the Treaty of Rome.

The Bank granted 11 "global" loans, totaling 132.9 million u.a., to banks and financial institutions for on-lending to small and medium-scale ventures. The amounts allocated in 1974 by intermediary institutions, with the EIB's approval, from global loans granted in previous years contributed about 76.2 million u.a. for 187 ventures, or three times as much as in 1973

¹Including a loan to a company belonging to the Italian group ENI for the development of the EKOFISK field in the Norwegian sector of the North Sea.

(25 million u.a. for 39 ventures); they were used to finance projects of modest scale which were located in numerous regions and which were extremely important in economic terms notably on account of the new jobs they created.

In the energy sector, the EIB granted, in 1974, 26 loans totalling 406.8 million u.a., or some 48% of the total amount of finance granted in the member countries. Most of these projects were aimed at improving the Community's energy supplies. In most cases, they concerned nuclear and hydroelectric power stations or the exploitation of oil and natural gas deposits, and the transport of natural gas.

Financing operations in the associated countries amount to 146.7 million u.a., of which 96.5 million u.a. went to Turkey. Loans from the Bank's own resources have been granted there for the first time, in the form of two global loans to finance small and medium-scale industries. Loans from special resources provided by the Member States and granted on favourable terms totalled 71.5 million u.a. and financed the construction of a lignite-fired power station in Elbistan, the agricultural development scheme in the Gediz valley north of Izmir and two industrial projects.

In the Associated African States, Madagascar and Mauritius (AASMM), ordinary loans from the EIB's own resources amounted to 36 million u.a., compared with 11 million u.a. in 1973. They financed the extension of plant for the production of copper and cobalt in Zaïre, the reconstruction of a section of railway track and a new spinning and weaving mill in the Ivory Coast. These last two loans were granted European Development Fund (EDF) interest subsidies.

In addition, four loans on special conditions granted from EDF resources and totalling around 14 million u.a., which were signed jointly by the Bank, acting on a mandate from the Community, and the Commission, went towards financing the extension of port installations in the Congo, railway projects in the Ivory Coast and water supply projects in Zaïre.

6. Initial assessment of lending operations in 1975

Loans granted in 1975 by the European Investment Bank were of the order of 1 000 million u.a., which does not include a promised guarantee of 48.8 million units of account. As at 31 December 1975, the total volume of finance granted by the EIB since its inception in 1958 amounted to about 5 700 million units of account.

The main features of the Bank's lending operations in the member countries, which accounted for about 90% of its overall activities in 1975, were the following:

- (a) The bulk of the lending in the member countries went to Italy and the United Kingdom, which accounted for 39% and 36.5% respectively of total assistance granted in the Community, with France also receiving about 17%. Schemes in Ireland, Denmark and Belgium absorbed the remainder. The promised guarantee is for a nuclear power station in Germany.
- (b) In the general economic recession, the propensity to invest has become much weaker. This explains the contraction in lending to industrial undertakings. As a result, loans granted to undertakings in the "productive" sectors of the economy account for only about 15% of total lending, compared with almost 36% in 1974.

In contrast, the launching in several member countries of sizeable public investment programmes with a view to spurring on the recovery and also to meeting the requirements of the energy policy has led

the Bank, for the time being, to step up the amount of finance granted for infrastructure investments, which, as a result, accounted for some 85% of the year's activities, 37% of which related to energy infrastructure.

- (c) The volume of finance allocated to projects of regional relevance has again risen, accounting for around 73% of financing operations in the member countries. This figure includes a number of projects of common interest located in problem regions. Finance granted for projects of common interest has now reached a ceiling; the projects in question relate to the energy sector (338 million u.a.) and to transport and telecommunication infrastructures being developed to facilitate trade between member countries.

In spite of the resumption of operations in Greece following the renewal of the Financial Protocol signed with that country, loans in the associated countries, financed both from own resources and from special resources allocated by the Member States (Turkey) or by the European Development Fund (AASMM) fell appreciably. This was mainly due to the fact that the amounts provided for in the second Financial Protocol with Turkey were gradually being used up and, in the case of the Associated African States and Madagascar and Mauritius, to the fact that a transition period had been reached between the expiry of the Second Yaoundé Convention (with 19 AASMM) and the entry into force of the Lomé Convention (with 46 African, Caribbean and Pacific States (ACP)). Loans granted in the countries which signed the Lomé Convention and in Portugal as emergency aid should, normally, become available in 1976.

7. Use by the Bank of the conversion rates for the "European basket"
unit of account

The Statute of the European Investment Bank fixes in terms of gold the unit of account to be used by the Bank and stipulates that the parities of the national currencies in relation to the unit of account will be calculated on the basis of the par values communicated to the International Monetary Fund. The upheavals in the international monetary system in recent years have made it increasingly obvious that the changing role of gold and hence of currencies' par values prevented the Statute from being applied in the manner intended by its drafters. In view of this development, the EIB's Board of Governors decided on 15 July 1974 that the Bank's Statute should be amended in such a way as to empower the Governors, acting unanimously, to alter the definition of the unit of account used by the Bank and the method for converting the unit of account into the national currencies. The proposed amendment constitutes an amendment to the Treaty of Rome since the Statute forms an integral part of it. Consequently, after endorsement by the Council of Ministers, the latter having consulted the European Parliament and the Commission, the Member States adopted, on 10 July 1975, the Treaty amending in this respect the Protocol on the Bank's Statute, and this Treaty is undergoing ratification by each of the nine Member States. This may be quite a lengthy procedure and so, at its meeting on 18 March 1975, the Bank's Board of Governors authorized it to use a new conversion method with effect from 30 December 1974 and pending the entry into force of the amendment in question.

The new conversion rates are calculated on the basis of the conversion rates between the national currencies and a new European unit of account the value of which is equal at any given time to that of a "basket" of Community currencies made up as follows:

DM	0.828	F1	0.286
£st	0.0885	Bfrs	3.66
FF	1.15	Lfrs	0.14
Lit	109.0	Dkr	0.217
		£ir	0.00759

The composition of this basket is such that, at 28 June 1974, the sum of the component currencies would have been equal in value to the composite unit in which the International Monetary Fund's Special Drawing Right is expressed, 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 Special Drawing Right, i.e., the equivalent at that date of US \$1.20635.

The conversion rates between the new unit of account and the Member States' currencies and the other currencies used by the Bank for its operations (such as the US \$ and the Swiss franc) are fixed on each working day by the Commission in accordance with a method similar to that used by the IMF for the daily values of the SDR and are published in the Official Journal of the Communities.

On 30 September 1975, the equivalences in national currencies of this unit of account were the following:

1 unit of account (u.a.) =

DM	3.07061	Bfrs and Lfrs	46.1746
FF	5.24197	F1	3.15973
£st	0.564620	Dkr	7.17554
£ir	0.564482	\$	1.15451
Lit	793.118	SF	3.17242

Bilan au 31 décembre 1974
(en unités de compte)

	31.12.1974	31.12.1973	Passif	31.12.1974	31.12.1973
Actif					
A verser par les États membres en compte capital	—	25 000 000	Capital (Annexe A)	2 025 000 000	2 025 000 000
A recevoir en compte de réserve statutaire et de provisions	—	33 787 732	Souscrit	1 820 000 000	1 820 000 000
Caisse et banques	437 899 631	270 820 601	Non appelé	405 000 600	405 000 000
À vue ou à un an au plus	3 010 446	2 083 523	Réserve statutaire (Note I)	110 000 000	87 686 458
À plus d'un an	440 910 077	272 904 124	Provisions (Note I)		
Portefeuille (Note B)			Pour risques sur prêts et garanties	117 982 653	105 000 000
À un an au plus	42 483 789	78 930 709	Pour précautions d'infléxions	13 053 053	13 500 000
À plus d'un an	71 621 209	87 823 422	Pour risques monétaires	29 000 000	23 000 000
	114 004 998	164 764 131	Pour construction	16 000 000	11 000 000
Produits d'emprunts à recevoir	32 806 007	13 812 185	Frais d'émission amortis précédemment et réactivés	176 982 653	152 000 000
Crédences sur États membres pour ajustement du capital (Annexe D)	34 147 391	—	Fonds de pension du personnel	23 127 079	23 127 079
Prêts en cours 1974 u.e. 361 044 873 dont à verser 1973 u.e. 302 388 248	3 850 802 200	2 734 825 689	Dettes envers États membres pour ajustement du capital (Annexe D)	6 514 640	4 406 795
Garanties			Emprunts (Annexe C)	20 878 063	102 631
Crédences au titre de prêts sur mandats	112 667 095	92 896 176	Obligations et bons de créances	2 716 507 002	1 940 711 858
Crédences au titre de prêts accordés par des tiers	(19 862 429)	(16 393 443)	Autres emprunts à moyen et long terme	396 734 338	325 886 135
Crédences au titre de participations des tiers au financement des prêts de la Banque	(26 183 475)	(21 490 655)	Primes de remboursement sur obligations	3 113 239 340	2 274 398 093
Terrains et immeubles	507 445	382 395	Montants à verser sur prêts en cours	10 604 592	12 120 542
Intérêts et commissions à recevoir	68 403 828	38 390 743	Garanties	361 044 073	502 385 248
Frais d'émission à amortir	55 562 755	50 320 801	Sur prêts sur mandats	112 667 095	92 896 176
Primes de remboursement à amortir	5 788 764	7 873 032	Sur prêts accordés par des tiers	(18 882 429)	(16 393 443)
	61 351 539	68 201 835	Sur participations des tiers au financement des prêts de la Banque	(26 188 475)	(21 490 655)
Dépôts spéciaux pour service d'emprunts (Note C)	41 854 702	41 035 603	Intérêts et commissions à payer et intérêts reçus d'avance	101 574 816	64 972 048
Divers (Note D)	5 709 365	6 919 703	Coupons et obligations échus non encore payés (Note C)	41 854 702	41 035 603
	4 603 344 447	3 483 600 316	Divers (Note D)	20 865 671	13 429 581
				4 603 344 447	3 483 600 316
Comptes d'ordre					
Titres reçus en garantie de prêts sur mandats	28 168 774	23 224 044			
Titres reçus en dépôt	625 722	62 654 682			

Annexe 2 : Prêts accordés en 1974
Répartition par types de financement et par pays

Pays	Nombre	Montant (millions u.c.)	% du total	% Pays membres
Opérations ordinaires				
Pays membres				
Belgique	1	16,1	1,6	1,9
Danemark	5	19,6	2,0	2,3
Allemagne	7	96,1	9,7	11,3
France	16	193,7	19,4	22,8
Irlande	7	46,4	4,7	5,5
Italie	22	278,0	27,9	32,7
Pays-Bas	2	31,9	3,2	3,7
Royaume-Uni	9	149,5	15,0	17,6
Hors-Communauté (1)	1	18,4	1,8	2,2
Total	70	849,7	85,3	100,0
Pays associés				
Turquie	2	25,0	2,5	
EAMMA				
Côte-d'Ivoire	2	19,4	1,9	
Zaire	1	16,6	1,7	
Total	5	61,0	6,1	
Total des opérations ordinaires	75	910,7	91,4	
Opérations spéciales (2)				
Turquie	5	71,5	7,2	
EAMMA				
Congo	1	1,0	0,1	
Côte-d'Ivoire	2	7,4	0,7	
Zaire	1	5,8	0,6	
Total	9	85,7	8,6	
Total général	84	996,4	100,0	

(1) Projet EKOFISK, localisé dans la zone norvégienne de la Mer du Nord; financement hors-Communauté autorisé par le Conseil des Gouverneurs en vertu de l'article 18, paragraphe 1 alinéa 2 des Statuts de la Banque.

(2) Opérations à conditions spéciales sur les ressources des États membres (Turquie) et du Fonds Européen de Développement (EAMMA) comptabilisées dans la Section Spéciale de la Banque.

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Annexe 3 : Financements accordés de 1958 à 1974 (1)
Répartition par types de financement et par pays

Types de financement	Pays	Nombre	Montant (millions u.c.)	% du total	% Pays membres
Opérations ordinaires					
Pays membres :					
	Belgique	7	83,3	1,8	2,1
	Danemark	7	26,3	0,6	0,7
	Allemagne	69	654,3	14,0	16,3
	France	86	934,8	20,1	23,4
	Irlande	10	69,0	1,5	1,7
	Italie	228	1 872,1	40,2	46,8
	Luxembourg	3	9,0	0,2	0,2
	Pays-Bas	7	74,8	1,6	1,9
	Royaume-Uni	12	216,6	4,7	5,4
	Hors-Communauté (2)	3	61,7	1,3	1,5
	Total	432	4 001,9	86,0	100,0
	<i>dont garanties (3)</i>	9	110,0	2,4	
Pays associés :					
	Grèce	15	69,2	1,5	
	Turquie	2	25,0	0,5	
	EAMMA-PTDOM	32	133,5	2,9	
	Cameroun	9	17,3	0,4	
	Congo	1	9,0	0,2	
	Côte-d'Ivoire	9	48,2	1,0	
	Gabon	4	4,4	0,1	
	Haute-Volta	1	0,5	—	
	Mauritanie	1	11,0	0,2	
	Sénégal	2	3,9	0,1	
	Zaire	3	34,2	0,7	
	Côte-d'Ivoire et Haute-Volta	1	3,0	0,1	
	Nouvelle-Calédonie	1	2,0	0,7	
	Total	49	227,7	4,9	
Total opérations ordinaires		481	4 229,6	90,9	
Opérations spéciales (4)					
	Turquie	50	322,9	6,9	
	EAMMA-PTDOM	33	102,0	2,2	
	Cameroun	6	23,9	0,5	
	Congo	2	3,1	0,1	
	Côte-d'Ivoire	9	34,6	0,7	
	Dahomey	1	3,3	0,1	
	Gabon	2	3,3	0,1	
	Haute-Volta	1	5,0	0,1	
	Madagascar	1	1,9	—	
	Mauritanie	1	2,7	0,1	
	Sénégal	2	1,9	—	
	Tchad	1	1,2	—	
	Zaire	2	14,8	0,3	
	Nouvelle-Calédonie	1	1,0	—	
	Sumnam	1	1,9	—	
	La Martinique	1	0,6	—	
	La Réunion	2	2,8	0,1	
Total opérations spéciales		83	424,9	9,1	
<i>dont contributions à la formation de capitaux à risques (5)</i>		3	2,5	—	
Total général		564	4 654,5	100,0	

(1) Une récapitulation sur une aussi longue période doit être interprétée avec la plus grande prudence; en effet les données relatives aux différentes années sont affectées par le mouvement des prix et les variations des taux de change intervenus de 1958 à 1974.

(2) Opérations effectuées en vertu de l'article 18, paragraphe 1, alinéa 2 des Statuts de la Banque aux termes duquel le Conseil des Gouverneurs peut autoriser le financement d'investissements hors de la Communauté.

(3) Dont l'Italie : 90,2 millions; France : 2,7 millions; Allemagne : 17,1 millions.

(4) Opérations à conditions spéciales sur les ressources des Etats membres (Turquie) et du Fonds Européen de Développement (EAMMA — PTDOM) comptabilisées dans la Section Spéciale de la Banque.

(5) 0,5 million pour un projet situé au Cameroun, 1 million pour un projet situé en Côte-d'Ivoire et 1 million pour un projet situé au Sénégal.

Annexe 4 Prêts accordés en 1974
Répartition par secteurs

Secteurs	Intéressant directement la Communauté			Dans les Pays associés		
	Nombre	Montant (millions u.c.)	%	Nombre	Montant (millions u.c.)	%
Travaux d'infrastructure	37	545,7	64,2	6	93,9	64,0
<input type="checkbox"/> Aménagement agricole	—	—	—	1	10,0	6,8
<input type="checkbox"/> Énergie	26	406,8	47,9	1	58,0	39,5
Centrales électriques	14	252,2	29,7	1	58,0	39,5
Gazoducs	3	51,8	6,1	—	—	—
Exploitation d'hydrocarbures	4	47,7	5,6	—	—	—
Autres	5	55,1	6,5	—	—	—
<input type="checkbox"/> Alimentation en eau et distribution	—	—	—	1	5,8	4,0
<input type="checkbox"/> Transports	7	77,3	9,1	3	20,1	13,7
Chemins de fer	1	7,5	0,9	2	19,1	13,0
Routes et ouvrages d'art	4	53,3	6,3	—	—	—
Transports maritimes et fluviaux	—	—	—	1	1,0	0,7
Transports aériens	2	16,5	1,9	—	—	—
<input type="checkbox"/> Télécommunications	4	61,6	7,2	—	—	—
Agriculture, Industrie et Services	220	304,0	35,8	14	52,9	36,0
<input type="checkbox"/> Agriculture, forêts, pêche	1	0,7	0,1	1	2,4	1,6
<input type="checkbox"/> Industrie	215	300,8	35,4	11	49,8	33,9
Industries extractives	3	0,6	0,1	1	16,6	11,3
Production et première transformation des métaux	10	65,8	7,8	—	—	—
Matériaux de construction	9	11,4	1,3	—	—	—
Industrie du bois	15	4,2	0,5	—	—	—
Verre et céramique	6	2,9	0,3	1	1,1	0,7
Industrie chimique	9	44,5	5,2	—	—	—
Ouvrages en métaux et mécanique	49	31,3	3,7	1	0,4	0,3
Automobiles, matériel de transport	7	8,9	1,0	—	—	—
Construction électrique — électronique	13	7,2	0,9	—	—	—
Produits alimentaires	37	48,7	5,7	2	0,8	0,5
Textiles et cuirs	23	9,0	1,1	3	8,4	5,7
Pâte à papier — papier	10	6,0	0,7	—	—	—
Transformation du caoutchouc et matières plastiques	6	1,8	0,2	—	—	—
Autres industries	7	2,0	0,2	—	—	—
Prêts globaux	11	56,7 (1)	6,7	3	22,4 (2)	15,3
<input type="checkbox"/> Services	4	2,5	0,3	2	0,7	0,5
Tourisme	4	2,5	0,3	—	—	—
Autres services (activités de pré-investissement et assistance technique)	—	—	—	2	0,7	0,5
Total général	257	849,7	100,0	20	146,8	100,0

(1) Différence entre les prêts globaux accordés en 1974 (132,9 millions) et les affectations réalisées au cours de cette même année (soit 187 affectations pour un montant de 76,2 millions) sur des prêts globaux consentis les années précédentes, qui ont été inclus dans chaque secteur.
(2) Différence entre les prêts globaux accordés en 1974, en Turquie (25,4 millions) et les affectations réalisées au cours de cette même année (soit 6 affectations pour 3 millions) sur des prêts globaux consentis l'année précédente.

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Annexe 5 : Financements accordés dans la Communauté de 1958 à 1974
Répartition par secteur

Secteurs	Nombre		Montant		% du total
	Prêts et garanties	Affectations sur prêts globaux	Total (millions u.c.)	dont affectations sur prêts globaux (millions u.c.)	
Travaux d'infrastructure	158	—	2 412,6	—	60,3
□ Aménagement agricole	7	—	93,8	—	2,3
Énergie	72	—	1 059,7	—	26,5
Centrales électriques	46	—	698,2	—	17,5
Gazoducs	13	—	220,9	—	5,5
Exploitation d'hydrocarbures	4	—	47,7	—	1,2
Autres	9	—	92,9	—	2,4
□ Alimentation en eau et distribution	6	—	31,6	—	0,8
□ Transports	47	—	745,3	—	18,6
Chemins de fer	11	—	163,6	—	4,1
Routes et ouvrages d'art	30	—	507,6	—	12,7
Transports maritimes et fluviaux	2	—	27,5	—	0,7
Transports aériens	3	—	41,7	—	1,0
Autres	1	—	4,9	—	0,1
□ Télécommunications	23	—	455,9	—	11,4
□ Autres	3	—	26,3	—	0,6
Agriculture, Industrie et Services	274	340	1 589,3	152,0	39,7
□ Agriculture, forêts, pêche	1	1	6,2	0,7	0,2
□ Industrie ⁽¹⁾	270	336	1 571,0	149,9	39,2
Industries extractives*	3	11	9,9	3,5	0,2
Production et première transformation des métaux*	32	12	402,3	8,7	10,0
Matériaux de construction*	22	20	85,9	10,1	2,1
Industrie du bois	1	23	10,4	6,8	0,3
Verre et céramique	11	9	26,3	4,0	0,7
Industrie chimique*	59	10	322,0	3,5	8,0
Ouvrages en métaux et mécanique	30	83	140,3	36,5	3,5
Automobiles, matériel de transport	12	9	120,2	4,2	3,0
Construction électrique - électronique	11	19	55,1	10,0	1,4
Produits alimentaires	33	53	108,9	26,0	2,7
Textiles et cuirs	12	41	31,3	17,2	0,8
Pâte à papier, papier*	5	17	27,2	8,0	0,7
Transformation du caoutchouc et matières plastiques	8	19	44,4	8,2	1,1
Autres industries	3	10	6,2	3,2	0,2
Prêts globaux	28	—	180,6 ⁽²⁾	—	4,5
□ Services	3	3	12,1	1,4	0,3
Tourisme	2	3	9,3	1,4	0,2
Recherche et développement	1	—	2,8	—	0,1
Total général	432	340	4 001,9	152,0	100,0

(1) Dont industries de base (marquées d'un astérisque) 847,3 millions.

(2) Ce montant correspond à la partie non affectée des prêts globaux (toutefois, après annulation de 4,3 millions, le montant restant à affecter, dans la Communauté, est effectivement de 176,3 millions). Les affectations réalisées ont été incluses chaque fois dans le secteur correspondant.

Annexe 6 : Financements dans la Communauté accordés en 1974 et de 1958 à 1974 (1)
Répartition selon les objectifs de politique économique

Objectifs de politique économique	1974		1958-1974	
	Montant (millions u.c.)	%	Montant (millions u.c.)	%
I. Financements justifiés exclusivement par référence à un seul objectif				
Développement régional et conversion (2) (art. 130 a et 130 b du Traité de Rome)	372,1		2 331,6	
Intérêt sectoriel : modernisation et conversion d'entreprises, structuration sectorielle et technologies nouvelles (art. 130 b du Traité de Rome)	—		7,8	
Intérêt commun européen (art. 130 c du Traité de Rome)	273,7		854,1	
II. Financements justifiés simultanément par référence à deux objectifs				
Intérêt régional et intérêt sectoriel	63,6		201,0	
Intérêt régional et intérêt commun européen	131,7		569,9	
Intérêt commun européen et intérêt sectoriel	62,7		131,7	
III. Financements justifiés simultanément par référence aux trois objectifs				
A déduire pour tenir compte de ce que le montant mentionné en III est déjà compté trois fois en II (cf. graphique page 18)	27,1		47,1	
	-81,3		-141,3	
Total	849,7		4 001,9	
Récapitulation des financements justifiés par référence à l'un ou/et l'autre des trois objectifs (exclusivement ou simultanément)				
<input type="checkbox"/> Développement régional et conversion :	540,2	100,0	3 044,1	100,0
Belgique	—	—	41,2	1,4
Danemark	11,7	2,2	18,5	0,6
Allemagne (2)	26,5	4,9	357,2	11,7
France	88,5	16,4	703,1	23,1
Irlande	46,4	8,6	69,0	2,3
Italie	250,2	46,3	1 627,0	53,5
Luxembourg	—	—	4,0	0,1
Pays-Bas	—	—	40,1	1,3
Royaume-Uni	116,9	21,6	184,0	6,0
<input type="checkbox"/> Intérêt sectoriel	89,2	100,0	293,4	100,0
<input type="checkbox"/> Intérêt commun européen	441,1	100,0	1 494,0	100,0
Énergie (production et distribution)	344,9	78,2	791,7	53,5
Centrales nucléaires	123,3	28,0	360,9	24,2
Centrales hydro-électriques	79,0	17,9	115,3	7,7
Gazoducs	51,8	11,7	194,7	13,0
Exploitation d'hydrocarbures et matériel de forage	90,8	20,6	115,8	7,8
Autres	—	—	5,0	0,3
Transports	60,0	13,6	493,8	33,0
Chemins de fer	—	—	94,9	6,3
Autoroutes et ouvrages d'art	43,5	9,9	353,5	23,7
Transports fluviaux	—	—	24,0	1,6
Transports aériens	16,5	3,7	16,5	1,1
Autre (éthyloduc)	—	—	4,9	0,3
Autres infrastructures	—	—	16,0	1,1
Protection de l'environnement	16,6	3,8	18,0	1,2
Coopération industrielle	19,6	4,4	171,7	11,5
Recherche	—	—	2,8	0,2

(1) Cf. note 1 du tableau 4.

(2) Y compris, à Berlin-Ouest, un prêt de 9,9 millions en 1974 et 6 prêts totalisant 36,5 millions de 1958 à 1974.

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Annexe 7 : Emprunts émis jusqu'en 1974

Exercice	Nombre	Montant (millions u.c.)
1961	3	21,4
1962	2	32,3
1963	3	35,2
1964	5	66,8
1965	4	65,0
1966	6	138,5
1967	8	194,5
1968	13	212,5
1969	9	146,0
1970	7	168,9
1971	20	412,9
1972	19	462,0
1973	22	608,0
1974	16	825,5
1961 - 1974	137	3 389,5

RESUME OF THE TASKS ENTRUSTED TO THE EIB UNDER THE DIFFERENT
AGREEMENTS AND FINANCIAL PROTOCOLS CONCLUDED BETWEEN THE
COMMUNITY AND VARIOUS DEVELOPING COUNTRIES

1. GREECE

The Association Agreement between the Community and Greece, which entered into force at the end of 1962, includes an annexed Protocol providing for financial assistance from the Community in the form of EIB loans to finance investment projects to be carried out in Greece.

The ceiling of US \$50 million originally set for total EIB lending to Greece was later raised to US \$125 million. An internal Community Agreement relating to the implementation of the Financial Protocol stipulates that the EIB must act in accordance with the authority to issue credit granted to it by the Member States, which act as guarantors vis-à-vis the Bank for commitments arising from loan contracts concluded under this authority.

The EIB grants loans from its own resources on normal terms. Nevertheless, interest subsidies may be granted for certain projects in priority sectors the return on which is indirect or long term. These annual 3% interest subsidies, which are financed by the Member States, can, however, be granted in respect of not more than two-thirds of the total amount of financial assistance.

The EIB's operations, which were suspended in October 1967 following the freezing of relations between the Community and Greece, were resumed at the end of 1974 at the request of the Community institutions, up to the still uncommitted balance of US \$56 million out of the total of US \$125 million provided for in the Financial Protocol. A new Protocol also providing for EIB finance in Greece is being negotiated.

2. TURKEY

In accordance with the first Financial Protocol annexed to the Association Agreement with Turkey, the EIB granted 36 loans on favourable conditions totalling 175 million u.a. from budgetary funds provided by the Member States between 1965 and 1969.

A second Financial Protocol, signed on 30 November 1970, entered into force on 1 January 1973. Under this Protocol, the EIB may, until May 1976, grant Turkey:

- loans on favourable conditions up to an amount of 242 million u.a.¹;
- loans on market terms up to an aggregate amount of 25 million u.a.

The loans on favourable conditions are granted on authority from the Member States and financed by funds provided by them. The EIB does not record these loans in its balance sheet but in the Special Section designed for this purpose. The loans on market terms are granted from the Bank's own resources.

¹The amount originally fixed was 195 million u.a.; it was raised to 242 million u.a. by the Additional Protocol which was signed on 30 June 1973 following the enlargement of the Community and which is currently undergoing ratification. 52

Under the Financial Protocols, investment projects are eligible for financing where they help to increase the productivity of the Turkish economy, further the aims of the Association Agreement and are part of the Turkish Development Plan. Special consideration is given to projects which should help to improve Turkey's balance of payments.

The loans granted on favourable terms may go towards financing investment projects the return on which is indirect or long-term (infrastructure) or investment projects showing a normal return (industry, tourism) to be carried out by the Turkish central authority, the local authorities, or public or private undertakings. These loans, which, generally speaking, are granted to the State, may be granted for a maximum of 30 years and may be redemption-free for up to 8 years. The rate of interest on such loans must not be less than 2.5% for projects the return on which is indirect or long-term and 4.5% for projects showing a normal return.

Loans granted for infrastructure projects are made available by the Turkish central authority to its operational departments or on-lent to State undertakings. There is also a twin procedure for the financing of industrial projects. EIB loans granted to the State are on-lent to promoters or to public or private undertakings either directly or through the intermediary of a Turkish financial institution. The terms applicable to promoters are fixed in agreement with the EIB: the interest rates are determined in the light of Turkish regulations governing long-term bank lending, and the conditions governing the duration of loans are based on the economic features of the projects.

Loans granted on market terms from the EIB's resources are reserved for projects showing a normal return and carried out by private undertakings. They are also granted to the State, which on-lends them to the final recipients through the intermediary of a Turkish financial institution. Their duration is determined, in agreement with the EIB, on the basis of the economic features of each project financed (in practice, 8 to 12 years, including a redemption-free period of 2 to 3 years). The interest rate granted to the State is that applied by the EIB in respect of its ordinary operations, while the intermediate institution relends the loan to the final recipient at the interest rate obtaining in Turkey for long-term loans.

It is to be noted that EIB loans to the private industrial sector are handled mainly by the Turkish Industrial Development Bank (TSKB) and, more recently, the Industrial Investment and Credit Bank (SYKB). With a view to assisting the financing of small- and medium-scale industrial ventures by means of more flexible procedures, part of the lending has been granted to these intermediate institutions in the form of "global loans", which can be used to finance numerous ventures in agreement with the EIB, which takes its decision following a simplified vetting procedure.

3. THE 18, NOW 19 ASSOCIATED AFRICAN STATES, MADAGASCAR AND MAURITIUS (AASMM) AND 13 ASSOCIATED OVERSEAS COUNTRIES, TERRITORIES AND DEPARTMENTS (OCTD)¹

The EIB's operations in the AASMM are covered by the two Yaoundé Conventions, the first covering the period 1964-69 and the second the period 1970-75. Arrangements similar to those set out in the Conventions have been adopted by the Council of the European Communities for the OCTD. Projects eligible for EIB finance relate mainly to "investments in the fields of production and of the economic and social infrastructure, in particular with a view to diversifying the economic structure of the Associated States and, especially, to promoting their industrialization and their agricultural development" (Article 19 of the second Yaoundé Convention). As in the case of all projects financed with Community aid, they must be of some economic interest and must help to "promote the economic and social development of the Associated States, by supplementing the efforts achieved by those States" (Article 17 of the same Convention).

The arrangements governing EIB operations in the AASMM and the OCTD

Under the second Yaoundé Convention and the relevant Decision², the EIB is able to contribute to achieving these objectives in various ways:

(i) Ordinary loans from its own resources

When granting these loans, preference is given to projects with an adequate financial return to ensure servicing of the loans. The interest rate on ordinary loans depends on the terms at which the EIB raises funds on the financial markets. However, European Development Fund (EDF) interest subsidies may be granted on ordinary loans. Generally speaking, the rate of the subsidy varies between 2% and 4%. The duration of ordinary loans depends on the normal technical depreciation period for the plant financed; for most industrial projects, the loans are granted for about 10-12 years; loans for infrastructure projects may be granted for up to 20 years.

¹ List of the Associated African States, Madagascar and Mauritius (AASMM) and the Overseas Countries, Territories and Departments (OCTD):

1. AASMM: Burundi, Cameroon, Central African Republic, Chad, Congo, The Ivory Coast, Madagascar, Mali, Mauritania, Mauritius*, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta and Zaire.

2. OCTD: (a) Surinam and the Netherlands Antilles;
(b) Saint Pierre and Miquelon, the Comoro Archipelago, the Territory of the Afars and Issas, New Caledonia and dependencies, Wallis and Futuna Islands, French Polynesia, Southern and Antarctic Territories;
(c) Guadaloupe, Martinique, French Guiana, Réunion.

* Only since 1 June 1973, the date on which this country's Association Agreement with the EEC took effect.

² Of the Council of the European Communities.

(ii) Loans on special conditions from the resources of the EDF

Loans on special conditions are granted where the borrowing capacity of the country concerned or the financial viability of the projects justify and require more favourable conditions. These special loans are granted by the Commission and administered by the EIB under a Special Section set up in 1973 by its Board of Governors. The terms are very favourable: the depreciation periods for the loans may be up to 40 years with a maximum redemption-free period of 10 years, and the interest rate ranges, in practice, between 1% and 3%.

(iii) Risk capital

The European Community may also contribute to the formation of risk capital, notably by the acquisition of an interest in the venture. These contributions are financed with EDF resources on behalf of an at the risk of the Community, and managed by the EIB; they are minority shareholders only.

Repayable aid

In addition to grants from EDF resources (680 million u.a. and 814.5 million u.a. for the AASMM and the OCTD respectively), which account for the bulk of financing, the two Yaounde Conventions and the relevant Decisions¹ provide for the following amounts of repayable aid:

million units of account	First Yaoundé Convention and Decision ¹ (1964-69)		Second Yaoundé Convention and Decision ¹ (1970-75)	
	<u>AASMM</u>	<u>OCTD</u>	<u>AASMM</u>	<u>OCTD</u>
Ordinary EIB loans (up to a total of)	64	6	90	10
Loans on special terms and contributions to the formation of risk capital ² from EDF resources	46	4	80.5	10
TOTAL	110	10	170.5	20

¹Of the Council of the European Communities in the case of the OCTD.

²No provision was made in the First Yaoundé Convention for contribution to the formation of risk capital.

4. THE 46 AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES (ACP)¹

The Lomé Convention, which was signed on 28 February 1975 between 46 African, Caribbean and Pacific countries (ACP) and the European Economic Community, will significantly widen the scope of the Bank's activities outside the Community. Of the 3 390 million units of account earmarked as total Community aid to the ACP, an amount of 585 million units of account is to be used to finance the Bank's activities, primarily in the form of ordinary loans (390 million u.a.), which will generally carry interest subsidies (about 100 million u.a. as EDF grants) and contributions to the formation of risk capital (95 million u.a.) also included in the EDF's resources.

In view of the EIB's experience in this field, productive investment projects in industry, mining and tourism will have to be submitted for vetting by the Bank and financed, by way of priority, out of the Bank's available funds (ordinary loans and risk capital). But this does not automatically rule out the possibility of aid being granted in the form of ordinary loans for viable infrastructure projects in countries where this form of finance would appear suitable in view of their level of development and balance-of-payments situation.

The EIB's ordinary loans and the risk capital do, of course, form part of Community aid. As a result, the Bank and the Commission will, in agreement with the ACP countries concerned, jointly draw up programmes indicating how the aid is to be used in the period covered by the Lomé Convention. To this end, the Bank is represented in the programming teams which the Community sends to each ACP country.

As is provided for in the Lomé Convention, the Bank's interest rate will, generally speaking, be lowered by 3% through an interest subsidy set off against EDF grants, except where the loans are earmarked for investments in the oil sector, irrespective of their location, or in the mining sector, unless such mining schemes are situated in one of the least developed ACP countries.

¹The ACP countries include:

- the 19 AASMM (see list above);

- 21 Commonwealth countries, namely:

Africa: Kenya, Uganda, Tanzania (already linked to the EEC under the Arusha Agreement of 24 September 1969), Botswana, The Gambia, Ghana, Lesotho, Malawi, Nigeria, Sierra Leone, Swaziland and Zambia;

Caribbean: Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago.

Pacific: Fiji, Western Samoa and Tonga;

- 6 other African countries:

Ethiopia, Guinea, Guinea-Bissau, Equatorial Guinea, Liberia and The Sudan.

5. PORTUGAL

On 7 October 1975, the Community agreed to ask the European Investment Bank without delay to make available to Portugal as emergency aid loans for investment projects up to a total of 150 million u.a. which could be committed in the period 1976-77, pending the entry into force of a conventional financial protocol to replace this arrangement.

These loans will be granted on the usual terms applying to the Bank's ordinary loans, and there will be a 3% interest subsidy. As an entirely exceptional measures, the Member States have agreed that the cost of these interest subsidies (put at 30 million u.a.) and also the total guarantee to be offered to the EIB in respect of its operations in Portugal will be entered in the Budget of the European Communities.

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(Acts whose publication is obligatory)

REGULATION (EEC) No 397/75 OF THE COUNCIL
of 17 February 1975
concerning Community loans

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Whereas the considerable changes in the terms of international trade have produced a deterioration in the balance of payments of the Member States of the Community;

Whereas the effects of this deterioration will vary from one Member State to another and may thereby compromise the proper operation of the common market;

Whereas the Community should accordingly contribute to the financing required by this situation, and to this end itself borrow funds to be put at the disposal of Member States whose balance of payments is affected by the increase in the price of petroleum products, in the form of loans having identical financial characteristics;

Whereas, moreover, intervention by the Community as such is likely to contribute to a stabilization of capital movements due to the increase in the price of petroleum products, to the benefit of the whole international community;

Whereas each loan to a Member State must be conditional upon the adoption by that Member State of economic policy measures designed to redress its balance of payments;

Whereas it follows from the foregoing that transactions of this type are necessary to attain the objectives of the Community as defined in the Treaty, and in particular the harmonious development of economic activities throughout the Community;

Whereas the Treaty makes no provision for the powers of action required for this purpose,

HAS ADOPTED THIS REGULATION:

Article 1

The Community may undertake a series of operations to raise funds, either directly from third countries and financial institutions, or on the capital markets, with the sole aim of re-lending those funds to one or more Member States in balance of payments difficulties caused by the increase in prices of petroleum products.

Article 2

The opening of the negotiations necessary for each loan transaction shall be authorized by the Council on the initiative of one or more Member States. The decision to open negotiations shall also lay down the procedures for those negotiations.

In the light of the outcome of those negotiations, the Council shall decide on what terms each loan agreement is to be concluded. The average period for which funds are borrowed shall not be less than five years.

Article 3

The Council shall decide on the principle and the terms of loans to be granted to one or more Member States and on the economic policy conditions to be fulfilled by each beneficiary Member State in order to redress its balance of payments.

The funds shall be paid only into central banks and shall be used only for the purposes indicated in Article 1.

Article 4

The operations of borrowing and lending referred to in Article 1 shall be expressed in the same currency, and carried out on the same terms with respect to

repayment of the principal and payment of interest. The costs incurred by the Community in concluding and carrying out each operation shall be borne by the beneficiary Member State concerned.

Article 5

The loan operations authorized by this Regulation shall be limited to the equivalent in European monetary units of account of 3 000 million US dollars in principal and interest payments.

Article 6

The guarantees designed to ensure that the loans referred to in Article 1 are serviced and repaid in all circumstances shall not exceed the following percentages applied to the total amount of the loan in principal and interest:

	%
Germany	44.04
United Kingdom	44.04
France	44.04
Italy	29.36
Belgium/Luxembourg	14.68
Netherlands	14.68
Denmark	6.60
Ireland	2.56

Article 7

The Council shall lay down detailed rules for the implementation of this Regulation.

Article 8

The measures referred to in Articles 2, 3 and 7 shall be adopted by the Council acting unanimously on a proposal from the Commission, which shall consult the Monetary Committee on the matter.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 17 February 1975.

For the Council

The President

R. RYAN

REGULATION (EEC) No 398/75 OF THE COUNCIL
of 17 February 1975

implementing Regulation (EEC) No 397/75 concerning Community loans

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community;

Having regard to Council Regulation (EEC) No 397/75 (1) of 17 February 1975 concerning Community loans, and in particular Article 7 thereof;

Having regard to the proposal from the Commission, which has for this purpose consulted the Monetary Committee;

Whereas Regulation (EEC) No 397/75 provides that the Community shall, where necessary, undertake operations to raise funds to re-lend to one or more Member States in balance of payments difficulties due to the increase in the price of petroleum products;

Whereas, in order to ensure that the Community debt is at all times duly serviced, as regards both capital and interest, it is essential to define the conditions under which the Community shall be entitled to receive from the other Member States the necessary foreign exchange if the debtor Member State finds itself unable to make payment on one or more due dates;

Whereas a procedure must be provided for examining both the circumstances preventing a debtor Member State from meeting its obligations in respect of the debt and those in which a Member State might be exempted from the arrangements for the Member States to provide the Community with the foreign exchange due from the debtor Member State,

HAS ADOPTED THIS REGULATION:

Article 1

Where it is found, pursuant to the procedure laid down in Article 6, that a Member State which has received a loan from the Community is wholly or partially unable to provide the necessary foreign exchange to make a payment falling due in respect of such loan, the other Member States shall be under an obligation to provide the Community with this foreign exchange in the proportions specified in Article 2.

Article 2

The allocation among the Member States of the foreign exchange to be provided by them pursuant to Article 1 shall be calculated by applying, in the manner set out in this Article, the following scale:

	%
Germany	22.02
United Kingdom	22.02
France	22.02
Italy	14.68
Belgium/Luxembourg	7.34
Netherlands	7.34
Denmark	3.30
Ireland	1.28

This scale shall be applied by dividing the total financing requirement among the other Member States in the above proportions without taking account of the debtor Member State's quota.

Article 3

Where, pursuant to the procedure laid down in Article 7, one or more Member States are temporarily exempted in whole or in part from the obligation to provide the Community with foreign exchange due from the debtor Member State, the scale laid down in Article 2 shall be applied without taking account of the quotas of those Member States, to the extent that they have been exempted.

Article 4

1. However, no Member State may be required to provide the Community with a total amount of foreign exchange which exceeds the percentage laid down in Article 6 of Regulation (EEC) No 397/75 applied to the total amount of the basic loan plus interest.

2. If this limit is reached and there remains a balance to be financed, the balance shall only be divided, in accordance with the scale laid down in Article 2, among the Member States other than the Member State which has received the loan which otherwise would have been temporarily exempted in whole or in part from participating in the operation; for the Member States only partially exempted, the percentage allotted to them in the scale laid down in Article 2 shall be reduced by the percentage taken into account in calculating their share of the allocation which left the balance to be financed.

Article 5

Member States which have provided foreign exchange pursuant to Articles 2 to 4 shall *ipso facto* acquire a claim against the Community for the foreign exchange provided.

(1) See page 1 of this Official Journal.

Any outstanding sums shall bear interest at the rate set out in the original loan, subject to a decision taken by the Council by a qualified majority to amend this rate.

Article 6

1. When a Member State receives a loan from the Community, the Commission, in collaboration with the Monetary Committee, shall take the necessary measures to verify that the economic policy of this State accords with the conditions laid down by the Council pursuant to Article 3 of Regulation (EEC) No 397/75. Subject to any arrangements which may be made in connection with individual loans, this verification shall take place at regular and frequent intervals. To this end, the Member State shall place all the necessary information at the disposal of the Commission.

2. This surveillance shall be closer as the date for the first repayment approaches, or if recourse is had to the re-financing arrangements provided for in Articles 2 to 4.

3. Should it appear that difficulties may arise in making a payment on the due date, the Commission, in collaboration with the Monetary Committee and the Committee of the Governors of the Central Banks shall, sufficiently in advance of the due date, make a special examination of the situation. This examination shall be concerned in particular with the financing arrangements available to the debtor Member State both inside and outside the Community.

4. If this examination indicates that the debtor Member State will be partly or wholly unable to make payment on the due date, the Commission shall propose that the Council, by a unanimous decision, implement the re-financing arrangements described in Articles 2 to 4.

If the examination raises serious doubts as regards the debtor Member State's alleged incapacity to pay, the Commission shall make a report to the Council which may include a proposal that it implement the

re-financing arrangements. In the absence of such a proposal, the debtor Member State may make application to the Council. The Council shall take a unanimous decision after consulting the Monetary Committee and the Committee of the Governors of the Central Banks.

Article 7

Any Member State which wishes to be temporarily exempted in whole or in part from participating in any re-financing arrangements owing to balance of payments difficulties or serious deterioration in its foreign exchange reserves shall make known its reasons at the examination provided for in Article 6 (3). The procedure provided for in Article 6 (4) shall apply to such request.

Article 8

In any event, both in the case of a debtor Member State being unable to pay, as envisaged in Article 1, and in the case of other Member States being temporarily exempted in whole or in part from contributing, as envisaged in Article 3, all possibilities open to the Member States concerned for obtaining finance either inside or outside the Community must first have been exhausted before recourse is had to the re-financing arrangements provided for in Articles 2 to 4.

Article 9

Any Member State which has been temporarily exempted in whole or in part, whether as regards a payment due from it or as regards participation in re-financing arrangements, shall be under an obligation to make payment or to provide its share to the Community as soon as its balance of payments situation and foreign exchange reserves so permit.

Article 10

The European Monetary Cooperation Fund shall make the necessary arrangements for the administration of the loans.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 17 February 1975.

For the Council

The President

R. RYAN