

European Investment Bank

**Operations
in the associated
African and Malagasy States
and the associated Overseas
Countries and Territories**

Brochure "European Investment Bank Operations under the Lomé Convention"

CORRIGENDUM

- page 3 - 3rd paragraph : Between 1958 and 1977 the EIB mounted 1 337 financing operations (686 of these in the form of credit provided via global loans) for investments within or of direct interest to the Community ; the combined value of these operations was 7 400 million units of account
- page 4 - 1) Add to the end of the 1st paragraph : A new expansion of the Bank's activities outside the EEC has gathered pace within the framework of the Community's development aid policy, which has led to the Lomé Convention and finance agreements with different Mediterranean countries and Portugal.
- 2) 2nd paragraph, 2nd line : totalled 1 100 million units of account at end 1977.
- 3) The new address of the Representative Office in Brussels is :
- Rue de la Loi 227
B - 1040 Brussels
Tel. 735 21 38 - Telex 21 721 bankeu b
- (same modification to page 20)
- 4) The annexes referred to in the footnote on page 4 now include operations under the Lomé Convention (as at 31 December 1977)

Brochure "European Investment Bank Operations under the Lomé Convention"

CORRIGENDUM

page 5 - 1) Add to the end of the 1st paragraph : Since then 7 other independent countries have adhered to the Lomé Convention. (1)

2) From the 2nd paragraph onwards it should now read :

- Aid from Member States to be drawn from EDF resources

Grants 2 137.0 m u.a.

Special loans 440.1 m u.a.

Risk capital 97.0 m u.a.

Transfers for the stabilisation of export earnings under Title II of the Convention 380.0 m u.a.

- Loans from the EIB's own resources 390.0 m u.a.

3 444.1 m u.a.

Of the total 3 444.1 million u.a., the Bank will be responsible for making available 587 million u.a., as follows :

page 6 - (ii) : substitute 97 million u.a. for 95 million u.a.

(1) See annexed list of ACP countries

(2) Not counting the Republic of Jibuti's adhesion to the Convention.

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The Banking Institution of the European Community

The European Investment Bank (often known as the European Bank or, more simply, the EIB), was set up by the 1957 Treaty of Rome establishing the European Economic Community. It is a public institution, independent within the Community, and non-profit-making.

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

The association of Third Countries with the Community has gradually extended the sphere of the Bank's operations to Greece, Turkey, the eighteen Associated African and Malagasy States and the Associated Overseas Countries and Territories.

* * *

The purpose of this brochure is to explain the exact nature of the European Investment Bank's operations in the Associated African and Malagasy States and the Associated Overseas Countries and Territories.

More detailed information can be obtained by applying to the Head Office of the

EUROPEAN INVESTMENT BANK
2, place de Metz - Luxembourg
Tel. : 43 50 11 - Telex 222 bankeuro L

or to its

Representative Office in Brussels
Rue Royale 60 - 1000 Brussels
Tel. 13 40 00 - Telex 21 721 bankeurop bru.

A. Details of the operations conducted by the European Investment Bank (EIB) in the context of repayable Community aid granted to the Associated African and Malagasy States (AAMS) and the Overseas Countries and Territories (OCT) associated with the European Economic Community (EEC)

The financial co-operation provided for by the Convention of Association signed between the EEC and the AAMS on 29 July 1969 and by the Decision of the Council of Ministers of 29 September 1970 on the association of the OCT came into effect on 1 January 1971. It will come to an end on 31 January 1975.

Great Britain, Ireland and Denmark, which acceded to the Community on 1 January 1973, are not participating in the Community aid granted under the Convention of 29 July 1969. Since the Commonwealth countries are not associated with the Community, they are not receiving financial aid, although those among them who so wish will be able to become Associate Members of the Community as from 1975.

Out of a total 918 million u.a. earmarked for Community aid to the AAMS, 170 million u.a., or 18.5 %, has been set aside for loans and contributions to the formation of risk capital, while similar aid to the OCT is to amount to 20 million u.a., or 24.4 % of a total 82 million u.a.

The breakdown of the Community's overall financial aid is as follows :

	AAMS		OCT	
	M u.a.	%	M u.a.	%
Ordinary loans from the resources of the European Investment Bank (EIB) up to	90	9.8	10	12.2
Loans on special conditions and contributions to the formation of risk capital from the resources of the European Development Fund (EDF)	80	8.7	10	12.2
Total loans and contributions to the formation of risk capital	170	18.5	20	24.4
Non-repayable aid from the resources of the EDF	748	81.5	62	75.6
Total planned aid	918	100.0	82	100.0

An Association Agreement concerning the accession of Mauritius to the Yaoundé Convention of 29 July 1969 was signed at Port-Louis on 12 May 1972. Following its ratification, Community aid to the Associated African and Malagasy States and Mauritius will be apportioned as follows :

	M u.a.	%
Ordinary loans from the resources of the European Investment Bank (EIB) up to	90	9.8
Loans on special conditions and contributions to the formation of risk capital from the resources of the European Development Fund (EDF)	80.5	8.7
Total loans and contributions to the formation of risk capital	170.5	18.5
Non-repayable aid from the resources of the EDF	752.5	81.5
Total planned aid	923	100.0

B. Scope and Conditions of Loans

Projects eligible for ordinary loans from the resources of the EIB or loans on special conditions from the resources of the EDF consist basically of “ production sector and economic and social infrastructure investments geared primarily to diversifying the economic structure of the Associated States and, especially, to promoting their industrialisation and agricultural development ” (1). Like all projects financed by Community aid, subsidised projects included, they must offer definite economic benefit, in other words they must help “ to promote the economic and social development of the Associated States, by supplementing the efforts achieved by these States ” (2).

I. Ordinary loans from the resources of the European Investment Bank

The European Bank appraises the acceptability of projects and grants loans on the resources raised by it on the international capital markets in accordance with the terms, conditions and procedures laid down by its Statute, as well as taking into account the borrowing capacity of the State concerned.

(1) Article 1 of the Convention of Association of 29 July 1969.

(2) Article 17 of the same Convention.

In view of the wide range of Community financing media available, the Bank, within the terms of reference of its Statute, confines its loans to projects offering an adequate and guaranteed profitability.

The project's operating results or the resources directly generated by it must be such as to cover servicing of the loan and capital repayments.

Interest rates

Since the European Bank finances its loans by borrowing on the capital markets inside and outside the Community and operates on a non-profit-making basis, its interest rates are close to the average rates charged on financial markets.

The Bank's rates are independent of the type of project financed, the status of the borrower and the currencies in which the loan is disbursed.

The rate charged on each loan is that in force on the date when the contract is concluded and is not subject to revision.

On 1 January 1973, the Bank's rates of interest were :

- 7 3/8 % for loans up to 9 years;
- 7 3/4 % for loans over 9 years.

The loans are disbursed at par so that the borrower receives the whole nominal amount of the loan.

Term

The European Bank makes long-term loans. The term of the loan is geared to the type of project and the normal depreciation period for the plant and equipment financed.

For industrial projects the term is generally between 7 and 12 years and up to 20 years in the case of investment in infrastructure.

During the previous Convention of Association the average loan term was approximately 11 1/2 years.

Security

Like any forward lender whose resources consist of funds borrowed on the market, the Bank must have appropriate security for its loans.

The State concerned in the project may be required to stand guarantor.

Currency

The European Bank's financing contracts provide borrowers with credits denominated in units of account ⁽¹⁾. The Bank disburses its loans in several currencies which it selects according to those actually held by it, after consulting the borrowers as to which currencies they would like to receive.

The currencies disbursed at the moment are those of the EEC Member States as well as Swiss francs and US dollars. Each loan repayment and interest payment must be made in the same currency and proportion as the disbursement.

Utilisation of loans

The loans made by the Bank may be used for payments in any country, subject to any restrictions applicable in the borrower's country.

The Bank requires that orders, supply contracts and works financed by its loans be, as far as possible, open to international tender, including at least the Member States of the European Economic Community in addition to the Associated African and Malagasy States.

(1) This unit of account (u.a.) is defined in Protocol No 7 to the Convention of Association of 29 July 1969. It is equal to 0.88867088 grammes of fine gold; at the present moment 1 u.a. = US \$ 1.08571.

Financial scope

The European Bank's loans cover only part of the cost of the investment project, supplementing the borrower's own funds and credits from other sources. The amount of the Bank's loan is determined in each individual case after an appraisal of the financing plan. The Bank rarely lends more than 40 % of the cost of the fixed investments involved.

The Bank works in close collaboration with the financial institutions of the EEC, the Associated States and Third Countries as well as with international organisations operating in the same spheres as itself.

Interest rebates

At the beneficiary's request, the European Bank's loans may carry interest rebates granted on the amount of non-repayable EDF aid.

The Convention allows for more substantial interest rebates than previously and simplifies the matter of granting them by making provision for a system of fixed rates, decided on the basis of economic criteria.

The fixed rate interest rebates for the following categories of projects are :

- 2 % to the end of the fifth year of the repayment of the loan, for investments in manufacturing industries in the immediate vicinity of the main industrial development centres of the Associated States;
- 3 % for the lifetime of the loan, for the same investments in other regions or countries having a low level of industrialisation or located far from the coast, and for tourist facilities;
- 2 % for the lifetime of the loan, for loans granted through a development financing institution.

A loan applicant may request a rebate not covered by the above categories, in which case the approval and rate will be decided according to individual circumstances.

Rebates may not be such as to reduce the actual interest rate to be borne by the beneficiary to less than 3%. Nevertheless, where loans are made through public authority-controlled development financing institutions, the rate to be borne by the intermediate borrower may not be less than 2%.

II. Loans on special conditions from the resources of the European Development Fund (EDF)

The purpose of loans on special conditions is to finance investment projects of general benefit to the economy of the Associated State in which they are effected, such financing being conditional upon the profitability of these projects and the borrowing capacity of the Associated State concerned.

The degree of profitability required for granting loans on special conditions need not necessarily be as high or immediate as for ordinary loans from the resources of the Bank.

The interest rate, term and deferred repayment period for loans on special conditions are particularly favourable :

Interest rate

This is generous and is decided for each individual loan on the basis of the characteristics of the project and the economic situation and borrowing capacity of the country concerned. Rates established to date have ranged between 1 and 3% according to the project;

Term

The maximum permissible term for loans on special conditions is 40 years.

They may be coupled with a maximum 10-year deferred repayment period.

The term of each loan and any related deferred repayment period are decided according to the characteristics of each project and, if need be, the economic and financial situation of the beneficiary State.

Currency

Loans on special conditions from the resources of the European Development Fund are disbursed in the various currencies of the Member States in proportion to their contribution to the EDF. Each loan repayment and interest payment is made in the same currency and proportion as the disbursement.

Financial scope

Depending upon individual cases, a loan on special conditions from the resources of the EDF may cover a substantial part of the cost of a project or, in exceptional circumstances, even the entire cost.

III. Contribution to the formation of enterprises' risk capital

With a view to aiding the accomplishment of projects of general benefit to the economy of the Associated State in which they are carried out, the European Economic Community may contribute to the formation of enterprises' risk capital by bolstering their equity by acquiring a stake in their share capital or by other appropriate means (shareholders' loans, subscription for bonds, granting assistance of a quasi-capital nature).

Such contributions constitute a minority stake only. They are generally made in conjunction with an ordinary loan from the resources of the Bank or, in exceptional cases, with a loan on special conditions from the resources of the EDF.

Contributions to the formation of risk capital are undertaken on behalf of the Community at its own risk and it is entitled to all rights arising therefrom. Like loans on special conditions, these operations are managed by the Bank on behalf of the Community under the mandates conferred for each project by the Community.

C. Project Appraisal

The European Bank appraises projects which seem to qualify for an ordinary loan from its own resources, in accordance with the provisions of its Statute.

The Bank ascertains the favourable opinion of the competent authorities in the State concerned and, in compliance with its Statute, that of the Commission of the European Communities. Financing decisions are taken by the Board of Directors of the Bank.

The Bank also assumes principal responsibility for appraising interest rebates, contributions to the formation of risk capital and projects relating to the industrial sector, which are likely to qualify for loans on special conditions from the resources of the EDF. It formulates the financing proposal after consulting the Commission of the European Communities.

For all other projects likely to qualify for loans on special conditions from the resources of the EDF, bar industrial sector projects, principal responsibility for appraisal rests with the Commission, which formulates a financing proposal after consulting the Bank.

The Commission and Bank mutually agree the procedure for appraising "integrated projects" (1), specifying the points for which each one is responsible.

For operations financed from the resources of the European Development Fund, the Commission submits the financing proposals to the EDF Committee, which consists of representatives of the Member States of the Community. The decision is taken by the Commission on the favourable opinion of this Committee.

(1) An "integrated project" means a set of operations, consisting mainly of production sector investments with a common purpose and interconnectedness, which require simultaneous appraisal and a blanket financing decision.

D. Preliminary Contacts and Submission of Financing Applications

A file has to be submitted to the Community for each project/programme financing application, either by the Associated State or group of Associated States concerned or, with the latter's agreement, by the regional or inter-governmental undertaking or organisation concerned, as appropriate.

In fact, it is always to the applicant's advantage to sound out unofficially whichever of the European Investment Bank or the Commission of the European Communities is principally responsible for appraising the project, before making an official application for a loan or contribution to the formation of risk capital.

The method of financing indicated in the request does not prejudice the procedure decided upon by the Community. Nevertheless, as a general rule :

- it is advisable to make preliminary contact with the European Investment Bank with regard to all industrial sector projects; and
- files on projects in respect of which application is made for an ordinary loan from the European Bank, a contribution to the formation of risk capital or an interest rebate, should be addressed to the

European Investment Bank
Department for Loans in Associated Countries
2, place de Metz
Luxembourg
Grand Duchy of Luxembourg.

All other files should be addressed to the

Commission of the European Communities
Directorate General for Development Aid
European Development Fund Directorate
Rue de la Loi 200
1040 Brussels
Belgium.

Documents to be supplied to the European Bank

The Bank does not require its borrowers to complete set forms or questionnaires. It leaves them free to compile a file containing sufficient information for an appraisal of the loan or participation application. Obviously, the fuller and more detailed the file the easier and quicker its appraisal. In all cases, the Bank reserves the right to request during its appraisal any complementary information, which it considers necessary.

The exact documentation will vary in each case according to the characteristics of the project; a clear distinction has to be made between industrial and infrastructure projects. The following pointers are given by way of guidance.

For **industrial projects** the main documentation must cover the following particulars :

1. Information about the undertaking, its principal partners and promoters

- The undertaking : memorandum and articles of association, shareholders, tax regime, certificate of incorporation, concessions, activities, accounting and administrative set up, balance sheets, trading accounts, profit and loss accounts, financial statement for the last

3 financial years, details of short-, medium- and long-term indebtedness.

- Principal partners and promoters : articles of association, shareholders, activities, balance sheets for the last 3 financial years.

2. Technical data on the project

- General concept : purpose, location, rated and actual production capacities.
- Technical description : technology, description of the site, civil engineering works, production plant, general services and stocks, vehicles, etc...
- Study and implementation : timetable, consultant (if any), supervision, procedures for awarding orders and contracts.
- Detailed estimate of investments : site, civil engineering, production plant, general services, stocks, vehicles, initial and start-up outlays, interest during the investment period, contingencies, etc...
- Operation : supply of raw materials, organisation, work force, technical assistance where applicable.

3. Economic information

- Markets and outlets : present situation and estimated trends, statistics for recent years, projected prices, local and export sales, marketing network, position occupied by the undertaking on the market.
- Jobs created (permanent and seasonal).
- How the project ties in with the development plan of the country concerned.
- Factors for calculating the economic profitability of the project and assessing its contribution to the economic

development of the country concerned, its effect on the balance of payments and public finance.

4. **Financial information**

- The undertaking's projected trading accounts (allowing for previous activities, if need be) up to the project coming fully on stream.
- The undertaking's projected balance sheet and financial statement for the same period.
- Assessment of working capital requirements and their development over the same period : stocks of raw materials, finished products, credits to clients, debts to suppliers.
- The project's financing plan and schedule of projected expenditure.
- Security offered.
- Projected policy concerning the return on the undertaking's capital.

For **infrastructure projects** the main documentation must cover the following particulars :

1. **Information concerning the contractor and operator**

In the case of projects carried out or managed by State departments or a public authority, the information should relate to estimates for the last three years and available progress reports with full particulars of the project's sectoral characteristics.

Where the project is being promoted or operated by an undertaking managed in accordance with commercial methods, the information should follow much the same lines as that required of the promoter of an industrial project.

2. Technical data on the project

- General concept : purpose, location, basic data, available studies, production capacities.
- Technical description : general construction principles, basic and complementary works, basic and ancillary plant, building and operating materials and vehicles.
- Study and implementation : technical assistance and consultations (if any), procedures for awarding orders and contracts, timetable, supervision.
- Detailed estimate of investments : site, works, plant, equipment, interest during investment period, contingencies, etc...
- Operation : methods, organisation, work force, possible technical assistance, maintenance.

3. Economic data

- Market requirements and potential use of plant, forward development, any market and marketing problems, pricing principles and methods.
- How the project ties in with the development plan of the country concerned, factors for assessing its contribution to the economic development of the country, its effect on the balance of payments and public finance.
- Advantages for the user and cost of utilising the plant.
- Economic profitability of the project.

4. Financial data

- Details of the project's operating income and expenditure (up to the plant coming fully on stream) and all data of help in assessing the future trend of the operator's and contractor's projected financial situation.
- Assessment of working capital requirements.

- The project's financing plan and schedule of estimated expenditure.
- Security offered.
- Policy concerning the return on the operator's and contractor's capital.

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

Den Europæiske Investeringsbank
Europäische Investitionsbank
Ευρωπαϊκή Τράπεζα Επενδύσεων
European Investment Bank
Banco Europeo de Inversiones
Banque européenne d'investissement
Banca europea per gli investimenti
Europese Investeringsbank
Banco Europeu de Investimento ⁽¹⁾

European Investment Bank

The European Investment Bank (EIB) was created under the Treaty of Rome at the same time as the European Economic Community. Its task is to grant loans and give guarantees which facilitate the financing of capital investment promoting the balanced development of the Community.

The Bank raises the bulk of its financial resources on the capital markets and on-lends the proceeds on a non-profit-making basis for capital investment meeting Community priority objectives. The major part of its lending is devoted to capital investment in the Community's less-favoured regions.

The EIB also contributes towards deploying Community development aid under cooperation or association agreements which the EEC has concluded with 12 countries in the Mediterranean region and with the African, Caribbean and Pacific countries signatory to the Third Lomé Convention.

Bank lending in 1987 totalled more than 7.8 billion ECUs, of which around 400 million was furnished outside the EEC.

(1) The names given above in all the Community languages are the Bank's official titles and not translations

SERVING THE COMMUNITY

The EIB's purpose is to foster economic and social progress within the Community. Its theatre of operations has expanded in tandem with enlargement of the EEC: since 1958, Belgium, Germany, France, Italy, Luxembourg and the Netherlands; since 1973, Denmark, Ireland and the United Kingdom; since 1981, Greece; since 1986, Spain and Portugal.

Tasks

EIB activity has developed in keeping with guidelines laid down in Article 130 of the Treaty of Rome and decisions taken by its managing bodies to respond to the Community's needs. The Bank makes or guarantees loans for capital investment projects, principally in industry, energy and infrastructure, which further:

- the economic **development** of the Community's **less privileged regions**;
- the improvement of **communications between Member States** (i.e. transport and telecommunications) and other Community objectives, such as **protection of the environment**;
- the attainment of the Community's **energy policy objectives**: development of indigenous resources, energy saving, import diversification;
- **modernisation or conversion of undertakings**, development or introduction of **advanced technology** to improve the competitiveness of Community industry, fostering of **cooperation between undertakings** in different Member Countries.

The EIB finances capital investment which contributes directly or indirectly to an increase in economic productivity in general and which is economically and technically viable.

Resources

Capital is subscribed by Member States; however, the bulk of resources comes from **borrowings** on capital markets inside and outside the Community. The EIB is one of the world's principal borrowers and enjoys the finest credit rating on the markets. The two leading American rating agencies, Moody's and Standard & Poor's, have consistently awarded the Bank their highest credit rating: AAA. The EIB's bonds are quoted on the world's major stock exchanges.

Capital structure

(as at 1 January 1988, in million ECUs)

	Subscribed capital ⁽¹⁾	Total paid in and to be paid in ⁽¹⁾	%
Germany	5 508.725	497.529	19.127
France	5 508.725	497.529	19.127
Italy	5 508.725	497.529	19.127
United Kingdom	5 508.725	497.529	19.127
Spain	2 024.928	181.334	7.031
Belgium	1 526.98	136.742	5.302
Netherlands	1 526.98	136.742	5.302
Denmark	773.154	69.237	2.684
Greece	414.19	37.092	1.438
Portugal	266.922	23.903	0.927
Ireland	193.288	17.309	0.671
Luxembourg	38.658	3.462	0.134
Total	28 800.0	2 595.938	100.0

Funds raised in 1987

(in million ECUs)

DM	1 152.7	(20.6 %)
ECUs	807.4	(14.4 %)
US\$	721.9	(12.9 %)
Lit	639.2	(11.4 %)
Yen	517.2	(9.3 %)
Ffrs	464.0	(8.3 %)
Sfrs	370.4	(6.6 %)
Fl	337.9	(6.0 %)
Bfrs	302.2	(5.4 %)
£	142.0	(2.6 %)
Other	137.8	(2.5 %)
Total	5 592.7	(100.0 %)

(1) The capital paid in and to be paid in is approximately 9% of the subscribed capital, all or part of the remainder could be called by decision of the Board of Directors should the Bank's obligations towards lenders ever require this (Article 5 of the Statute).

Interest rates/subsidies

As the EIB operates on a non-profit-making basis, interest rates on its loans follow closely the cost at which it can borrow funds and hence reflect movements on the capital markets. The Bank's Statute, which forms an integral part of the Treaty of Rome, precludes it from granting any reduction in these rates, but interest subsidies may be granted by third parties.

The EIB generally makes its loans available at fixed rates of interest, while variable-rate financing is also possible.

The Bank's rates are in no way influenced by the status of the borrower, the type of project financed or its location. They are set for each of the currencies used by the Bank (Member States' currencies, the ECU and major international currencies).

Depending upon the borrower's preferences and the EIB's holdings, loans are disbursed either in a single currency – notably the ECU or the borrower's national currency – in several currencies or as standard cocktails. No investigation or other fees are levied and loans are disbursed at par.

The EIB may be contacted directly – no particular formalities need to be completed.

DEVELOPMENT FINANCE OUTSIDE THE COMMUNITY

Since 1963, the EIB has participated in deploying Community development aid, the bulk of which consists of grants (responsibility of the Commission of the European Communities). The Bank currently mounts operations in 12 countries in the Mediterranean region which have concluded cooperation or association agreements with the EEC and in 66 African, Caribbean and Pacific (ACP) countries signatory to the Third Lomé Convention.

From 1963 to end-1987, the EIB made available 6 billion ECUs (\pm US\$ 7.8 billion, £ 4.2 billion, IR£ 4.7 billion), three quarters of this in the form of loans from the Bank's own resources on which an interest subsidy is normally paid from the amount provided for grants. The rest is drawn from budgetary funds which the Bank deploys on the EEC's behalf and which carry particularly flexible terms and conditions.

ECU

The EIB borrows and lends in many currencies. It keeps its accounts and operating statistics in ECUs. On the basis of its composition as last adopted on 17 September 1984, the ECU is equal to the sum of the following fixed amounts of the currencies of the first ten Member States: DM 0.719, £ 0.0878, Ffrs 1.31, Lit 140, FI 0.256, Bfrs 3.71, Lfrs 0.14, Dkr 0.219, Dr 1.15, IR£ 0.00871. The conversion rates used for this leaflet are those obtaining on 31 December 1987, when 1 ECU equalled DM 2.06, £ 0.70, Ffrs 6.98, Lit 1 521.7, FI 2.32, Bfrs 43.15, Lfrs 43.15, Dkr 7.94, Dr 164.48, IR£ 0.78, Ptas 140.57, Esc. 169.47, US\$ 1.30.

The EIB assumes certain responsibilities within the framework of Euratom and NCI operations and also participates in implementing Community programmes such as the Integrated Mediterranean Programmes (IMPs):

– *New Community Instrument (NCI)*: the Commission of the European Communities has been authorised to borrow funds on the markets up to certain limits on behalf of the EEC. The Commission decides upon the eligibility of each project for a loan under guidelines laid down by the Council of the European Communities. The EIB, acting under mandate from the EEC, decides on the granting of loans, their terms and conditions and administers them, all in accordance with the procedures laid down in its Statute and its usual lending criteria;

– *Euratom*: the Commission borrows funds on behalf of the European Atomic Energy Community to finance nuclear power projects; the Commission decides on applications for loans, with the EIB responsible for project appraisal and loan management;

– *IMPs*: in cooperation with the Community, the EIB is participating, by providing loan finance, in the Integrated Mediterranean Programmes covering all of Greece and certain regions of Italy and the South of France.

Financing provided from 1983 to 1987 (million ECUs)

Location	1987		1986		1983-87	
	Amount	%	Amount	%	Amount	%
Community						
Belgium	37.1	0.5	46.1	0.6	193.6	0.6
Denmark	315.3	4.2	258.2	3.6	1 565.1	4.8
Germany	276.5	3.7	441.8	6.2	1 096.2	3.4
Greece	164.8	2.2	253.0	3.6	1 635.9	5.0
Spain ⁽¹⁾	707.4	9.5	409.3	5.8	1 116.7	3.4
France	1 006.5	13.5	623.4	8.8	4 971.6	15.2
Ireland	178.6	2.4	262.1	3.7	1 093.2	3.3
Italy	3 112.2	41.8	3 024.0	42.8	14 760.7	45.2
Luxembourg	1.6	—	18.2	0.3	36.2	0.1
Netherlands	18.0	0.2	98.2	1.4	185.3	0.6
Portugal ⁽¹⁾	389.9	5.2	190.3	2.7	580.2	1.8
United Kingdom	1 133.7	15.2	1 371.5	19.4	5 259.2	16.1
Non-Member Countries ⁽²⁾	108.7	1.5	75.0	1.1	183.7	0.5
Sub-total	7 450.4	100.0	7 071.1	100.0	32 677.7	100.0
<i>of which from NCI resources</i>	<i>447.0</i>		<i>393.0</i>		<i>4 105.0⁽³⁾</i>	
Outside the Community						
From the Bank's own resources	188.8		381.8		2 195.5	
From budgetary resources	203.3		91.9		510.1	
Sub-total	392.1		473.7		2 705.6	
Total	7 842.5		7 544.8		35 383.3	

(1) Not including EIB loans granted before accession – Portugal 725 million; Spain: 550 million

(2) Loans advanced for projects located outside the Community but of direct importance to it.

(3) 1 844.4 million in Italy, 1 065.5 million in France, 388.0 million in Denmark, 208.0 million in the United Kingdom, 181.2 million in Greece, 195.1 million in Ireland, 183.0 million in Spain and 39.8 million in Portugal.

PATTERN OF LENDING

In 1987, financing inside the Community (including loans from NCI resources managed by the EIB) totalled 7.45 billion ECUs (\pm US\$ 9.7 billion, £ 5.2 billion, IR£ 5.8 billion). This means that between 1983 and 1987 EIB funding ran to more than 32 billion ECUs (\pm US\$ 41.6 billion, £ 22.4 billion, IR£ 24.9 billion).

In accordance with the Bank's principal task, **regional development** has always had priority. In 1987, 4.3 billion ECUs⁽¹⁾ (\pm US\$ 5.5 billion, £ 3 billion, IR£ 3.3 billion) was channelled towards enhancing the economic prospects of the Community's less-favoured regions (essentially the assisted areas).

Projects complying with **Community energy policy** objectives and financed by the Bank since 1983 should help to cut back oil imports by 55 million tonnes of oil equivalent (toe) per annum, of which 11.8 million toe through energy savings. This represents 14% of projected net Community oil imports in 1995.

Bank lending in support of productive sector projects in 1987, most of these in **industry**, totalled 2.6 billion ECUs (\pm US\$ 3.4 billion, £ 1.8 billion, IR£ 2 billion). Global loans⁽²⁾ for small and medium-scale ventures amounted to over 1.6 billion ECUs (\pm US\$ 2.1 billion, £ 1.1 billion, IR£ 1.2 billion), accounting for about two thirds of lending to industry; in 1987, some 2 900 ventures mounted by SMEs were financed from global loans. Lending for projects developing or introducing **advanced technology** came to 474 million ECUs (\pm US\$ 616 million, £ 332 million, IR£ 370 million) in 1987.

Loans for **protecting the environment** increased from 700 million ECUs in 1986 to 1 580 million in 1987 (US\$ 2 050 million, £ 1 105 million, IR£ 1 230 million), a reflection of the greater weight accorded to this objective.

Lending for **Community infrastructure** (transport and telecommunications) totalled 680 million in 1987 (\pm US\$ 885 million, £ 475 million, IR£ 530 million).

Cooperation with other sources of Community finance

The Community has other structural instruments providing finance in the form of:

- grant aid from budgetary resources: the European Regional Development Fund, the European Social Fund, the Guidance Section of the European Agricultural Guidance and Guarantee Fund, and various R & D funds;
- loans financed from the proceeds of borrowings: the European Coal and Steel Community (ECSC), the European Atomic Energy Community (Euratom) and the European Economic Community through the New Community Instrument for borrowing and lending (NCI).

(1) The various totals do not make an aggregate as certain loans answer simultaneously more than one objective

(2) Lines of credit opened with intermediary banks or financing institutions which onlend the proceeds made available to them in the form of sub-loans for small and medium-sized ventures. These sub-loans are subject to EIB approval, given that the Bank has to verify that the funds are put to uses in keeping with its tasks and lending criteria. In countries not currently benefiting from global loan finance, the Bank can mount smaller-scale lending operations directly with the final beneficiaries.

DECISION-MAKING AND MANAGING BODIES

Enjoying its own legal personality and an administrative structure separate from that of other Community institutions, the EIB is an independent Community organisation. As such, it can be committed solely by its own decision-making bodies.

Board of Governors

One Minister from each Member State (usually the Finance Minister): lays down general directives on credit policy, approves the balance sheet and annual report, decides on capital increases, appoints Directors, Members of the Management Committee and Audit Committee.

Board of Directors

22 Directors (21 high-level officials from major banks, finance, economy and industry ministries nominated by Member Countries and 1 nominated by the Commission of the European Communities) and 12 Alternates (11 nominated by Member Countries, 1 by the Commission); they are appointed by the Board of Governors for a renewable 5-year term. It assures that the Bank is managed according to the provisions of the Treaty of Rome, the Bank's Statute and general directives laid down by the Governors. The Board has sole responsibility for deciding on loans and guarantees, raising funds and fixing interest rates.

Management Committee

The full time "motor" of the Bank: composed of the Bank's President and six Vice-Presidents (appointed by the Board of Governors on a proposal from the Board of Directors for a renewable 6-year term). The Committee controls all current operations, recommends decisions to the Directors and is then responsible for carrying them out. The President, or in his absence one of the Vice-Presidents, chairs the meetings of the Board of Directors.

Audit Committee

Three members appointed, by the Board of Governors, on the grounds of their competence (in practice, officials responsible for auditing public accounts in Member Countries) who verify that the operations of the Bank have been conducted and its books kept in a proper manner. They fulfil their duties in the light of work carried out by Price Waterhouse, the international firm of chartered accountants.

ORGANISATION STRUCTURE OF THE BANK

Seven Directorates: General Administration; two Directorates for Operations in the Community; Operations outside the Community; Finance and Treasury; Research; Legal, plus the Technical Advisory Service. At 31 December 1987, the EIB's staff numbered some 700, all nationals from the Community's twelve Member States.

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— Lisbon: Avenida da Liberdade, 144-156, 8^o — P-1200 Lisbon — tel. 32 89 89 or 32 88 48 — telex 15576 bnkeu p — telecopier 37 04 87.

— London: 68, Pall Mall — London SW1Y 5ES — tel. 839 3351 — telex 919159 bankeu g — telecopier 930 9929.

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