

European Investment Bank

85, BD. DE WATERLOO - BRUSSELS 1 - TEL. : 13 40 00 - CABLE : BANKEUROP BRUSSELS - TELEX : BANKEUROP BRUXL 2-21 721

Details of the intervention
of the European Investment Bank
in the countries associated with the European Economic Community

Greece

Turkey

African States and Madagascar

Other overseas countries and territories

**Details of the intervention
of the European Investment Bank
in the countries associated with the European Economic Community**

Greece

Turkey

African States and Madagascar

Other overseas countries and territories

Greece

Amounts and conditions of loans

The Association Agreement between the European Economic Community and Greece which came into force on the 1st November, 1962 provides for financial aid by the Community towards an accelerated development of the Greek economy, in the form of loans totalling 150 million U.S. Dollars, to be spread over 5 years. The European Investment Bank, under the terms, conditions and regulations of its statute, has already contributed a first instalment of 50 million dollars. The Bank acts in its own name and for its own account in accordance with the terms of reference laid down by the Member Countries.

The interventions of the E.I.B. in Greece are made under the same conditions as those in force for the Member Countries of the E.E.C. and the rates of interest are identical to those applied in the Member Countries. These are at present :

5 ⁷/₈ % per annum for loans not exceeding 7 years;

6 % per annum for loans exceeding 7 years but not exceeding 12 years;

6 ¹/₄ % per annum for loans exceeding 12 years but not exceeding 20 years.

For all further information concerning the general conditions of loans, as well as practical information on the means of obtaining such loans, see the booklet « European Investment Bank » of 1962, pages 9-11 and 13-15.

Rebate of interest

Within the framework of the Greek investment programme which gives priority to long-term and indirect rentability projects such as, for instance, the improvement of land, communications by land and energy supplies, a rebate of 3 % per annum on the interest can be made on a maximum of two thirds of the total loans granted, and only when the nature of the project implies its necessity. This rebate will be made through funds supplied by the Member Countries in proportion to their participations in the capital of the Bank.

Disbursement and repayment of loans

The disbursement of loans by the Bank is made either in the currencies of the six Member Countries and/or in convertible currencies of other countries. The loans are repayable in the different currencies and up to identical amounts as those in which they were made. The interest is also payable in the same currencies as those in which the loan was granted.

Guarantees

The granting of a loan to a public or private enterprise, other than to the Greek State, is subject to the same kind of guarantees as asked for in normal banking practice and possibly a guarantee by the Greek State.

Turkey

Amounts of loans

The Association Agreement between the European Economic Community and Turkey, which came into force on the 1st December, 1964 provides for financial aid by the Community for the development of the Turkish economy. The aid totals 175 million units of account (*) over a period of 5 years or 35 million units of account per annum, in the form of loans granted by the European Investment Bank through its « Special Section » (**) for account of and under the responsibility of the Member Countries of the Community in accordance with the mandate given by them.

The object of the loans

Loans can be granted for the financing of long-term and indirect rentability projects (economic infrastructure, energy, irrigation, etc...) or for projects for which normal standards of rentability are expected, such as industry. The loans granted to the latter category of projects must amount to at least 30 % of the total loans made in Turkey by the Bank.

Long-term or indirect rentability projects

Loans for the financing of long-term or indirect rentability projects (especially infrastructure) are in general to be made directly to the Turkish organisations responsible for the carrying out of the projects under the following conditions :

| | |
|--|---------------------|
| Interest rate : | 3 % per annum |
| duration : | from 20 to 30 years |
| period of grace before first repayment : | from 5 to 7 years. |

Normal rentability projects

The loans for the financing of normal rentability projects such as industry are generally granted through the intermediary of the Turkish State.

The State receives the funds granted for each project, independently of the character of the project to be financed, under the following conditions :

| | |
|--|-------------------|
| Interest rate : | 4 1/2 % per annum |
| maximum duration : | 30 years |
| period of grace before first repayment : | up to 7 years. |

The Turkish State re-lends the funds to the beneficiaries, generally through the intermediary of specialized financial institutions, in accordance with

(*) 1 unit of account = 0.88867088 gramme of fine gold and at present is equal to 1 United States Dollar.

(**) This section was set up by the Board of Governors of the Bank, in order to permit the intervention of the Bank in associated countries when the aid to be granted has to be adapted to a special situation. The section is provided with special resources and is operated separately from the normal activities of the Bank.

the conditions approved by the Bank for each project and in conformity with normal banking practices in Turkey.

This procedure permits the granting of loans to the beneficiary firms under conditions most fitting to the economic characteristics of the projects to be financed. Also it accords them on terms more favourable to the Turkish State, thereby exerting a positive influence on the balance of payments.

General conditions for loans

The general conditions for the intervention of the European Investment Bank in Turkey are similar to those applied to loans in the Member Countries (see booklet « European Investment Bank », pages 9-11 and 13-15). It should be remembered that projects accepted by the Bank are never completely financed from its own resources. As a matter of fact, the Bank will provide funds for the financing of a project only if funds from other sources are also available. The Bank takes no part in the capital of the enterprise nor does it assume any responsibility for its management.

The loans granted by the Bank in Turkey can be applied to the financing of imports or to internal expenditure for carrying out investment projects. Loans by the Bank can be granted in conjunction with bilateral financing from Member Countries taking the form of credits to suppliers etc. or with other international financing.

Tenders and estimates

The investments financed by the Bank are subject to tenders at the initiative of the beneficiary. Participation in such tenders is open, without prejudice, to all physical and moral persons established in Turkey or in the Member Countries of the Community.

Disbursement and repayment of loans

The disbursement of loans by the Bank is made either in the currencies of the six Member Countries and/or in convertible currencies of other countries. The loans are repayable in the different currencies and up to identical amounts as those in which they were made. The interest is also payable in the same currencies as those in which the loan was granted.

Applications for loans

Applications for the financing of projects can be made by the Turkish State or by Turkish firms. Applications made by firms will only be considered if they have been agreed to by the Turkish government.

Guarantees

Loans granted to a public or private enterprise, other than the Turkish State, are subject to the same kind of guarantees as asked for in normal banking practice and a guarantee by the Turkish State.

African States and Madagascar, Associated Overseas Countries and Territories

Amounts and categories of loans

The Convention of Association between the European Economic Community and 17 African States and Madagascar (A.A.S.M.) (1) which came into force on the 1st June, 1964 provides for 730 million units of account of financial aid over a period of five years. The Council of the E.E.C. also decided that 70 million units of account of financial aid should be granted to the Overseas Countries and Territories (O.C.T.) and the French Overseas Departments (O.D.) (2).

This aid was divided into grants from the resources of the European Development Fund (E.D.F.) (680 million units of account of which 620 million for the Associated African States and Madagascar and 60 million for the Overseas Countries and Territories and the French Overseas Departments) and loans (120 million units of account).

(1) A.A.S.M.

Kingdom of Burundi
Federal Republic of the Cameroons
Centrafrican Republic
Republic of Congo (Brazzaville)
Republic of Congo (Leopoldville)
Ivory Coast Republic
Republic of Dahomey
Republic of Gabon
Republic of Upper Volta
Republic of Madagascar
Republic of Mali
Islamic Republic of Mauritania
Republic of Niger
Republic of Rwanda
Republic of Senegal
Republic of Somalia
Republic of Tchad
Republic of Togoland

(2) O.C.T. and O.D.

a) O.C.T.
French Somalia Coast
The Comoro Islands Archipelago
St. Pierre and Miquelon
New Caledonia
French Polynesia
Austral and Antarctic Territories
Dutch West Indies
Surinam
Wallis and Futuna Islands

b) O.D.
Reunion
Martinique
Guadeloupe
French Guinea

There are two categories of loans :

— on the one hand, loans granted by the Bank from its own resources, up to 64 million units of account for the A.A.S.M. and 6 million for the O.C.T.

— on the other hand, special-term loans granted from the resources of the E.D.F. and administered by the Commission of the E.E.C., with the assistance of the E.I.B., up to 46 million units of account for the A.A.S.M. and 4 million for the O.C.T.

Financial assistance of the E.E.C.

| Form of assistance | A.A.S.M. | O.C.T. O.D. | Total for overseas associates |
|---|----------|----------------|----------------------------------|
| In millions of units of account | | | |
| Grants of the European Development Fund (E.D.F.) | 620 | 60 | 680 |
| Special-term loans from the resources of the E.D.F. | 46 | 4 | 50 |
| Ordinary loans by the Bank from its own resources | 64 | 6 | 70 |
| Total of different forms of assistance | 730 | 70 | 800 |

Type and characteristics of the projects

Whatever the nature of the loan requested, the projects must present a certain number of characteristics :

— They must be considered as having high priority in the social and economic development of the country or region concerned.

— The carrying out of the project must permit effective repayment of the loan which presumes that the country concerned has a sufficient debt-servicing capacity and that the rentability of the project is sufficient to create new sources of revenue for the repayment of the loan.

Loans will not be granted for :

— technical assistance relative to investments, general technical co-operation and aids for production, which can be financed from grants;

— Price stabilization, which can be financed by short-term advances from the funds available from the E.D.F.

The fields in which ordinary and special-term loans can be granted are :

1. Productive projects with a normal financial rentability;
2. Productive projects carried out in the general interest;
3. Profitable projects for social and economic infrastructure.

« Diversification projects » in the terms of the Convention of Association also fall under the heading of projects that can be financed by loans.

Ordinary loans

As far as the ordinary loans granted from the Bank's own resources are concerned, their conditions are similar to those applied to loans in the Member Countries (see booklet « European Investment Bank », pages 9-11 and 13-15); besides, the Bank takes into account the debt-servicing capacity of the country in question.

It should be remembered that projects accepted by the Bank are never completely financed from its own resources. As a matter of fact, the Bank provides funds for the financing of a project only if funds from other sources are also available. The Bank takes no part in the capital of the enterprise nor does it assume any responsibility for its management.

Loans granted by the Bank to the A.A.S.M., O.C.T. and O.D. can be applied to the financing of imports or the internal expenditure for carrying out investment projects. Loans by the Bank can be granted in conjunction with bilateral financing by Member Countries, taking the form of credits to suppliers etc., or with other international financing.

Projects to be financed by ordinary loans

In view of the number of possibilities available to A.A.S.M. and O.C.T. countries for obtaining financial assistance from the Community, the Bank will give preference to projects which contribute directly to economic growth and in which the payment of interest and the amortization of the loan are covered by profits.

The Bank has, however, the possibility of financing infrastructure projects by means of loans to public authorities, when the project can indirectly produce new sources of revenue (such as increased tax receipts) sufficient to allow the authorities to cover the charges of such a loan.

The projects for which applications for financing are made should, as far as possible, be part of a development plan and of high priority. This priority can apply particularly in the following fields : transforming and manufacturing industries, mines, energy, transport, industrial agriculture and infrastructure projects of sufficient direct or indirect rentability.

Tenders and estimates

The investments financed by the Bank are subject to tenders at the initiative of the beneficiary. Participation in such tenders is open, without prejudice, to all physical and moral persons established in the Member Countries and the Associated Countries.

Rates of interest

The rates of interest are identical to those in the Member Countries. These are at present :

5 $\frac{7}{8}$ % per annum for loans not exceeding 7 years;

6 % per annum for loans exceeding 7 years but not exceeding 12 years;

6 $\frac{1}{4}$ % per annum for loans exceeding 12 years but not exceeding 20 years.

Rebate of interest

At the beneficiaries' request the loans may be accompanied by rebates of interest which will be paid to the Bank directly by the E.D.F. in the form of subsidies. The rate of these rebates may not exceed 3 %.

Duration of loans

The duration of the period for repayment of each loan is fixed on the basis of the economic characteristics of the project to be financed and is generally of from 5 to 20 years.

Guarantees

The granting of loans is subject to the provision of such guarantees as the Bank deems necessary.

Payment and repayment of loans

The payments of the loans are made by the Bank in the currencies of the six Member Countries and can also be made in convertible currencies of other countries. The loans are repayable in the different currencies and up to identical amounts as those in which they were made. The interest is also payable in the same currencies as those in which the loan was granted.

Special-term loans

These loans are granted under special conditions which offer particular advantages as far as duration, period of grace before repayment and interest rates are concerned and underline the « special » character of the projects.

Projects to be financed by special-term loans

The essential characteristic of projects financed by special-term loans is the « general interest » of the project to be financed. It is precisely because the general interest does not always fall in line with normal conditions of financial rentability that the Community has set up the category of « special-term loans » the conditions of which allow for a lesser direct rentability.

Furthermore, the special-term loans can be utilized for completing or prolonging either the subsidies of the E.D.F. or the ordinary loans of the Bank in the case of combined operations of a complex character. As far as the subsidies of the E.D.F. are concerned, one can for example envisage the financing of the completion of a hydro-agricultural complex of which the primary and secondary irrigation and drainage had been carried out with the aid of a subsidy. A special-term loan in association with an ordinary Bank loan could also apply to the financing of an industrial project where the starting up problems, which are generally difficult in Africa and Madagascar, might justify the easing of the conditions by the aid of a combination of different resources.

Finally, when the debt-servicing capacity of a State is temporarily weak, a project of a type fulfilling the conditions for an ordinary Bank loan could be financed by a special-term loan. The necessity of allowing a very long period for the repayment of a loan, in order to permit the equilibrium of the balance of payments of a State, would make it necessary, in certain cases, to make use of indirect or revolving credits, if the final payment of the loan could, without inconvenience, be limited to the technical amortization of the installations financed.

Duration of loans

The duration of the period for repayment may be extended up to a maximum of 40 years.

Period of grace

The period of grace before the first repayment of the loan can be extended up to a maximum of 10 years.

Rates of interest

The texts in force have not laid down a definite rate of interest for special-term loans. They confine themselves to stating that the interest conditions should be « favourable ». The rate applied would be less than the normal rate and a maximum rebate could be granted.

Disbursement and repayment of loans

The disbursement of loans by the Bank is made either in the currencies of the six Member Countries and/or in convertible currencies of other countries. The loans are repayable in the different currencies and up to identical amounts as those in which they were made. The interest is also payable in the same currencies as those in which the loan was granted.

Application

1. Ordinary loans

Applications for loans should comply with the following conditions :

— the applications can be sent directly to the Bank or can be submitted

through the Commission or by the intermediary of the Associated Country in which the project is to be carried out;

— if a public or private enterprise makes its application directly to the Bank, it should be noted that the Bank will not finance projects which have not received the approval of one or more of the Associated Countries. In practice, the applicant should get in touch with the Bank before making an official application.

Except in the case where the application has been made through the Commission, the supporting documents accompanying the application for a loan should be sent to the European Investment Bank, Department for Loans in Associated Countries, 85, Boulevard de Waterloo, Brussels.

2. Special-term loans

Only the governments of Associated Countries — even if the application is for a loan to a public or private enterprise — may apply to the E.D.F. for a subsidy or a loan. As far as the different countries are concerned, the authority responsible for approving a project (Cabinet, Head of State, Head of the government or Minister responsible) is determined in accordance with the constitution of the country in question.

The documents supporting the application for a special-term loan should be sent to the E.E.C., General Management for Overseas Development, Management of the European Development Fund, 56, rue du Marais, Brussels.

Examination and approval of applications

1. Ordinary loans

The documents supporting the application for a loan are examined by the Bank. It must take into account the recommendations of the Commission and of the responsible authorities of the country concerned. The final decision is made by the Bank.

If the responsible authorities of the country in question have not given their approval, the application will not be accepted.

2. Special-term loans

When the Commission is of the opinion that a project, or part of a project, can be financed by a special-term loan, the services of the Commission pass on the application, and the supporting documents, to the Bank so that the application can be examined jointly by the Commission and the Bank.

If the Bank gives a favourable opinion for the granting of such a loan, it will prepare a plan for its financing and submit it to the Commission.

Rebate of interest

When the Bank receives an application for a loan which asks for a rebate of interest, the application will be passed on to the Commission accompanied by the comments which the Bank may see fit to make.

