

European Investment Bank

Information

BEI·EIB



Den europæiske Investeringsbank
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Europese Investeringsbank

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Annual meeting of the Board of Governors

The Board of Governors of the European Investment Bank, consisting of one Minister from each of the nine Member States of the European Community, held its annual meeting in Luxembourg on 9 June 1980 with Mr René Monory, Governor for France, in the chair.

The Governors approved the 1979 Annual Report and the accounts for the year, during which lending operations increased considerably, reaching 3 071.1 million units of account (u.a.), 40 % up on

Below follows the major part of the address to the Board of Governors by the Bank's President, Mr Yves Le Portz:

"Last year, there was a marked rise in the volume of Bank operations in the Member Countries which, coming in the wake of the considerable increase in financing operations over the previous two years, represented our reply to the invitation of the European Council to increase the activities of our institution in order to encourage higher levels of investment, reduce unemployment and promote convergence in the economic performance of the Member Countries of the Community.

During the year, the Bank granted new loans from its own resources

totalling 2 281 million units of account, in addition to which it signed its first loan contracts on behalf of the Community using the New Community Instrument for borrowing and lending, for a total of 277 million u.a.

The overall result was an increase at current prices of 30 % over the previous year and of 83 % over 1977.

More than two thirds of our lending activity was concentrated in the handicapped regions of the Community, chiefly in Italy, the United Kingdom and Ireland.

In Italy and Ireland most of the loans, worth a total of 878 million u.a., attracted the 3 % interest subsidy introduced in connection with the European Monetary System ⁽²⁾. This meant that during the last four months of the year through its lending in these two countries the Bank committed almost all the credit set aside for interest subsidies for the entire year in the Community budget.

Three other facts about Bank operations during the year should perhaps be singled out:

1. 45 % of all loans granted in the Member Countries, worth a total of 1 146 million u.a., went for investment in energy, principally with the aim of reducing the volume of the Community's petroleum imports. The total investment in energy to which the Bank has contributed in the

the previous year's total of 2 188.3 million u.a. (see box, page 2).

Looking ahead, the Governors took note of a report submitted by the Board of Directors on the medium-term outlook for Bank activity, viewing the prospects for growth both within and outside the Community.

On the basis of these prospects, the Directors will submit to the Board of Governors in 1981 proposals concerning the Bank's next capital increase ⁽¹⁾.

three-year period, 1977 to 1979, should serve to reduce the Community's need for oil imports by some 38 million tonnes per annum, or 8 % of the 1979 import figure.

2. Credits advanced for the development of small and medium-sized industrial ventures, which generate the most jobs, almost trebled in number and doubled in amount, to reach a figure of more than 130 million u.a.

3. The total investment into which the Bank channelled finance last year

⁽¹⁾ The EIB's present subscribed capital amounts to 7 087.5 million u.a. (911.25 million u.a. paid in or to be paid in) following the last increase decided by the Governors on 19 June 1978. When Greece becomes a member both of the Community and of the Bank on 1 January 1981, subscribed capital will rise to 7 200 million u.a. (925.71 million u.a. paid in or to be paid in).

⁽²⁾ By decision of the Council of the European Communities, 3 % interest subsidies may be applied to selected loans from the EIB's own resources and from those of the New Community Instrument which are made over a period of five years (1979-1983) in less prosperous countries fully participating in the European Monetary System (Ireland and Italy have been designated as such). These subsidised loans are to be concentrated on infrastructure (including energy) projects which help to solve major structural problems in the countries concerned, reduce regional disparities and improve the employment situation. The Commission is responsible for deciding the eligibility of investment projects for a subsidy.

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should serve directly to create or safeguard some 35 000 permanent jobs. In addition, work on the projects in question and the procurement of supplies should generate some 500 000 man-years of activity, which is the equivalent of something like 145 000 jobs in the first two years, with the figure dropping steadily thereafter. Projects financed during the previous two years will have had a similar impact: the net result will have been to sustain a total workforce of something like 360 000 people in 1979.

Operations outside the Community expanded considerably, from 222 million u.a. in 1978 to 513 million in 1979, with the source of the rise becoming clear if the figure is split:

— 86 million u.a. represented the further commitment of funds in African, Caribbean and Pacific countries under the first Lomé Convention;

— but no less than 427 million u.a. was advanced as the result of the rapid implementation of the financial protocols relating to Greece, Portugal, Turkey, the Maghreb and Mashreq Countries and Malta, all of which came into effect at the end of 1978 or the beginning of 1979.

One interesting feature was an appreciable increase in loans helping to reduce energy import dependence.

Its operations in these countries gave the Bank an opportunity to strengthen cooperative links through numerous co-financing operations with development aid agencies in the Member Countries as well as with the World Bank, the regional development banks and the Arab funds.

The Bank has of course been as scrupulous as ever in its choice of projects and in its appraisal of their technical, economic and financial aspects.

The Bank's borrowing operations on the capital markets totalled 2 481 million u.a. in 1979, 27 % more than in 1978 and 114 % up on the 1977 figure. Of these borrowings, 41 % was contracted in US dollars, 22 % in Deutsche Mark, 11 % in Guilders, 8 % in French francs and 6 % in other Community currencies, the balance being made up of Yen, Swiss francs and Austrian Schillings.

The profit and loss account for the year showed a balance of 141.9 million u.a., the bulk of which

The EIB's total financing operations came to 3 071.1 million u.a. in 1979, against 2 188.3 million in 1978 and 1 571.5 million in 1977.

Investment in the Community accounted for 2 558.2 million u.a., of which

- 2 281.2 million u.a. from the EIB's own resources, i. e. essentially proceeds of the Bank's borrowings on capital markets; and
- 277 million u.a. from the resources of the New Community Instrument for borrowing and lending — 'Ortoli Facility' (see below).

Financing outside the Community, in countries which have signed association or cooperation agreements with the EEC, totalled 512.9 million u.a. last year, of which 420.9 million from the Bank's own resources and 92 million from budgetary funds which the Bank manages on the Community's behalf.

At 31 December 1979, the Bank's balance sheet total stood at 12 215 million u.a. as against 9 645 million u.a. at end-1978. The EIB's own funds, comprising paid-in capital, reserves and provisions, amounted at the same date to 1 342 million u.a. compared with 1 162 million u.a. at end-1978. The funded debt totalled 8 547 million u.a. (6 715 million u.a. at end-1978); the amount of loans and guarantees outstanding was 10 326 million u.a. (8 353 million u.a. at end-1978).

The New Community Instrument for borrowing and lending

The Commission of the European Communities has been authorised by the Council of the European Communities to borrow up to 1 billion units of account in the name of the EEC for the purpose of promoting investment in the Community. The Commission decides the eligibility of projects for a loan within guidelines laid down by the Council of the European Communities. The EIB receives the loan applications, examines them in accordance with its customary criteria, decides on the loans to be granted and the terms, and then manages the loans in the name, for the account and at the risk of the Community. The first 500 million tranche has been reserved by the Council for infrastructure and energy projects.

represented the return on the Bank's own funds (capital and reserves) deployed in lending or in our placings in liquid funds. This surplus should enable us both to build up the necessary provisions and plough sufficient into our reserve funds to maintain in real terms the value of our shareholders' funds, which we manage on their behalf — that is, on behalf of the Member States — and observing the dictates of sound management that devolve upon a non-profit-making institution such as ours.

Because of the variety of movements that have been occurring in recent months on the financial markets and the uncertainty surrounding future trends, today is not the best of times to forecast the pattern of Bank activity in 1980 and I am able to provide the Board only with fragmentary data.

The volume of new loans from the Bank's own resources to borrowers

in the Community, as signed at the end of May, was 14 % higher than at the same time last year. What emerges, as in 1979, is a heavy concentration of lending in those Member Countries where regional problems are most acute, a high proportion of financing for energy projects and a numerical increase at least in operations in support of small and medium-scale industrial ventures.

Work by the Council of the Communities on the second tranche of borrowing and lending operations using the New Community Instrument is not far enough advanced to allow of any valid estimate as to the volume of loans in this category in 1980.

Operations outside the Community should continue at no less than last year's high level, with implementation of the protocols concerning the Mediterranean countries being concentrated into a period of about three years, and also the commitment

of most of those funds remaining for use under the first Lomé Convention.

The necessary steps have been taken this year to ensure that, once its accession to the Community takes effect — the date set is 1 January 1981 — Greece as a new Member State will be able without delay to enjoy large-scale financing by the European Investment Bank.

The outlook for EIB activity in coming years has recently been studied by the Board of Directors with the help of a report by a working party selected from its own number, the findings of which I can summarise as follows:

1. Given the extent of financing requirements, the repercussions of the second oil shock, the prospect of Community enlargement and the likely expansion of Community aid to non-member countries, applications to the Bank for loans could go on rising at a steady pace, comparable with that recorded during the Bank's history to date.

2. The upward trend in financing outside the Community should not jeopardise the maintenance and, if possible, the boosting in real terms of the volume of Bank lending in the less prosperous Member Countries, nor the priority given to the granting of loans with interest subsidy in connection with the European Monetary System.

3. If our activity expands, we shall of course have to increase our calls on the capital markets. A sound way for the Bank to maintain its prime credit rating would be to strive for a more balanced, more flexible spread of borrowings between the various markets and their better adaptation to prevailing conditions, not least through enhanced access to the domestic markets of the Member Countries of the Community, in line with Article 22 of the Bank's Statute, and the greater use of non-member-countries' currencies like the Swiss franc and the Yen.

4. Should the financial market situation leave the Bank temporarily unable to raise the resources it needs to deal with all the applications it receives, it will be constrained selectively to reduce the proportion of its contribution to the projects financed and apply more restrictively its eligibility criteria, concentrating the resources available in the kind of investment that takes greatest priority.

5. The Bank, in collaboration with the Commission, will continue to seek the most effective combination of financing operations from Community sources.

The findings given in this report have been approved in full by the Board of Directors.

Having examined the question, the Board of Directors recommends the Governors to:

(a) take note of the report by the Working Party on the medium-term outlook for Bank activity;

(b) take note of the fact that in 1981 you will be presented with proposals concerning the next increase in the Bank's capital;

(c) take a decision on a new limit for operations outside the Community based on own resources, such a decision having been made necessary by the forthcoming negotiations with the Mediterranean countries.

Mr. Chairman, may I, in concluding, offer two comments:

firstly, the Bank owes its achievement of a 60 % increase, in two years, in the overall number of its financing operations — and of a 95 % rise in their total volume — to the ability and

efforts of its staff at every level: numbering 437 at 31 December last, our payroll has risen by only 15 % over the same period;

secondly, it may be that your Board would welcome the expansion of the Bank's activity in line with the future prospects identified by the Board of Directors, and would agree to examine ways and means of increasing the Bank's capital next year. Should this be so, my Management Committee colleagues and I make no doubt that the Bank is even now technically equipped for a steady advance in the fulfilment of its task, which is to bring together Community resources and deploy them in priority investment in the Member Countries and in the expansion of aid outside the Community."

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At the annual meeting, the Board of Governors looked at the level which EIB lending outside the Community could reach in the years ahead.

It decided that the overall ceiling on Bank lending from its own resources under new conventions, financial protocols or decisions involving

The office of Chairman of the Board of Governors — held by each Board Member in rotation, according to the alphabetical order of the names of the Member States — is now filled by Mr Michael O'Kennedy, Governor for Ireland, until the end of the next annual meeting.

Board of Governors

Chairman	Michael O'Kennedy (Ireland)
Belgium	Paul Hatry, Minister of Finance
Denmark	Svend Jakobsen, Minister of Finance
Germany	Hans Matthöfer, Minister of Finance
France	René Monory, Minister for Economic Affairs
Ireland	Michael O'Kennedy, Minister for Finance
Italy	Filippo Maria Pandolfi, Minister of the Treasury
Luxembourg	Pierre Werner, Prime Minister, Minister of State
Netherlands	A. P. J. M. M. van der Stee, Minister of Finance
United Kingdom	Sir Geoffrey Howe, Chancellor of the Exchequer

The Governors renewed the appointment for the years 1980, 1981 and 1982 of Mr. Cornille Brück, Director of the Inspectorate-General of Finance (Luxembourg), as member of the Bank's Audit Committee which he had chaired previously. Mr. Patrick L. McDonnell, Secretary and Director of Audit, Office of the Comptroller and Auditor-General (Ireland), takes over the chairmanship of the Committee for the next period up to the Annual Meeting in 1981. The other member of the Audit Committee is Mr. Jørgen Bredsdorff, Rigsrevisor, Audit Department (Denmark).

financial cooperation outside the Community over the period 1980-81 to 1985-86 should not exceed 1600 million u.a. This overall ceiling supplements amounts already provided for in conjunction with protocols being implemented with the Mediterranean countries, the 200 million u.a. already authorised under the Financial Protocol with Yugoslavia, the 700 million u.a. foreseen for African, Caribbean and Pacific (ACP) States under the second Lomé Convention and the Decision to be

taken on the Overseas Countries and Territories, and amounts which might be committed for mining and energy projects of mutual interest to the ACP State concerned and the Community.

This decision has no bearing on those financing operations outside the Community (loans on special conditions, risk capital assistance) which the Bank carries out on mandate of the Community or Member States using budgetary funds, these operations being

accounted for separately, off the balance sheet, in the "special section".

The Board of Governors foresees, perhaps after the next capital increase, a reexamination of the Bank's possibilities for lending outside the Community from its own resources, taking into account any new factors which might influence operations in total or the number and scope of Community financial cooperation activities outside the Community.

How to keep informed of the EIB's activities . . .

European Investment Bank: some questions and answers

Why do some countries appear to benefit more from European Investment Bank financing than others? How does the EIB cooperate with the Commission of the European Communities which implements other Community sources of finance? Does the Bank lend at subsidised rates? When it appraises a project before deciding whether to make finance available, what are the criteria — is the possible impact on the environment taken into account?

These are fairly typical questions put to the Bank in its day-to-day contacts with industrial and financial circles, the media, public authorities, Members of Parliament, universities etc.

There are a number of ways in which the Bank tries to meet the demand for information, the most important being its range of publications. These are available free of charge in all six official languages of the Community (Danish, Dutch, English, French, German and Italian, to which Greek will be added from the beginning of next year when Greece joins the Community) on simple request to any of the offices mentioned in the address box on the back page. For those seeking regular information, the Bank maintains a mailing list so that all new editions are sent automatically, again free of charge.

Apart from **EIB-Information**, current publications are:

The Statute of the EIB — the Statute is annexed to and forms an integral part of the Treaty of Rome which established the European Economic Community; this document is essential for a detailed understanding of the legal, financial and administrative framework in which the Bank carries out its work.

The EIB welcomes the growing interest, which reflects the considerable expansion of its work. In only the last three years loans came to more than 6 800 million u.a., half the total of the Bank's operations since 1958.

Moreover, it can be said that the fields in which the EIB operates (development of the Community's less prosperous regions, the reduction of dependence upon oil imports, industrial modernisation, cooperation with developing countries etc.) are themselves seen more and more as of key importance to the Community's evolution and to the position which it holds in the world.

The Annual Report — far more than the accounts with detailed explanations of interest to financial analysts, the annual report for 1979, with colour illustrations, lists the projects financed by the Bank throughout the year, gives the global impact in terms of jobs created, oil import savings etc., details borrowing activities and also summarises the Bank's operations since 1958; a separate section looks at Community policies influencing the EIB's work and the economic background in the EEC and other countries in which the Bank operates.

EIB-Key facts — a fold-out leaflet giving a concise, overall view of the Bank's activities, the aim being the maximum of information in the minimum of words.

EIB 1958-1978 — an illustrated review of the Bank's evolution in its first 20 years with details of its lending and borrowing activities over this period.

There are also three technical brochures, intended mainly for those

interested in the conditions and procedures for obtaining finance:

Loans and guarantees in the Member Countries of the European Community;

Financing under the second Lomé Convention; and

Financing outside the Community: Mediterranean countries.

In addition, the EIB operates a **news release** system, publishing at intervals throughout the year brief details of projects which it helps to finance. This is mainly for the media, but copies can be sent to organisations interested in receiving quick news of activities in specific countries or sectors.

The Bank welcomes requests from the media for information to check through information in articles being prepared on EIB activities or to prepare articles itself. **Texts in any of the EIB's publications may be reproduced** (an acknowledgement is always appreciated).

In addition to written information, the Bank participates, subject to staff and time limitations, in conferences, seminars etc. where it is able to communicate directly with interested groups (businessmen, government or local government officers etc.) and accepts group visits.

Despite this multi-channel flow of information, and perhaps not surprising given the complexity of the Bank's operations, misunderstandings persist, often on important points. The remainder of this article takes up a few of these.

Are EIB loans made to Member Countries according to national quotas?

The EIB is a project-financing bank. It does not lend to countries as such but for public and private investment in all sectors of the economy which helps to promote

— **regional development** (considered the priority task);

— **a common interest** to several Member States or the Community as a whole;

— **modernisation or conversion** of enterprises.

Article 130 of the EEC Treaty specifies these as the EIB's fields of action. Broadly speaking, the Bank lends the most in those countries where the regional problems are greatest and according to the levels of investment in energy and other sectors of common interest.

A number of other factors may additionally have a bearing on the amounts lent in different countries e.g. interest rates and availability of investment capital on domestic markets, government policies regarding money supply, public investment and exchange risk cover etc. It is also worth noting that, without specifying any amounts or shares, a protocol to the Treaty underlines 'particular problems relating to Italy' and stresses that Community finance sources have an important role to play in strengthening the economy, particularly in the Mezzogiorno. A similar protocol was annexed to the Treaty of Accession when Ireland joined the Community.

These two countries have accounted respectively for 36.5 % and 7.4 % of total EIB financing operations between 1973—79 (in relation to the

size of its population, Ireland accounts for by far the highest concentration of EIB loans). The United Kingdom, with substantial regional problems, accounted for 28.9 %.

Which areas qualify for 'regional development' financing?

Basically those which are eligible for financial aid under national regional aid schemes. There are, however, regions which are considered by the Community as having the highest priority: Ireland (the only Member Country whose entire national territory is considered as eligible for regional aid), the Mezzogiorno, Northern Ireland and Greenland. Two-thirds of total lending for regional development last year (1 150.4 million u.a. out of 1 722.8 million) was in these four regions. Another way of establishing priorities is to look at the levels of unemployment: almost four-fifths of finance provided for regional development last year went to areas with unemployment rates at least 25 % above the Community average.

N.B. a common misunderstanding is that the EIB can lend only in regional development areas. Its other roles — financing investment of 'common interest' or industrial modernisation and conversion — leave it many possibilities for financing in other regions.

What does 'common interest' mean?

In the early years of the Bank's operations, most projects financed under this heading concerned cross-frontier transport links between Member Countries. Since the 1973-74 oil embargo, the major share of these operations has been taken by investment in various kinds of energy projects — hydro, coal-fired, nuclear, geothermal power stations, oil and gasfield development, trans-European gaslines, etc. — which will help the Community cut its dependence upon oil imports (roughly 50 % of the Nine's energy consumption in 1979).

Also under this heading, the EIB helps projects involving industrial, technical and financial cooperation between enterprises from different Member Countries so that, together, they reinforce their position on world markets (the European Airbus jetliner is a good example); development of

European capacities in advanced technology fields of key importance (e.g. energy equipment) and for other kinds of investment which conform to specific Community policies, for instance environmental protection.

Can finance demands be made direct to the Bank? Who can apply?

In practice demands are made direct, although it is also possible for applications to be submitted through the Member State in whose territory the project will be carried out or through the Commission. Under strict rules of banking secrecy the Bank informs the Member State concerned, because it cannot finance any project to which the Member State is opposed, and also the Commission (see question on cooperation with the Commission).

Outside the Community, potential investment projects are usually identified in direct discussions between the EIB and the authorities of the various countries during which their targets and priorities are examined. Of course this does not preclude direct approaches, but the country must not oppose a project being accepted for EIB financing.

Applications for finance can be made by public and private enterprises of varied legal status, local, regional or national public authorities with appropriate borrowing powers and by States themselves.

Does the Bank finance only large-scale investment?

No, in fact it gives special emphasis to helping small and medium-scale ventures; this is because of their importance in spurring on regional development, above all by diversifying activities and creating employment, usually at an investment cost per job much lower than in large industrial units.

The way the Bank helps these ventures is to open lines of credit — 'global loans' — to regional or national financing bodies. They use the funds to make sub-loans for relatively modest amounts (down to 25 000 u.a.) for a series of smaller investments chosen in agreement with the EIB.

Through these global loans the EIB can help to finance a vitally important layer of industry which it would not be a practical, economic proposition to

deal with directly. Close to 750 million u.a. was provided in global loans between 1968 and end-1979; last year alone, funds were drawn down to help finance some 415 ventures — 90 % of the credits by number and more than two-thirds by amount went to independent firms employing less than 500 people.

Further information on global loans — including a recent extension of this lending procedure to help finance small and medium-scale infrastructure works — will be found in EIB-Information No. 21 (May 1980) and No. 17 (June 1979).

Will the bank lend to non-Community firms investing in the Community?

Provided the investment project conforms with one or more of the tasks given to the Bank — regional development, the serving of a common interest, modernisation or conversion — and is shown to be viable, there is no reason to exclude firms in non-Member Countries or owned by interests outside the Community.

For the Bank it is the nature of the investment and the benefits which will stem from it which count, rather than the nationality of the promoter.

A number of American and Swiss companies or their subsidiaries have, for example, obtained loans for investment in Member Countries.

How does the EIB cooperate with the Commission, in particular concerning other sources of Community finance?

The Bank is an autonomous body but cooperation with the Commission, which is responsible for implementing other Community sources of finance, is of fundamental importance. This cooperation operates at a number of levels, the Bank's wish being always to ensure that its actions are not simply consistent with Community aims but are positively in support of them.

One of the members of the Bank's Board of Directors is nominated by the Commission (the place is filled by the Commission's Director-General for Economic and Financial Affairs) and he is in a position to explain to fellow directors the Commission's point of view on any subject under

discussion. His Alternate is the Director-General for Regional Policy.

Moreover, as already mentioned, the Bank informs the Commission on each loan demand and asks for an opinion. If that opinion is negative, the loan can only be approved by a unanimous vote by the Board of Directors, the Commission nominee abstaining.

Less formally, there are virtually daily contacts between the Bank's staff and their opposite numbers in the different Directorates-General of the Commission. Those members of the Commission who are particularly interested in the Bank's activities meet regularly with the EIB's Management Committee to review current and prospective developments of common concern.

There are certain fields in which Bank-Commission cooperation is on a particularly close operational basis:

- New Community Instrument for borrowing and lending (Ortoli Facility): the Commission borrows funds in the name of the EEC, which are used by the Bank for lending operations in favour of investment projects declared eligible by the Commission as conforming to certain priorities laid down in guidelines from the Council of Ministers.

- Euratom: funds are borrowed by the Commission in the name of the European Atomic Energy Community for the purpose of financing investment in nuclear plant; the EIB assures the project appraisals and loan management.

- European Monetary System interest subsidies: 3 % interest subsidies can be applied to selected loans made by the EIB, both from its own resources and from those of the Ortoli Facility, for projects in less prosperous Member Countries fully participating in the EMS (Ireland and Italy have been designated as such); in each case projects are chosen in agreement with the government of the country concerned and subject to a decision from the Commission on the eligibility for a subsidy within guidelines set by the Council of Ministers.

- Development aid: there are very close links on the use by the Bank of various Community budgetary funds for carrying out 'soft' financing operations in developing countries.

- Coordination of borrowing operations on the capital markets by

the EIB and the European Communities.

Does the Bank lend at subsidised rates?

The Bank itself cannot offer any subsidies from its own funds. Its interest rates follow closely movements on the capital markets, where it procures its resources; as the Bank is a very well known, high credit-standing borrower (AAA rating) it can raise funds on the finest conditions, and this is basically the advantage which is reflected in the rates which the Bank offers to its own borrowers, bearing in mind that it adds only a very small margin to cover its operating costs, which are tightly controlled. The rate for a given loan will vary according to the currencies or currency in which it is paid out and the duration chosen.

However, there are possibilities for interest subsidies to be paid — subject to national and Community regulations — by Member States themselves or public agencies. Subsidies may also be paid from the Community budget under the European Monetary System arrangements referred to earlier or from the European Regional Development Fund (this is essentially for making grants, but it is also possible to use the resources to grant 3 % subsidies on certain loans).

Outside the Community, most loans made by the Bank from its own resources are granted with 2 or 3 % subsidies, paid from Community budgetary funds, to reinforce the character of development aid.

Where the Bank uses budgetary funds, under mandate from the Community, for lending on special conditions (minimal interest rate, extra long duration loans or risk capital operations) the subsidy element can be substantial; for example, some loans made in Mediterranean countries are for 40 years at an interest rate of 1 %.

Does the EIB make its own project appraisals? If so, does it look at the impact on the environment?

Every investment project which the EIB helps to finance, inside and outside the Community, is subjected to a full appraisal of its viability, conducted by the Bank's own

specialist staff of economists, financial analysts, lawyers and engineers. This appraisal covers the economic, financial, technical, legal, commercial and managerial sides of a project. The possible impact on the environment is one aspect of the appraisal and one which has been given increasing importance in recent years. The Bank takes into consideration not only physical effects such as gaseous emissions, liquid effluents, solid wastes etc. but also noise levels, effect on the landscape and the working environment.

Although the EIB is not a regulatory agency and has no powers to enforce any particular environmental code, it fixes as a minimum condition for lending the satisfactory fulfilment of all laws and regulations in force (regional, national and, where such exist, Community directives or regulations laid down in international conventions). Beyond formal compliance with existing regulations, the EIB also takes into account in its project appraisals the evolution of environmental standards.

In less developed countries, where environmental directives may be missing or incomplete, the EIB normally requires that adequate criteria based on the typical standards of the corresponding technologies in European countries be adopted.

The Bank is involved with environmental questions in an even more direct way, i.e. it has helped to finance, under the regional development heading, a large number of sewerage projects to deal with industrial effluents. It has also supported certain specific, environmental protection projects concerning pollution of the Rhine and the Bay of Naples, atmospheric pollution by steelworks, oil pollution in the English Channel and the Mediterranean. It is common for loans made by the Bank to include finance for the installation of equipment designed to safeguard the environment.

Is the EIB non-profit-making?

Under the terms of the Treaty of Rome, the Bank operates on a 'non-profit-making basis', but it is also non-loss-making. The Statute lays down that the Bank must cover its own operating costs and that it must generate sufficient income to progressively build up reserves equivalent to 10% of its subscribed capital. The Board of Directors has

discretion in deciding on additional reserves.

These statutory and supplementary reserves — which at present stand at 712 million u.a. — are constituted mainly through the fact that the part of the Bank's capital paid in by the Member States does not bear any interest for them, but gives a return to the Bank in being used for lending operations. Further income comes from reinvesting the reserves so built-up.

The surplus is significant in two ways: first, by being ploughed back into the Bank's reserves, it maintains in real terms the value of the capital paid in to the Bank, which must manage these funds in the interests of its "shareholders", the Member States. Secondly, an appropriate level of reserves is essential to the Bank's high credit-standing on the financial markets, enabling it to perform its basic function of raising funds on the best possible conditions to finance its operations.

Is lending in developing countries "tied" to purchases from certain suppliers?

The Bank's principal concern is that whatever investment project it finances should have the best possible chance of success and that it generate the maximum benefit for the country concerned.

It follows that equipment, services etc. must be chosen with the needs of the project always uppermost.

Broadly speaking, the Bank requires appropriate forms of competitive bidding (national or international invitations to tender or consultation) where amounts involved are fairly substantial.

In the case of international tendering, bidding must be open at least to undertakings in EEC Member Countries plus the African, Caribbean and Pacific-ACP countries when dealing with loans under the Lomé Conventions, or in the country directly concerned when dealing with loans under one of the cooperation agreements with Mediterranean region countries. The Bank is also prepared to provide financing to cover bids from firms based in countries where it borrows funds required for its activities (e.g. the United States, Switzerland, Japan, Austria) and in countries which, in the Bank's opinion, offer particular benefits for

the project from the technical or geographical viewpoint. The Bank ensures that tender notices are published in the Official Journal of the European Communities.

The Bank reserves the right to monitor and approve tendering procedures, preparation of documents, vetting of bids etc.

Once a loan contract is signed, are there any controls on how EIB funds are spent?

Loans made by the EIB are always for specific projects and borrowers are committed to using the funds for investments detailed in the loan contract for each project. The contract includes appropriate provisions for monitoring the implementation of the project and this work is carried out by two specialist departments, one for operations in the Community, one for outside.

The borrower must be able to account at every stage for expenditure (the procedure may be adopted, and frequently is, whereby the Bank actually pays out the loan against bills for equipment, services etc.).

The Bank continues to maintain general surveillance on a project and contacts with the promoter while loan repayments are being made. After completion and start-up of operation, the practice is to carry out a final, internal examination comparing the results with the main objectives identified during the appraisal.

Does the EIB cooperate with other development agencies, such as the World Bank?

The EIB was designed as a complementary source of finance — to work in conjunction with other resources for investment, not to replace them — and so it only finances part of any given project (up to 50% of fixed asset costs). The funds it provides must always be integrated in a sound, overall financing plan which may be composed of loans from other sources, grant aid from national or Community sources, suppliers' credits, the promoter's own funds etc.

Outside the Community it has become almost standard practice for the EIB to cofinance projects with

**IMPORTANT —
ADDRESS CHANGE**

From 25 August 1980, the EIB's head office address in Luxembourg changes to

100, Bvd. Konrad Adenauer
— PO Box 2005
1020 Luxembourg.

New telephone no. 43 79-1
New telecopier no. 43 77 04
Telex no. remains 3530 bankeu lu.

other aid agencies e.g. the Community's European Development Fund; bilateral aid agencies from Member States, such as the Commonwealth Development Corporation (United Kingdom), the Caisse Centrale de Coopération Economique (France) and the Kreditanstalt für Wiederaufbau, Deutsche Entwicklungsgesellschaft (Germany); the World Bank and its affiliates; various bilateral or multilateral financial institutions in the Arab oil-producing countries, and development agencies in other countries, such as the United States and Canada.

One good example of this international cooperation, but there are many others, is the financing of development of lignite deposits and construction of a thermal power station in Turkey, a project most important in helping to meet the country's energy requirements and cut its considerable dependence upon oil imports: apart from the EIB and finance provided by the Turkish Government itself, aid is been made available by the German, French and Italian governments, the World Bank, the Saudi Development Fund and commercial credits come from German, American and Japanese suppliers.

Who staffs the EIB?

All personnel employed by the EIB — who, incidentally, do not have the civil servant status as in other Community institutions: they are Bank employees — are nationals of Community Member Countries, from a wide range of backgrounds including the commercial banking sector, central banks and public credit institutions, national and international aid agencies, industry and government. At end-1979 there were 437 people. It

is interesting to note that since end-1972, the amount of operations carried out has risen almost six-fold, from roughly 525 million u.a. in 1972 to 3 070 million in 1979, the number of individual operations rising from 39 in 1972 to 180 last year. In the same period the number of staff has less than doubled.

Why is the EIB in Luxembourg?

The European Investment Bank began operations in 1958 in Brussels. It moved to Luxembourg in 1968 following the decision taken in 1965 by representatives of Member States concerning the provisional location of Community institutions. As part of this decision Luxembourg became the site for most of the Community's credit and investment activities. The position rests there: the EIB's seat in Luxembourg is still, legally-speaking, "provisional", although no change is foreseen and indeed the Bank is due to move in August to its own, new headquarters next to the Court of Justice, the European Parliament and Commission buildings.

These are only some and indeed among the simpler questions which crop up frequently.

The Bank's operations are technically complex and the tendency is for them to become more so as new responsibilities are given to the EIB, such as the lending operations from Ortolí facility resources, interest subsidies under the European Monetary System arrangements, use of risk capital in the Lomé Convention countries etc.

But whatever the complexity, the Bank's basic aims are simple and unchanging — to contribute towards economic and social progress within the Community and to strengthen Europe's assistance to developing countries.

The Bank's work, which obviously demands a certain degree of confidentiality, is not the kind which lends itself to overt publicity of a commercial nature, or advertising.

But this said, the EIB has a conviction that as a public institution it has a duty to inform, not only those who have a direct, professional need for information, but also private individuals or organisations with an interest in the Community and its development.

Unit of Account

Below are the values in national currencies of the Unit of Account used by the Bank, as at 30 June 1980; these rates are applied the present quarter in preparing financial statements and operational statistics of the Bank:

DM	2.51583	Bfrs	40.2358
£	0.606103	Lfrs	40.2358
Ffrs	5.84625	Dkr	7.79476
Lit	1199.42	IR£	0.671881
Fl	2.75780	US-\$	1.43010

Statistics summarising Bank activities in terms of Units of Account have been based on several different conversion rates applied since 1958. This, coupled with the effects of price trends, would suggest prudence in interpreting the significance of figures which relate to operations extending over many years.

The composition and hence value of the unit of account used by the EIB is the same as that of the European Unit of Account (EUA) and the European Currency Unit (ECU).

New publication

Financing under the second Lomé Convention — brochure setting out conditions and procedures applying to EIB finance operations for investment projects in the African, Caribbean and Pacific (ACP) countries.

EIB-INFORMATION is published periodically by the European Investment Bank in six different languages (Danish, Dutch, English, French, German and Italian.)

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