

EIB INFORMATION

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DEN EUROPÆISKE INVESTERINGSBANK
EUROPÄISCHE INVESTITIONSBANK
ΕΥΡΩΠΑΪΚΗ ΤΡΑΠΕΖΑ ΕΠΕΝΔΥΣΕΩΝ
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EIB Annual Meeting

The European Investment Bank's Board of Governors, at their annual meeting in Luxembourg on 7 June, unanimously approved the EIB's 1992 annual report and balance sheet. The meeting was chaired by the Governor for Luxembourg, Jacques Santer, Prime Minister and Minister for the Treasury. The Board of Governors, made up of a Government Minister, usually the Minister of Finance, from each European Community country, congratulated the Bank for the continued widening and growth of its activities in support of European Community policies, and for the speed with which it had responded to new responsibilities given to it by the Edinburgh European Council meeting.

The EIB's President, Sir Brian Unwin, presented the report on the Bank's 1992 activities on behalf of the Board of Directors and his reflections on future development, as reproduced below.

The Bank's balance sheet was approved following the report of the Chairman of the Audit Committee, João Pinto Ribeiro, Juiz Conselheiro, Tribunal de Contas of Portugal. At end 1992, the EIB's balance sheet stood at ECU 84.7 billion.

The Governors noted that the EIB was implementing an increasing range of EC policies at a time of considerable upheaval in financial markets and at a time when investment was slowing down in many parts of the Community, and they agreed that the Bank should make an active contribution to the formulation of policies in the areas for which it was responsible. They particularly welcomed the results it had already achieved in carrying out the new in-

itiatives given to it by the European Council meeting in Edinburgh last December. They noted the headway the Bank had made in preparing the ground for the European Investment Fund and pledge themselves to support speedy ratification of legislation now before national parliaments for an amendment in the Treaty of Rome. The amendment will enable the Board to formally establish the new Fund. They underlined that in fulfilling the Edinburgh initiatives, the Bank was making a substantial contribution to the fight for employment and had demonstrated once again that it could react flexibly to fresh challenges.

The Board observed that the EIB had continued to focus on its main objective to support social and economic cohe-

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The EIB's full-time executive board is the Management Committee, consisting of the Bank's President and six Vice-Presidents. Current members and their *curriculum vitae* are outlined here.

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The Copenhagen European Council meeting reinforced the EIB's role in supporting the European growth initiative. The European Council invited the EIB to increase from ECU 5 billion to ECU 8 billion its temporary additional lending facility set up following the Edinburgh Summit (December 1992).

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Following Switzerland's decision not to join the European Economic Area, the EEA Agreement's financial mechanism - a package of subsidised loans and grants - has been amended. The EIB is responsible for implementing this financial mechanism.

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The EIB prize, awarded every two years for a doctoral thesis, this year went to Eric Meyermans for a thesis on "Econometric Allocation Systems for the Foreign Exchange Market".

sion in the Community's less-prosperous areas, and that it was lending an increasing amount in the private sector. They confirmed that while being dynamic in furthering Community policies, it should maintain a prudent banking approach to ensure the quality of its loan portfolio.

The Board of Governors paid tribute to the work of the former President Ernst-Günther Bröder for his role in the Bank's continuing success. Mr Bröder resigned at the end of March. He had been President since August 1984. The Governors also acknowledged with thanks the work of Vice-President Roger Lavelle who retired at the same time. Mr Lavelle had been appointed to the Management Committee in August 1989.

The key part of the President's address is reproduced below.

Mr Chairman, Ladies and Gentlemen,

It is an enormous privilege to take over the Presidency of the European Investment Bank at this crucial moment in the economic development of the Community. Under the guidance and leadership of my predecessor, Dr Bröder - to whom I take this opportunity to pay my warmest personal tribute for his outstanding services to the EIB and to the Community - the EIB has gone from strength to strength. In a rapidly changing environment, the size, scale and diversity of its activities have altered beyond measure since I was a Director a decade ago. It now takes the lead in implementing an ever wider range of Community policies.

It is too soon for me to offer you confidently a full analysis of the past or prescriptions for the future. It is in any case my task on this annual occasion to report to you on behalf of the Board of Directors on the most significant events of

the past year. But in addition to giving you that account, I hope you will allow me to offer a few initial reflections on the Bank and the key issues it now faces.

Operations in the Community in 1992

The EIB grew rapidly again last year. In 1992 total lending amounted to ECU 17 billion, an increase over the previous year of 11 per cent in nominal terms and 9 per cent in real terms. Total borrowing amounted to ECU 13 billion. These figures were achieved at a time of recession in the Community economy and turbulence in financial markets, particularly in the second half of the year.

ECU 16.1 billion of this was within the Community, spread across all the Member States. The total value of the underlying investment supported by this lending was some ECU 60 billion or about 5.3 per cent of all fixed investment in the Community during the year.

The primary mission of the EIB, under the Treaty, is the balanced economic development of the Community. This is why so much of the Bank's lending has always been directed to less prosperous regions, and 1992 was no exception. Financing in those regions was up by ECU 3 billion or 40 per cent on a year earlier, and in 1992 accounted for nearly 70 per cent of the Bank's total lending in the Member States. More than 90 per cent of this went into capital investment in areas eligible for support from the Community's Structural Funds, with marked increases in Spain, Portugal, Greece, the United Kingdom and the new German Länder. Liaison with the Structural Funds was designed to maximise synergy between the two forms of Community financing.

But other objectives of Community policy have not been neglected. The Bank has pressed ahead with its support for trans-European transport, telecommuni-

cations and energy supply networks. In 1992 it more than doubled its funding for investment in favour of the environment and to improve the quality of life in our towns and cities. In the industry and the service sectors the Bank maintained the level of its financing, in spite of the unfavourable economic situation. The number of projects designed to achieve a more efficient use of energy increased with some concentration in industry, particularly industry located in the less prosperous regions.

Operations Outside the Community

Outside the Community the Bank lent ECU 893 million. In the Mediterranean area the Redirected Mediterranean Policy came into operation and the first loans were made under the new arrangements for lending outside the financial protocols. Lending in the ACP States continued to be constrained severely by economic and political problems. The

BOARD OF GOVERNORS

The Board of Governors is made up of a Government Minister, usually the Finance Minister, of each Member State. The Governors' terms of office are linked to their political mandates.

Chairmanship of the Board of Governors runs from one annual meeting to the next, and rotates following the alphabetical order of the Member States. The Chairmanship until the end of the day of the 1993 annual meeting was held by the Italian Minister for the Treasury, Piero Barucci. In his absence on 7 June, the annual meeting was chaired by the Governor for Luxembourg, Jacques Santer, Prime Minister and Minister for the Treasury, who took over the Chairmanship of the Board of Governors as from 8 June 1993 until the end of the day of the annual meeting in 1994.

Bank's activity in Central and Eastern Europe has grown rapidly since 1990, and in 1992 its volume was about the same as that in the Mediterranean, and rather more than that in the ACP. To date, nearly ECU 1.5 billion have been approved by the Bank for lending to those countries.

Borrowing Operations

Despite the record volume of total lending, borrowing by the Bank, at ECU 13 billion, was slightly down on 1991 as a result of a slower pace of disbursements. The difficulties experienced in certain capital markets in the Community meant that the proportion of funds raised in Community currencies fell. Nevertheless, for the fourth successive year the ECU headed the list of currencies borrowed, accounting for 15 per cent of the total and confirming the EIB's position as one of the leading ECU issuers on the international markets. It was followed by the Deutsche Mark, US Dollar, French Franc, Yen, Pound Sterling and Italian Lira, each representing between 10 and 12 per cent of total funds raised.

Balance Sheet

The EIB's balance sheet stood at ECU 84.7 billion at 31 December 1992, compared with ECU 74.3 billion a year earlier. Aggregate loans and guarantees outstanding at the end of 1992 were less than 60 per cent of the statutory ceiling of ECU 144 billion. This leaves the Bank with ample headroom to pursue and develop its operations.

You will have seen that, for the first time, there is a general provision of ECU 150 million in the balance sheet. This is a precautionary measure which acknowledges the greater risks that the Bank faces from the increasing scale and complexity of its day-to-day operations, not least the fact that security for a larger proportion of its loans has to be



Press conference after the annual meeting (from left to right): Sir Brian Unwin, EIB-President; Jacques Santer, Chairman of the annual meeting; Wolfgang Roth, Vice-President.

found from less traditional sources. But I can assure you that the quality of the loan book remains first class and the financial position is strong. The Bank remains solidly "AAA".

In sum the EIB is in a sound state, and, looking ahead, it has a very full agenda. As I have already indicated, I shall not on this occasion attempt a full analysis of policy, but there are a few points to which I should like to draw your attention.

Edinburgh Summit Decisions

I must first report to you on the major initiatives that the Edinburgh Summit asked the Bank to undertake to help promote economic recovery and strengthen economic and social cohesion in preparation for the next steps towards EMU. They are the implementation of the special lending facility of ECU 5 billion, the establishment of the European Investment Fund, and the achievement of closer cooperation with the Commission on the newly enlarged Structural Funds and the new Cohesion Fund.

Temporary Lending Facility

The special facility of ECU 5 billion was earmarked for Trans-European Networks (TENs) and environmental projects during 1993 and 1994. Major investment such as this has a long lead time from conception to implementation and financing. In order to get the facility moving as quickly as possible, the Bank has necessarily concentrated on projects known to it when the new facility was announced. In the case of projects already appraised by the Bank, the additional financing can be provided straight away. As a result, between January and May of this year the Bank's Board of Directors has approved under the facility loans for more than 30 projects for a total of some ECU 2.2 billion.

We have tried to ensure that this lending does not simply substitute for loans that the Bank would have made in any case. We have, therefore, included in our figure of ECU 2.2 billion only the part of each loan which is additional to the amount we would have lent without the decisions taken in Edinburgh.

If the momentum of economic growth and employment associated with this lending is to be maintained, Member States must play their full part in helping to bring forward further suitable projects. We cannot conjure up new TENs ourselves. I am counting on your help in this and am confident of your positive response.

European Investment Fund

Although the bringing into operation of the European Investment Fund is necessarily on a different time track, we are taking the steps required for its establishment as quickly as possible. The necessary legislation is now before national Parliaments and I shall be grateful for your support in getting it passed quickly. Meanwhile we are working energetically to persuade public and private banks to join the Fund as founder shareholders along with the Commission and the EIB.

The participation of these banks is an essential element in this enterprise. I am glad to be able to tell you that their response is positive. Although negotiations are still in progress on a number of points to ensure that the banks are properly represented, 27 banks from 8 countries have undertaken to become shareholders. Between them they will take up about a quarter of the capital set aside for subscription by this group. This is an encouraging start, though there is still some way to go.

To enable the Fund to begin operations as soon as possible we are also working on the operational procedures it might adopt and are putting in place an embryo organisational structure. Our aim is to achieve the fullest possible state of preparedness so that the Fund can open for business just as soon as the legal framework is in place.

Structural Funds and Cohesion Fund

The other major element from the Edinburgh Summit that directly concerns the EIB is the request for closer cooperation between the Bank on the one

hand and the Structural Funds and the new Cohesion Fund on the other. We are having fruitful discussions on this with the Commission. Closer cooperation will focus initially on the appraisal stage. In cases where investment is cofinanced by the Bank and the Funds, the Bank will make its appraisals available to the Commission. In certain other cases where the Bank is not a lender, we may nevertheless be able to undertake some appraisal on behalf of the Funds, charging an appropriate fee. The details remain to be settled, but I believe that we shall be able to reach agreement on a viable operational scheme.

Implications of the Treaty of Union

The main purpose of these initiatives is to prepare the ground for implementation of the Treaty of Union. This Treaty will itself have far-reaching consequences for the Bank. In particular, the approach of monetary union will simplify our finance and treasury operations considerably while at the same time opening up the markets in which we borrow and lend to a wider range of participants. The implications of these changes will be the subject of intensive study and will be considered by the Board of Directors later in the year.

Activities Outside the Community

In accordance with Community policies, we shall continue to pursue an active policy of assistance to our neighbour countries in Central and Eastern Europe and the Mediterranean area and we shall shortly participate in the negotiations for mid-term revisions to Lomé IV. As to Asia and Latin America, you approved an extension of our operations to these countries for an amount of ECU 250 million a year and we shall be submitting the first loans under this facility to the Board of Directors before the end of the year. But the result of all this is that the geographical spread of the EIB's activity outside the Community has become very wide indeed, and the

Bank's staff resources are being stretched very thinly.

In my view, therefore, the appropriate amount, span and balance of the EIB's activity outside the Community require careful study. The balance of staff resources is being sharply tilted - about a third of such resources is now being devoted to less than 10 per cent of total lending. Linked to this are questions too about the right approach for the Bank to adopt in each area in conjunction with other international lenders, such as the World Bank and the EBRD, the uses of risk capital and the coverage of the high costs that go with lending in difficult and distant places. Further study may confirm the rightness of what we are doing at the moment. But the question needs posing and addressing.

If I may say so, there seem to be related questions on your side too, as the build-up of loans guaranteed by the Community budget gets bigger and bigger. Not all of these loans are made by the EIB, but any new limitations aris-

BOARD OF DIRECTORS

The members of the Board of Directors - 22 Directors and 12 Alternates - are appointed by the Board of Governors for a renewable term of 5 years. Having come to the end of the term, the Governors, at the annual meeting, appointed the Board of Directors for the next five year-term of office, which expires in 1998 at the end of day of the annual meeting.

The Board of Directors ensures that the EIB is managed according to the Treaty of Rome and the Bank's Statute, which is an integral part of the Treaty. Acting on proposals from the Management Committee, the Board decides on the granting of loans and guarantees, on the raising of funds and the setting of interest rates.

ing from the Community Guarantee Fund would affect the EIB's ability to lend outside the Community. The implications could be far-reaching, and I hope that you would think it right to discuss this with the Bank before taking action.

Policy Input

This last issue illustrates a more general point I should like to make. I believe that the EIB should make a greater input into the setting of the framework that governs important parts of its activity. This applies inside the Community as well as outside it. The Bank is an agency for implementing Community policy. But with its experience and expertise it can make an important contribution to how to advance any given Community objective most effectively. We shall be considering how the Bank can be more active in formulating its own views and making them known. This could well mean the Bank taking a more active part in policy discussions than has been traditional in the past in those subjects in which it is involved or likely to become involved.

And there are many of these on the immediate agenda, such as the future of the ECSC, the reorientation of Euratom to face the nuclear problems of Eastern Europe and the former Soviet Union and the setting up of the guarantee fund to cover contingent liabilities of the Community budget outside the Community.

Enlargement

There is also, of course, the question of enlargement, which will affect the EIB in a number of ways. Loans in the future new Member States will add to the Bank's activity; and changes will have to be made in the structure of the Bank's capital and of its governing bodies. The most recent review of the governance of the Bank left some unfinished business, and the preparation for the next round of accessions will provide an

opportunity to take this further forward. The Board of Directors will be invited to consider this subject later in the year.

Conclusions

The EIB is in a period of rapid development and change. In one sense, of course, this is a consequence of success and the Bank welcomes the increased recognition given to it. Growth is one aspect. If the Bank is to make a meaningful contribution to the growth of the European economy it must itself grow; and this applies *a fortiori* if it is at the same time to take over new assignments such as ECSC business and to continue extending its lending outside the Community, including lending in new ways and to new parts of the world.

But growth is not the whole story, for the growth is concentrated on non-traditional and staff-intensive activity. Lending in Central and Eastern Europe is self-evidently different and more difficult than lending in the Community. Managing Euratom funds in the former Soviet Union is a more extreme example of the same point. On the other side of the balance sheet the same considerations apply. The trend is towards more complex forms of operation, and the new responsibilities in prospect, such as managing the liquid funds of the Community's new guarantee fund, do not have the same consequences as an expansion of traditional business.

This has two immediate consequences. One concerns staffing and organisation. During the five years to last December, when lending increased by some 80 per cent in real terms, staff numbers grew by only 12 per cent. By any standards, the Bank is economically staffed. But we cannot maintain this pattern if we are to maintain the quality of our portfolio. Although we must still apply rigorous control to the employment and deployment of resources, future growth must mean that we shall have to add to our highly skilled staff on a

greater scale than in recent years. At the same time there are questions of internal organisation to be addressed. I have mentioned structural problems associated with the accession of new Member States. The arrival of a new President is in any case the occasion for reviewing a number of aspects of internal organisation and procedures and I shall be pursuing this further.

The other consequence concerns financial markets. The EIB has now surpassed even the World Bank in the size of its borrowing and lending. This means that our borrowing requirements are enormous, particularly as regards the ECU and the Community currencies most in demand. There are limits to the amount of EIB paper that any individual investment institution will take. So to satisfy our future borrowing requirements we must retain very widespread support among the investing community.

This in turn means that the Bank must maintain the high quality of its loan portfolio and the strength of its balance sheet; and it must rely on retained earnings more than on fresh injections of paid-in capital from its shareholders to provide it with a growing capital base. It means too that the investing community must be properly informed about the changing nature of the Bank's activity and about how the Bank goes about its mission.

Mr Chairman, these are still early days for me and a period of investigation and reflection will now be in order. After that, intensive discussions will begin on a whole range of policy issues with the Board of Directors. I look forward to the challenge that these issues present and I shall report back to you on them in a year's time. In the meantime, may I conclude my main remarks by expressing to you my gratitude and that of my colleagues on the Management Committee for your continuing support.

MANAGEMENT COMMITTEE

The Management Committee is the full-time executive board of the EIB and consists of the Bank's President and six Vice-Presidents who are appointed by the Board of Governors for a renewable six-year term of office, on a proposal from the Board of Directors.

On 22 June, the Board of Governors appointed Mr Corneille BRUCK as Vice-President, with effect from 1 July 1993. He succeeds Mr Ludovicus MEULEMANS, upon whom the Board of Governors has conferred the title of Honorary Vice-President, in appreciation of services rendered to the Bank.

The Management Committee is responsible for day-to-day business, recommending policy changes and operational decisions to the Board of Directors and then carrying responsibility for their implementation. The President, or in his absence one of the Vice-Presidents, presides over meetings of the Board of Directors.

Sir Brian UNWIN

President since
April 1993



British, born 1935: Joined UK diplomatic service 1960, transferred to H.M. Treasury 1968, private secretary to the Treasury Chief Secretary 70-72, Assistant Secretary, H.M. Treasury, Head of the Financial Institutions Division 1972; Under Secretary at the Treasury and Cabinet Office 1975 where he held several posts including Head of the Treasury Central Policy Unit, and Head of the Prime Minister's Information Technology Unit; Deputy Secretary, Treasury 83-85, responsible for international (including European Community) financial policy; Deputy Secretary to the Cabinet responsible for the economic and domestic policy business of the Cabinet and Cabinet Committees 1985; Chairman of the Board of H.M. Customs and Excise 87-93, President of the International Customs Cooperation Council 91-92. He was a Director of the EIB 83-85.

Lucio IZZO

Vice-President since
June 1982



Italian, born 1932: Economic Research Department, Bank of Italy 58-60, 62-63; Rockefeller Fellow, Department of Economics, Massachusetts Institute of Technology 60-62; Assistant Professor of Economics, University of Rome 63-66; Associate Professor, then Professor of Economics, University of Siena 66-74, subsequently Professor of Economics at the University of Rome; also Visiting Professor of Economics, London School of Economics 71-72. Participated in International Economic Association Round Tables 69, 75. Economic Adviser to the Minister of the Budget, Rome 74-78; Economic Adviser to the Minister of the Treasury 80-82. Italian Representative, OECD Working Party 3, Economic Policy Committee 76-81.

Alain PRATE

Vice-President since
August 1984



French, born 1928: Inspecteur général des finances; Secretary to the EC Monetary Committee 58-61; Director, Economic Structure, Commission of the European Communities, then Director-General for Internal Market 61-67; Counsellor for economic and financial questions to the President of France 67-69; Head of service, Inspection générale des finances 69-71; Director-General for customs and indirect duties 71-75; Managing Director, Crédit National, and President of Sofinnova (Innovation Financing Company) 75-79; Deputy Governor of the Bank of France 79-84, First Deputy Governor 80-84. He was a Director of the EIB 62-66.

Hans DUBORG

Vice-President since
April 1990



Danish, born 1928: Ministry of Trade 1953; seconded to the Danish Embassy in London to deal with commercial and economic affairs 62-65; Head of Department at the Ministry of Trade 1971, responsible i.a. for price control and competition policy, also Vice-Chairman of Monopolies Control Board and Chairman of Danish Committee on EC questions concerning the right of establishment and competition policy; Director General of Danish Monopolies Commission 1979 until his appointment 1984 as Permanent Secretary at the Ministry of Industry.

José DE OLIVEIRA
COSTA

Vice-President since
January 1992



Portuguese, born 1935: Bank of Portugal 1962, Manager of the Credit Inspectorate; President of the Sociedade Financeira Portuguesa 1989; Vice-President on the Board of Directors of Banco Nacional Ultramarino 80-82 and of Banco Pinto & Sotto Mayor 83-85, in this capacity held directorships with a number of Portuguese financial institutions. Elected to Parliament 1987, he was Secretary of State for Fiscal Affairs in charge of reforming the country's tax system in the 10th and 11th Constitutional Governments 85-91.

Wolfgang ROTH

Vice-President since
April 1993



German, born 1941: Member of the German Bundestag 1976, Deputy Chairman of the Social Democrat Party (SPD) Parliamentary group 1981, Spokesman of the Social Democrat Party Parliamentary group on economic policy 1992; Member of the Board of Directors of Deutsche Siedlungs- und Landesrentenbank 81-93; of Deutsche Ausgleichsbank 86-93; Member of the Supervisory Board of Okobank 87-93 and of the Managing Board of the German Economic Research Institute (Deutsches Institut für Wirtschaftsforschung) 1987.

Corneille BRUCK

Vice-President since
July 1993



Luxembourger, born 1933: Budget Division, Ministry of Finance 54-65; Central unit for statistical and economic studies, Ministry for Economic Affairs 65-69; Head of general finance inspectorate, Ministry of Finance 69-81; Member EC Budgetary Policy and Economic Policy Committees 69-81 and Co-ordinating Group for short-term Economic and Financial Policies 71-81; Chief executive (81-89) and Chairman of the Board of Directors (89-93) of Banque et Caisse d'Épargne de l'État, Luxembourg. He was a Member of the EIB's Audit Committee 77-83 and a Director of the EIB 83-93.

The Copenhagen Summit and the EIB

The conclusions of the European Council meeting held in Copenhagen on 21/22 June 1993 include measures designed to increase the EIB's contribution to the European growth initiative decided by the Heads of State and Government at their December 1992 meeting in Edinburgh.

Greater support for capital investment

The European Council invited the EIB to increase from ECU 5 to 8 billion the additional lending facility established by the Bank in January 1993 and to extend its duration beyond 1994. Of the additional three billion ECUs, two billion will be devoted to financing trans-European transport, telecommunications and energy transfer networks, while one billion will be given over to underpinning investment by smaller businesses. At the request of the European Council, the Economic and Finance (ECO/FIN) Council will examine how loans to the latter could carry interest subsidies of a

maximum of 3 percentage points over five years funded from the Community budget. The provision of these subsidies would be linked to the creation of new job opportunities. The EIB and the Commission are already working together to translate these measures into reality.

Under the Edinburgh lending facility, the EIB had already committed ECU 2.7 billion in loans by the end of June 1993 for around 35 projects in some ten Member States. These projects were selected on the strength of their headway on the administrative or technical fronts, so ensuring that accelerated financing has a positive impact on their completion date (1).

The European Council also agreed that the Community and its Member States will attach particular importance to bringing forward in time public investment and implementing rapidly the Community's ECU 160 billion structural policy programme for the period 1994-1999.

Closer cooperation with Central and Eastern Europe

The European Council restated the Community's intention to include the countries of Central and Eastern Europe in its strategy for financing Trans-European Networks, with the EIB, together with other international institutions, taking a leading role. This thinking and the desire to increase the interplay between technical assistance managed by the Commission and EIB loans led the Council to invite the Commission to earmark part of the PHARE programme's resources for capital expenditure on projects of benefit to the Community financed jointly by the EIB and countries in Central and Eastern Europe in cases where it is established that such additional funds are essential and the projects in question cannot be financed privately.

(1) See "EIB-Information" No 76.

AUDIT COMMITTEE

The Audit Committee is the EIB's statutory control body. Its three members are appointed by the Board of Governors for a three-year period, with one member replaced or re-appointed each year. The Chairmanship of the Committee rotates annually and is held by the Member whose term of office is ending at the end of the day of the annual meeting. The Committee answers directly to the Board of Governors, see page 1, col. 1.

EEA Financial Mechanism amended

In a referendum held in December 1992, the Swiss voted against their country taking part in the European Economic Area (EEA). As a consequence the Financial Mechanism, which the EFTA States had set up in the EEA's context to "provide financial assistance to the development and structural adjustment" of Greece, the island of Ireland, Portugal and less-favoured regions in Spain, needed to be amended.

Without a Swiss contribution to the funding of the Financial Mechanism, Austria, Finland, Iceland, Liechtenstein, Norway and Sweden, the six EFTA states which are participating in the EEA, changed the interest rebates

foreseen on ECU 1.5 billion in EIB loans from 3% to 2%, but maintained the level of grant aid at ECU 500 million.

As before, the EFTA States have mandated the EIB with the implementation of the Mechanism. The amended Cooperation Agreement with the EIB was signed in Luxembourg on 18 June 1993 and is expected to come into effect later this year after the 18 States involved have ratified the EEA Agreement. The financial assistance will be spread over a five-year period. (For more information about the EFTA Financial Mechanism, see EIB-Information nr 72 of June 1992.)

Eric Meyermans receives 1993 EIB Prize



The 1993 EIB Prize has been awarded to Eric Meyermans, a Belgian national, for his thesis "Econometric Allocation Systems for the Foreign Exchange Market: Specification, Estimation and Testing of Transmission Mechanisms under Currency Substitution" (Katholieke Universiteit Leuven, 1992). The Prize was presented to Mr Meyermans by EIB President Sir Brian Unwin and Lord Roll of Ipsden, chairman of the EIB Prize Jury, at the European Investment Bank on 22 June.

In his thesis, Mr Meyermans provides a theoretical and empirical examination of the extent to which the monetary autonomy of a country is affected if, contrary to traditional macro-economic models, the residents of a country hold funds in foreign currencies as well as in their national currency. It is shown that this situation has significant consequences for a country's monetary autonomy. It follows that the stability of the international monetary system is to a large extent determined by the degree in which the monetary policies of the various countries can be coordinated. The empirical part of the study, which comprises data from 18 industrialised countries over the period 1976-1990, confirms that a substantial amount of currency substitution takes place. Mr Meyermans therefore concludes that

both from a theoretical and an empirical point of view, the creation of a European Monetary Union, comprising as many European countries as possible, is desirable.

The EIB Prize Jury acknowledged the high academic quality of "Econometric Allocation Systems for the Foreign Exchange Market". At the Prize awarding ceremony Sir Brian Unwin stressed that he was equally satisfied with the relevance of the subject for the area in which the EIB operates.

The EIB Prize, worth ECU 12 000, was instituted ten years ago on the occasion of the 25th anniversary of the European Investment Bank to promote the study of topics related to investment and finance at the academic institutions in the European Community. The Prize is awarded biennially and was first conferred in 1985.

The members of the EIB Prize Jury are Lord Roll of Ipsden (President of the S.G.Warburg Group and chairman of the Jury), Professors Beniamino Andreatta (University of Bologna - replaced this year by Professor Mario Baldassarri of the University of Rome), Jean-Claude Casanova (Institut d'Etudes Politiques de Paris), Wilhelm Hankel (University of Frankfurt), Arnold Heertje (University of Amsterdam) and Julio Segura (University of Madrid).

ECU

Below are the ECU values in national currencies, as at 30 June 1993; these rates are applied for the third quarter in preparing financial statements and operational statistics of the EIB:

DEM	1.96043	BEF	40.2885
GBP	0.769571	LUF	40.2885
FRF	6.61219	DKK	7.53871
ITL	1781.51	GRD	267.111
NLG	2.19868	IEP	0.804108
ESP	149.776	PTE	186.523
		USD	1.16105

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