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Report

drawn up on behalf of the Committee on Budgets

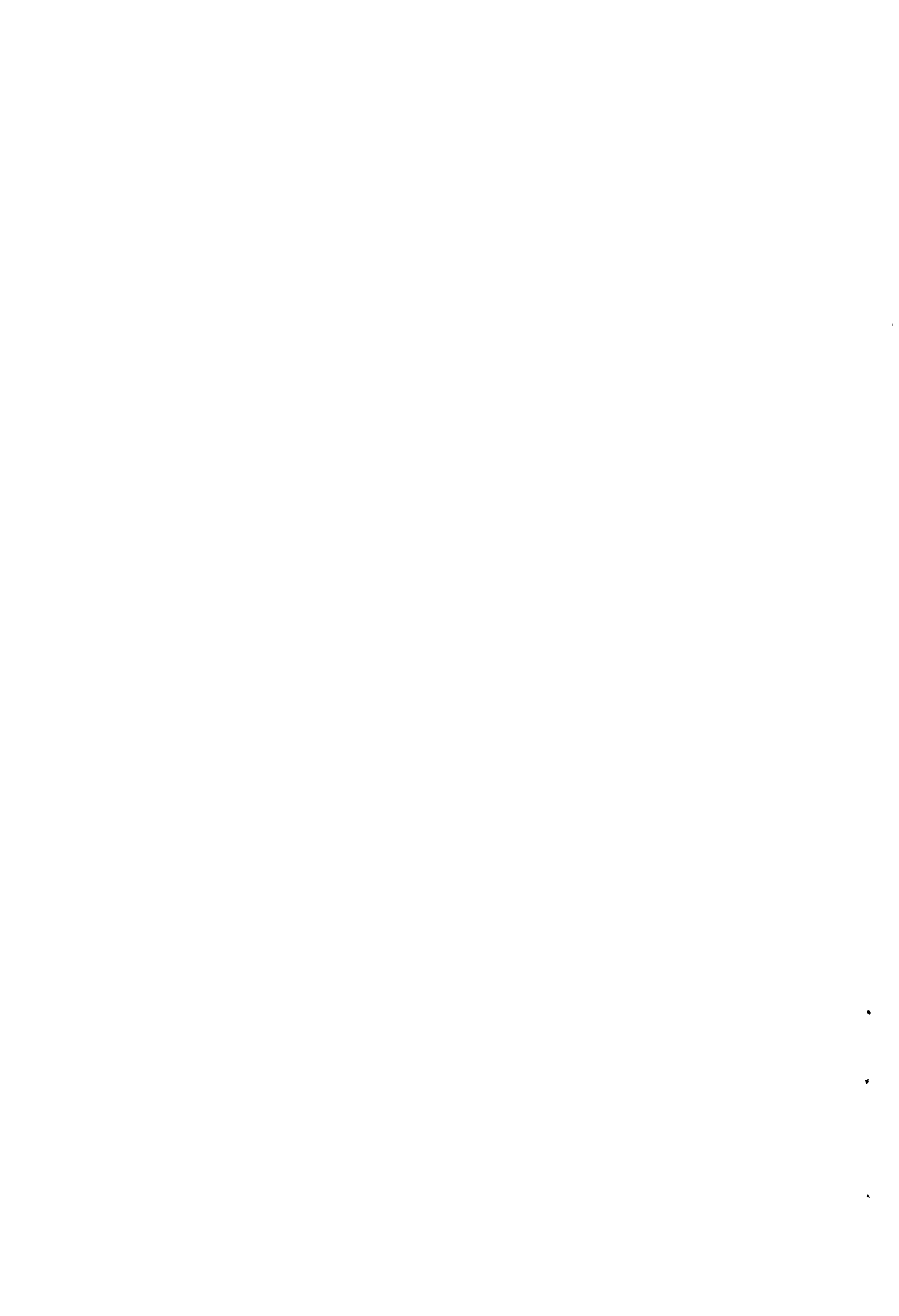
on the proposal for the/amendment of the Statute of the European Investment
Bank (Doc. 502/74)

Rapporteur: Mr Horst GERLACH

1.21

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English Edition



By letter of 12 February 1975 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 236 of the EEC Treaty, to deliver an opinion on the proposal from the Government of the Netherlands for the amendment of the Statute of the European Investment Bank.

The President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on Economic and Monetary Affairs for its opinion on 18 February 1975.

On 5 March 1975, the Committee on Budgets appointed Mr Gerlach rapporteur.

It considered this proposal at its meeting of 23/24 April 1975 and un-animously adopted the motion for a resolution.

Present: Mr Lange, chairman; Mr Gerlach, rapporteur; Mr Artzinger, Mr Brugger, Mr Concas, Mr Delmotte (deputizing for Mr Hansen), Mr Durand, Mr Früh, Mr Lagorce, Lord Lothian, Mr Pêtre, Mr Schwabe (deputizing for Mr Schmidt) and Mr Shaw.

The opinion of the Committee on Economic and Monetary Affairs will be given orally.

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The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the proposal for the amendment of the Statute of the European Investment Bank

The European Parliament,

- having regard to the proposal from the Government of the Netherlands (R/307 /75),
 - having been consulted by the Council pursuant to Article 236 of the EEC Treaty (Doc. 502/74),
 - having regard to the report of the Committee on Budgets and the opinion of the Committee on Economic and Monetary Affairs (Doc.59/75),
1. Approves the proposal from the Government of the Netherlands;
 2. Instructs its President to forward this resolution and the report of the committee to the Council of the European Communities.

Proposal for an amendment to the Statute of the European Investment Bank

Articles 1 to 3 unchanged

<u>Article 4</u>	<u>Article 4</u>	<u>Article 4</u>
(1) The capital of the Bank shall be two thousand and twenty-five million units of account, subscribed by the Member States as follows: Germany 450 million France 450 million United Kingdom .. 450 million Italy 360 million Belgium 118.5 million Netherlands 118.5 million Denmark 60 million Ireland 15 million Luxembourg 3 million The value of the unit of account shall be 0.88867088 grammes of fine gold. The Member States shall be liable only up to the amount of their share of the capital subscribed and not paid up.	unchanged	unchanged
(2) The admission of a new member shall entail an increase in the subscribed capital corresponding to the capital brought in by the new member.	unchanged	unchanged
(3) The Board of Governors may, acting un-animously, decide to increase the subscribed capital.	unchanged	unchanged
(4) The share of a member in the subscribed capital may not be transferred, pledged or attached.	unchanged	unchanged

¹The full wording is to be found in the Protocols attached to the Treaty establishing the European Economic Community

TEXT OF THE EIB STATUTE AT
PRESENT APPLICABLE

TEXT PROPOSED BY THE GOVERNMENT
OF THE NETHERLANDS

AMENDED TEXT

Article 4

Article 4

Article 4

Second subparagraph of Article 4(1)

Add the sentence:

unchanged

'The Board of Governors, acting
unanimously on a proposal from the
Board of Directors, may alter the
definition of the unit of account.'

Articles 5 and 6 unchanged

Article 7

Article 7

Article 7

(1) Should the parity of the currency of a Member State in relation to the unit of account defined in Article 4 be reduced, that State shall adjust the amount of its capital share paid up in its own currency in proportion to the change in parity by making a supplementary payment to the Bank. The amount to be adjusted may not, however, exceed the aggregate amount of the loans granted by the Bank in the currency concerned and of the assets of the Bank in that currency. The payment shall be made within two months or, in so far as it relates to loans, on the dates when they fall due.

unchanged

unchanged

(2) Should the parity of the currency of a Member State in relation to the unit of account defined in Article 4 be increased, the Bank shall adjust the amount of the capital share paid up by that State in its own currency in proportion to the change in parity by making a repayment to that State. The amount to be adjusted may not, however, exceed the aggregate amount of the loans granted by the Bank in the currency concerned and of the assets of the Bank in that currency.

unchanged

unchanged

TEXT OF THE EIB STATUTE AT
PRESENT APPLICABLE

TEXT PROPOSED BY THE GOVERNMENT
OF THE NETHERLANDS

AMENDED TEXT

The repayment shall be made within two months or, in so far as it relates to loans, on the dates when they fall due.

(3) The parity of the currency of a Member State in relation to the unit of account defined in Article 4 shall be the relation between the weight of fine gold contained in the unit of account and the weight of fine gold corresponding to the par value of that currency communicated to the International Monetary Fund. Failing this, the parity shall be based on the exchange rate for a currency expressed in or convertible into gold which is applied by the Member State for current payments.

unchanged

unchanged

(4) In the event of a uniform proportionate change in the par values of the currencies of all members of the International Monetary Fund or of all members of the Bank, the Board of Governors may decide that paragraphs 1 and 2 shall not apply.

unchanged

unchanged

Article 7(4)

Add the sentence:

'Furthermore, it may, deciding unanimously on a proposal from the Board of Directors, alter the method of converting sums expressed in units of account into national currencies and vice versa.'

Article 7(4)

unchanged

Article 8 unchanged

TEXT OF THE EIB STATUTE AT
PRESENT APPLICABLE

TEXT PROPOSED BY THE
GOVERNMENT OF THE NETHERLANDS

AMENDED TEXT

<u>Article 9</u>	<u>Article 9</u>	<u>Article 9</u>
(1) The Board of Governors shall consist of the Ministers designated by the Member States.	unchanged	unchanged
(2) The Board of Governors shall lay down general directives for the credit policy of the Bank, with particular reference to the objectives to be pursued as progress is made in the attainment of the common market.	unchanged	unchanged
The Board of Governors shall ensure that these directives are implemented.		
(3) The Board of Governors shall in addition:		
(a) decide whether to increase the subscribed capital in accordance with Article 4(3) and Article 5(2);	unchanged	unchanged
(b) exercise the powers provided in Article 6 in respect of special loans;	unchanged	unchanged
(c) exercise the powers provided in Articles 11 and 13 in respect of the appointment and compulsory retirement of the members of the Board of Directors and of the Management Committee, and those powers provided in the second subparagraph of Article 13(1);	unchanged	unchanged
(d) authorise the derogation provided for in Article 18(1);	unchanged	unchanged
(e) approve the annual report of the Board of Directors;	unchanged	unchanged
(f) approve the annual balance sheet and profit and loss account;	unchanged	unchanged
(g) exercise the powers and functions provided in Articles 7, 14, 17, 26 and 27;	unchanged	unchanged

Article 9(3) (g)

Write into Article 4:
'The Board of Governors shall
exercise the powers and functions
provided for in Articles 4, 7, 14,
17, 26 and 27.'

TEXT OF THE EIB STATUTE AT
PRESENT APPLICABLE

TEXT PROPOSED BY THE
GOVERNMENT OF THE NETHERLANDS

AMENDED TEXT

(h) approve the rules of of procedure of
the Bank;

unchanged

unchanged

(4) Within the framework of this Treaty and
this Statute, the Board of Governors shall be
competent to take, acting unanimously, any
decisions concerning the suspension of the
operations of the Bank and, should the event
arise, its liquidation.

unchanged

unchanged

Articles 10 - 29 unchanged

Draft text of the preamble setting out the
reasons for the changing of the Statute of the Bank

- considering that the definition of the unit of account and the methods for converting this unit and the currencies of Member States according to the provisions of Article 4, paragraph 1, second section, and of Article 7, paragraph 3 and 4 of the Statute of the Bank in their present form are no longer entirely in keeping with the circumstances of international monetary relations; - unchanged

- considering that the future evolution of the international monetary system cannot be foreseen and that consequently rather than laying down immediately a new definition of the unit of account in the Statute of the Bank, it is desirable to give the Bank the means to adapt itself to changes where necessary, following the appropriate procedures and timetables; - unchanged

- considering that, in order to provide the opportunity for a rapid and flexible adaptation it would be appropriate to give the Governors of the Bank powers to modify, if necessary, the definition of the unit of account and the methods for converting the unit of account and the various currencies. - unchanged

EXPLANATORY STATEMENT

1. The Board of Governors of the European Investment Bank (EIB), which is at present chaired by the Netherlands Minister for Finance, requested the Government of the Netherlands to submit a proposal for the amendment of the Statute of the European Investment Bank.

As the Statute of the European Investment Bank is an integral part of the Treaty, any amendment to it will be made pursuant to Article 236 of the EEC Treaty, which provides for the European Parliament to be consulted.

The proposed amendments to the Statute

2. The amendments proposed by the Board of Governors to the Statute concern the value of the unit of account applied by the Bank and the method of converting it into national currencies.

Article 4 of the Statute of the EIB now applicable defines the precise value of the unit of account, which is at present 0.88867088 grammes of fine gold.

3. It is, for example, proposed that a sentence be added to the second sub-paragraph of Article 4 (1) to empower the Board of Governors to alter the value of the unit of account on a proposal from the Board of Directors.

In Article 7 (4) the Board of Governors is also to be empowered to alter the method of converting sums expressed in units of account into national currencies and vice versa on a proposal from the Board of Directors.

Article 9 (3) (g) is to be amended analogously.

Justification for the proposals

4. The preamble drawn up by a group of experts of the European Investment Bank and attached to the proposal for the amendment of the Statute contains the following justification for this proposal:

- the value of the unit of account and the method of converting it into the currencies of the Member States is no longer entirely in keeping with the circumstances of international monetary relations;

- in view of the difficulty of foreseeing the future evolution of the international monetary system the Bank must be able to adapt to the abovementioned changes relatively quickly, rather than the value of the unit of account being laid down in the Statute;
- the Board of Governors of the Bank should therefore be empowered to alter on its own responsibility the value of the unit of account and the method of converting it into the various currencies.

The substance of the proposal for an amendment

5. The provisions on the unit of account and its conversion into national currencies contained in the present Statute of the European Investment Bank are based on the Bretton Woods Agreement on the International Monetary Fund (IMF), which introduced the system of an official gold price and currencies convertible into gold.

The Bretton Woods Agreement has been increasingly undermined by developments in international monetary relations. For this reason it is practically impossible today for any currency to be defined in terms of gold, let alone converted into it. The official parities communicated to the International Monetary Fund have long since ceased to bear any relation to reality.

6. The value of the unit of account laid down in the Statute moreover corresponds to the special drawing right (SDR) introduced by the International Monetary Fund in 1968. Again, this special drawing right has not been spared by monetary developments and consequently had to be revalued in June 1974 with the approval of the European Communities. Since then it has been defined with the aid of a monetary 'basket' which contains 16 different currencies of varying importance.

7. Article 14 (2) of the Statute of the European Investment Bank requires the Bank to draw up a balance sheet which faithfully reflects its position in respect of its assets and liabilities.

It would appear obvious that, since exchange rates are unrealistic, these provisions cannot be observed. This applies in particular to:

- the value of capital paid up (at present 20% of 2,025m u.a.; Article 4 (1) and Article 5 (1)).
- the value of capital subscribed but not paid up, which represents the guarantee for the Bank's loan obligations (Article 5 (2)).

8. This unacceptable situation for the Bank induced the Board of Governors to consider on 18 March 1975 an interim solution designed to help the Bank to observe the provisions of the Statute and to maintain its competitiveness until the Statute is amended.

Procedure for altering the unit of account

9. As mentioned above, the Statute of the European Investment Bank is an integral part of the Treaty. The Treaty may only be amended by application of Article 236 of the EEC Treaty, which provides for the European Parliament and, where appropriate, the Commission to be consulted. For its part, the Council must in such cases convene a conference of representatives of the governments of the Member States to agree on the amendments to be made to the Treaty. In addition, these amendments must be ratified by the national parliaments.

10. However, as this procedure takes at least two years, the European Investment Bank is unable to adjust to changes quickly. As already mentioned, this makes it impossible for the Bank to observe the relevant provisions of its Statute or to remain competitive.

The set value of the unit of account given in the Statute should therefore be replaced by a provision allowing the Board of Governors to set this value on its own responsibility.

Evaluation of the proposal

11. The value of the unit of account was included in the Statute of the Bank on the assumption that the Bretton Woods system would long remain a suitable basis for its calculation - which until recently was true. The present development of the monetary situation, however, makes it clear that the old system no longer works and that there is at present no prospect of a new system being introduced which might be accepted in the same way as the Bretton Woods system.

12. For this reason the Committee on Budgets recommends acceptance of the proposal from the Netherlands Government for the amendment of the Statute of the European Investment Bank.