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EIB Governors double Bank's capital to 7 087.5 million u.a.

The doubling of the European Investment Bank's subscribed capital to 7 087.5 million units of account (u.a.) was decided upon by the Bank's Board of Governors, composed of the Finance Ministers of the nine European Community Member States, at its annual meeting in Luxembourg on June 19 under the chairmanship of Mr Knud Heinesen, Governor for Denmark.

The amount of the increase to be paid in by the Member States, in eight half-yearly instalments, beginning on 30 April 1980, is set at 354.375 million u.a. (i.e. 10%); this brings the Bank's total paid-in capital to 911.25 million u.a. (see table overleaf for the evolution of the EIB's capital structure since 1958).

The Governors' decision is in response to a call from the European Council (Heads of State or of Government of the Member States) for an acceleration in EIB activities to help to counter some of the Community's present problems: unemployment, sluggish investment and insufficient convergence in national economic performances.

The increase in capital has a direct impact on the possibility for expansion of EIB operations. The Bank's Statute (which forms part of the Treaty of Rome) lays down that outstanding loans and guarantees shall not exceed the equivalent of 250% of subscribed capital.

As the subscribed capital, since the last increase (75%) in July 1975, stood at 3 543.75 million u.a., the limit on outstanding loans and guarantees was 8 859.375 million u.a.; at end-1977 the Bank had reached almost 7 000 million u.a. (about 200%).

With the doubling of the Bank's subscribed capital the statutory limit is raised to 17 718.75 million u.a.

The European Council first called for an expansion of EIB lending at its meeting in Rome in March last year. In June 1977, at their last annual meeting, the Governors gave a positive reply, that a continued increase in operations would be possible over the next few years; at the same time they agreed to study the implications for the Bank's capital structure and to take any necessary decisions at their next annual meeting on the amount and timing of an increase. In April this year, at its meeting in Copenhagen, the European Council called for doubling of the capital.

Other decisions

Other decisions taken by the Governors on June 19 were approval of the annual report and balance sheet for 1977, the appointment of the Members of the Board of Directors for the next statutory period of five years and of a new Vice-President and Member of the Management Committee, Mr Claud Richard Ross, formerly Deputy Secretary in the Central Policy Review Staff in the United Kingdom Government Cabinet Office; Mr Ross succeeds Sir Raymond Bell, who retires after service since the beginning of 1973.

year of the United Kingdom's accession to the Community.

The Office of Chairman of the Governors, which rotates according to the alphabetical order of the names of Member States, is held for the next 12 months by the Governor for Germany (Deutschland), Mr Hans Matthöfer.

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In presenting to the Governors, on behalf of the Board of Directors, the EIB's annual report and balance sheet for 1977, the Bank's President, Mr Yves Le Portz, said that last year had marked an important step in the EIB's history. The major part of his address follows:

Bank activity in 1977

When, at the beginning of 1977, it was recognised that slackening economic growth and the consequent repercussions on employment were likely to persist, the European Council invited the European Investment Bank to examine ways in which the EIB could step up its contribution to restimulating investment, reducing unemployment and promoting a more balanced development within the Community. It was evident that, as Bank financing was mostly disbursed in foreign currencies and went exclusively towards capital investment, above all to projects which directly increased production, EIB lending constituted one of the most effective means of contributing, directly, to stimulating economic revival and, indirectly, to offsetting the balance of payments deficits which this revival might cause.

As the Governors gave a positive response to this invitation, the Bank decided on a number of measures concerning:

— adjustment of the areas in which the Bank would provide financing;

— raising the ceiling fixed for Bank loans from 40% to 50% of the cost of projects;

— simplification of decision-making procedures, particularly for global loans made to assist small and medium-scale industrial ventures;

— restructuring interest rates which would henceforth be fixed individually for each currency lent.

Following your proposals, a number of Member States took steps to guarantee certain of the Bank's borrowers against exchange risks sometimes attaching to loans disbursed in foreign currencies.

All these measures combined to give a sharp stimulus to Bank activity in the second half of last year, despite the gloomy economic climate.

The figure of 1 401 million u.a. achieved for total Bank financing within the Community in 1977 represented an increase of 29% at current prices and 21% in real terms, compared with 1976. More than two thirds of this financing (964 million u.a.) went to the Community's less-favoured regions with the highest unemployment, in particular in Italy, the United Kingdom and Ireland. Substantial financing — 375 million u.a. — was once again provided for energy projects, especially in France where Bank lending was largely for important investment projects in the nuclear energy sector — EURODIF, NERSA — which afford benefits for a number of countries.

Statement of subscriptions to the capital of the Bank since 1958

	Initial subscription		Decision of Board of Governors of 26 April 1971		Enlargement of the Community (1 January 1973)		Decision of Board of Governors of 10 July 1975		Decision of Board of Governors of 19 June 1978		
	Subscribed capital (million u.a.)	Paid-in capital	Subscribed capital (million u.a.)	Paid-in capital	Subscribed capital (million u.a.)	Paid-in capital	Subscribed capital (million u.a.)	Paid in or to be paid in *	Subscribed capital (million u.a.)	Paid in or to be paid in **	Breakdown according to Member States (rounded %)
Germany	300.0	75.0	450.0	90.0	450.0	90.0	787.5	123.75	1 575.0	202.5	22.22
France	300.0	75.0	450.0	90.0	450.0	90.0	787.5	123.75	1 575.0	202.5	22.22
United Kingdom	—	—	—	—	450.0	90.0	787.5	123.75	1 575.0	202.5	22.22
Italy	240.0	60.0	360.0	72.0	360.0	72.0	630.0	99.00	1 260.0	162.0	17.78
Belgium	86.5	21.625	129.75	25.95	118.5	23.7	207.375	32.5875	414.75	53.325	5.85
Netherlands	71.5	17.875	107.25	21.45	118.5	23.7	207.375	32.5875	414.75	53.325	5.85
Denmark	—	—	—	—	60.0	12.0	105.0	16.5	210.0	27.0	2.96
Ireland	—	—	—	—	15.0	3.0	26.25	4.125	52.5	6.75	0.74
Luxembourg	2.0	0.5	3.0	0.6	3.0	0.6	5.25	0.825	10.5	1.35	0.15
Total	1 000.0	250.0	1 500.0	300.0	2 025.0	405.0	3 543.75	556.875	7 087.5	911.25	100.0

* Of which 56.9531 million u.a. has yet to be paid in by Member States in three instalments falling due on 31 October 1978 and 30 April and 31 October 1979.

** Under the 19 June 1978 decision to raise the Bank's capital, 10% of the increase, a total equivalent of 354.375 million u.a., is to be paid in by the Member States in eight half-yearly instalments falling due on 30 April and 31 October 1980-83. The Board of Directors may require payment of the uncalled capital to such extent as may be needed to meet the Bank's obligations in respect of its borrowings (Article 5.3 of the EIB's Statute).

Financing provided for industrial investment, which creates the greatest number of permanent jobs, rose by 43% (426 million u.a.); in the case of global loans to finance small and medium-sized industrial ventures, the increase in volume was around 50%.

The beneficial effect of investment projects on employment has been substantial. It is estimated that infrastructure and energy projects financed in 1977 should, during the construction period, directly or indirectly create employment corresponding to some 400 000 man-years, or the equivalent of around 100 000 jobs over a period of between 2 and 6 years depending on the nature of the projects.

To these can be added around 20 000 jobs which will be directly created or secured by industrial projects financed during the same year.

In 1977 there was further development in the Community's aid policy with the signature of agreements concluded with a number of Mediterranean countries, which commit the Bank to additional financing operations. Pending ratification of these agreements, financing activity outside the Community during 1977 — for a total of 170 million u.a. — was centred mainly on loans from the Bank's own resources — 152 million u.a. — for emergency aid to Portugal, the Bank's first lending operation in Yugoslavia and the continuation of financing provided under the Lomé Convention. Risk capital assistance financed from European Development Fund resources under this Convention totalled 18 million u.a.

The Bank raised funds for the equivalent of 1 161.5 million u.a. on the capital markets, comprising 521.6 million in dollar-denominated loans, 202.6 million in Deutsche Mark, 82 million in yen, 55.5 million in Swiss francs, and 370.4 million in four other Community currencies.

Activity in 1978

The vigorous rate of Bank activity should be maintained during 1978. Within the Community, financing can be expected to show a further substantial increase. Financing appli-

Board of Directors appointed for next five years

At their annual meeting on 19 June the Governors of the European Investment Bank appointed the Board of Directors for the next statutory period of 5 years.

There are 18 Members (17 nominated by the Member States and 1 by the Commission of the European Communities) and 10 Alternates (9 nominated by the Member States, 1 by the Commission).

France, Germany, Italy and the United Kingdom each nominate three Directors and two Alternates; Belgium, Denmark, Ireland, Luxembourg and the Netherlands each nominate one Director; one Alternate is nominated by common accord of the Benelux countries.

The appointments are decided on the grounds of competence. Typically, those chosen are the heads of public credit institutions or high level officials from finance, economic or industry ministries but notwithstanding their other commitments they are responsible only to the Bank when acting in the capacity as Directors. Their term of office is renewable.

The Board of Directors has sole power (acting on proposals made by the Bank's Management Committee, composed of the President and four Vice-Presidents) to decide on the granting of loans or guarantees, on the raising of loans and fixing of interest rates. It is charged with ensuring that the EIB is managed in accordance with the provisions of the Treaty of Rome and of the Bank's Statute, which forms an integral part of the Treaty, and with the Governors' general directives; after each financial year it must submit an annual report on the Bank's activities for the Governor's approval.

On average the Directors meet every six to eight weeks (not less than six times per year). Alternates normally attend but have no vote unless they replace an absent Director.

The President of the EIB, or in his absence one of the Vice-Presidents, presides over meetings but does not vote.

Below follows the composition of the Board of Directors as from June 20:

Directors

Alfred BECKER: Member of the Management Committee, Kreditanstalt für Wiederaufbau, Frankfurt; **Karl BREDAHL:** Afdelingschef, Ministry of Finance, Copenhagen; **Giorgio CAPPON:** President, Istituto Mobiliare Italiano, Rome; **André de LATTRE:** President, Crédit National, Paris; **Salvatore GUIDOTTI:** Former Executive Director and Managing Director, Società Meridionale Finanziaria, Naples; **Pierre GUILL:** Managing Director, Caisse d'Epargne de l'État, Luxembourg; **Jean-Yves HABERER:** Director of the Treasury, Ministry of Economic Affairs, Paris; **Maurice HORGAN:** Assistant Secretary, Department of Finance, Dublin; **Norman JORDAN-MOSS:** Deputy Secretary (Overseas Finance A), H.M. Treasury, London; **Ludovicus MEULEMANS:** Inspector-General (Treasury), Ministry of Finance, Brussels; **Rudolf MORAWITZ:** Divisional Head, Federal Ministry of Economic Affairs, Bonn; **Ugo MOSCA:** Director-General for Economic and Financial Affairs, Commission of the European Communities, Brussels; **Anne E. MUELLER:** Deputy Secretary, Department of Industry, London; **Maurice PÉROUSE:** Director-General, Caisse des Dépôts et Consignations, Paris; **Rupert RAW:** Former Adviser to the Governor of the Bank of England, London; **Felice RUGGIERO:** Director-General of the Treasury, Ministry of the Treasury, Rome; **B.F. van ITTERSUM:** Director (External Finance), Ministry of Finance, The Hague; **Hans-Herbert WEBER:** Director, Federal Ministry of Finance, Bonn.

Alternates

Michel CAMDESSUS: Head of the International Affairs Department, Directorate of the Treasury, Ministry of Economic Affairs, Paris; **Lionello FRONZONI:** Former Manager, Banca d'Italia, Rome; **Edward A.J. GEORGE:** Deputy Chief Cashier, Bank of England, London; **Mary E. HEDLEY-MILLER:** Under-Secretary, Finance (International Monetary) H.M. Treasury, London; **P.C. MAAS:** President, Nationale Investeringsbank N.V., The Hague; **Pierre MATHIJSEN:** Director-General for Regional Policy, Commission of the European Communities, Brussels; **Horst MOLTRECHT:** Divisional Head, Federal Ministry for Economic Cooperation, Bonn; **Waldemar MÜLLER-ENDERS:** Divisional Head, Federal Ministry of Finance, Bonn; **Yves ROLLAND-BILLECART:** Assistant General Manager, Caisse Centrale de Coopération Économique, Paris; **Savino SPINOSI:** Inspector-General, IRFE, Ministry of the Treasury, Rome.

cations are appreciably up on last year's figure, the increase relating to projects in Italy, Ireland and Denmark. However, because of prevailing economic conditions, scope for financing investment in industry is still very uncertain.

The outlook for financing outside the Community this year will very largely depend on when the agreements with the Mediterranean countries enter into effect. The Bank's staff are already appraising the initial batch of projects for submission to the Board of Directors and, provided that the agreements are ratified in the summer, loans granted outside the Community from the Bank's own resources could reach about 300 million u.a.

Outlook

If you adopt the proposal put to you by the Board of Directors that the Bank's subscribed capital be doubled, you will pave the way for new Bank lending amounting to around 8 860 million u.a., not taking into account amounts received by way of repayments. Lending capacity of this magnitude should normally suffice for the Bank to sustain its financing activity over the years when the greatest effort will be necessary to help restore a situation in which something closer to full employment can be achieved.

If to Bank financing from its own resources — which still represents the chief source of Community lending — one adds the Euratom and European Coal and Steel Community loans, as well as the loans to be granted through the new Community lending instrument, the creation of which on a trial basis is proposed to the Council, then with existing market conditions, the amount of long-term loans for investment could possibly reach between 3 and 4 000 million u.a. a year. The granting of new external loans on such a scale could play a significant role in reviving economic activity provided that they are handled in such a way as to ensure that the various Community facilities form a coherent whole. In this respect, the decisions which the Council of the European Communities is called upon to take regarding administration of the new Community borrowing and lending instrument are, of course, highly important.

In the case of the EIB's own resources, within the context of the targets fixed by the Board of Governors, the following guidelines seem appropriate.

Investment in regions in difficulty should continue to have priority, especially in view of the serious level of unemployment affecting them and the difficulty of creating jobs.

In these regions the Bank will make a point of focusing its support on projects creating permanent jobs in industry, especially small and medium-sized ventures, without forgetting those key infrastructure schemes that are the very backbone of economic development, such as:

— major irrigation projects in Southern Italy;

— large water supply and sewage-treatment systems in Britain;

— equipping industrial or harbour zones in Italy;

— improving communications, particularly in Ireland, Denmark and Italy.

In second place, investment projects contributing to reducing the Community's dependence on outside suppliers, and to diversifying and securing its energy supplies, will continue to be given a high degree of priority. In addition to nuclear programmes in France and Germany, important projects of this type, on which the Bank is already following progress, include:

— the gasline to carry natural gas from the Sahara to Europe;

— the natural gas transmission network in the North Sea; and

— expanding the vast network of gaslines across Europe to which the Bank has made a number of contributions, notably for installations in Germany.

The third consideration, but not the least important, is that the Bank's loans may play a greater part in resolving problems raised for the Community's crisis-hit sectors, such as shipbuilding, man-made fibres, textiles and certain branches of the chemicals industry, where the Bank will follow developments in Community policy in this area; Bank loans, possibly in conjunction with other Community financing facilities, can ease the way to the development of alternative job-creating activities or the modernisation of older plant, in which case there would have to be adequate prospects of the concerns aided showing a lasting recovery.

We believe that these priorities conform to the permanent task assigned to the Bank under the Treaty of Rome and the preoccupations of the European Council, and accord with the Community's general economic and financial policy.

I should add that, as regards lending criteria, disbursement of funds borrowed by any European institution must meet two requirements:

— firstly, funds raised by public borrowing, whether by the European Investment Bank or by any other Community borrowing instrument, may not be committed for lending unless it is certain that borrowings will be redeemed punctually from repayments in respect of such borrowings on-lent to enterprises or public authorities;

— once this basic condition is met, the most vital criterion for the granting of loans is the extent of the economic and social benefits accruing from the projects financed, that is to say their immediate or long-term contribution to the balanced development of the Community and more especially to creating jobs and to the success of Community policies, particularly as regards regional development, certain sectors of industry, and energy.

It is these criteria which will guide the European Investment Bank in deploying both its own resources and all other funds which you entrust to its administration.

Activity outside the Community

In playing its part in implementing agreements concluded by the Community with various countries, the Bank will be responsible for handling more than a third of external Community aid in coming years. In the existing economic climate, this aid is especially important for the economies of the recipient countries, but also for sustaining and stimulating activity within the Community itself.

The agreements already signed set out the framework for Bank activity up to 1980-81. Nevertheless, some allowance must be made for important new developments:

a) In coming months, the Council of the European Communities and the Board of Governors will doubtless have to take a decision on scope for further Bank financing in Yugoslavia and possibly on additional exceptional aid to Lebanon.

b) Commission statements regarding the accession of Greece, Portugal and Spain to the Community raise the possibility of supplementary aid being provided for these countries to enable them to adapt their economies to prepare for their entry. The Council of the European Communities and the Board of Governors may have to take appropriate decisions.

c) The Council and Board will also, in due course, have to take a decision with respect to the possibility of Bank involvement following Commission proposals concerning investment in energy and mining projects outside the Community.

d) Negotiations for renewal of the Lomé Convention will soon be getting under way. The provisions of the existing Convention have generally worked satisfactorily and it is desirable that they serve as a basis for the new Convention, particularly as regards:

— division of responsibilities between Commission and Bank;

— granting of interest subsidies;

— use of risk capital;

— decision-making procedures.

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On the occasion of its twentieth anniversary, the European Investment Bank inevitably has its sights set on the future rather than the past. Nevertheless, one could not let this occasion go by without saying a word in remembrance of those who have contributed most to the creation and success of the Bank, especially Pietro Campilli, the first President, and his successor, Paride Formentini, who presided over the destiny of our institution for twelve years and laid the solid base on which it stands today, and Alfred Müller-Armack, former State Secretary at the Federal Ministry for Economic Affairs in Bonn, who died in March of this year and who also played a major role in the foundation and development of our Bank. At a time when Sir Raymond Bell is preparing to leave the Management Committee, I should like to take this opportunity to express our high regard and gratitude for the work which he has accomplished. I should also like to thank particularly all those Directors whose five-year term of office expires today for the contribution which they have made to the development of the Bank's operations.

Finally, special thanks are due to the staff of the Bank who, although numbering less than 400, have coped with an ever-growing volume of borrowings and loans, and are now preparing, without any substantial increase in their numbers, to see through the new tasks assigned to the Bank inside and outside the Community.

Further 60 million u.a. released for new operations ...

Risk capital financing in the Lomé Convention countries

During the first two years of activity under the Lomé Convention (1 April 1976 - 31 March 1978), in addition to lending 126 million units of account from its own resources the European Investment Bank also provided 40 million u.a. in risk capital operations, financed from European Development Fund resources set aside for this purpose under the terms of the Convention and managed by the EIB on the Community's behalf.

These operations, principally to promote industrial development, concerned projects in 13 African countries and in the Caribbean.

Following a «half-way» review of the use to which the funds were put, the Council of the European Communities decided to release a further 60 million u.a. for the EIB to continue with such financing during the remainder of the Convention's lifetime (up to 1 March 1980).

This article outlines the risk capital facility, which has proved to be a very flexible form of aid, and details the different investments which have been supported so far.

The 53 African, Caribbean and Pacific (ACP) countries which have signed the Lomé Convention, although diverse in many ways, share common experiences and difficulties in their economic development.

A broad profile of the ACP group shows them as young countries; excluding Liberia and Ethiopia, at most 20 years and often considerably less have passed since they attained independence.

Many of them belong to the least developed countries of the world; their per capita GDP averages out at only some 200 u.a., approximately 1/20th the average of the EEC Member Countries.

In many countries the population is small and sparsely distributed which makes development — particularly infrastructure, such as roads, water supplies and telecommunications — both difficult and costly.

Still at the beginning of their industrial development, they depend largely on exports of agricultural and mining products, with little value added in the country of origin. The majority have been severely hit by world economic conditions of the last few years (only a handful are oil exporters) and the extent to which they can borrow on the capital markets is in most cases very limited. Financial assistance is crucial if their progress is to be to spurred on.

The aid which the Community agreed to provide under the Lomé Convention is notable not only for the amount — 3 559.5 million u.a. (¹) to be used during a four-year period — but also for the different forms which it takes to ensure flexibility in responding to different finance requirements; this in turn involves a division of responsibilities between the Commission of the European Communities and the European Investment Bank.

The major part of the aid is composed of outright grants (2 174 million u.a.) and special loans, for exceptionally long terms, with extended grace periods and minimal interest rates (469.5 million u.a.), both of which are handled by the Commission, through the European Development Fund, essentially to help to finance infrastructural or agricultural development, or projects of a social nature.

A further 400 million u.a. is set aside for use by the Commission as subsidies to stabilise the earnings of countries which are heavily dependent upon exports of basic raw materials and which may find themselves hit by sudden drops in market prices («Stabex» aid).

The EIB's role under Lomé has been spelled out clearly as being the primary source of finance for operations in industry, mining and tourism (although this does not exclude finance for various branches of economic infrastructure, such as energy supplies) where it supports projects which have a high priority in the relevant countries' development programmes.

Most of the Bank's operations are in the form of loans from its own resources — the Convention sets a total of up to 400 million u.a. — which are provided subject to the same criteria of economic viability as are applied to operations within the Community.

In accordance with its Statute the Bank lends for projects which contribute either directly or indirectly to an increase in productivity; those in the production sector must appear sure to generate sufficent operating profits to cover loan repayments.

The Convention enables the loans to be provided at a lower cost than would otherwise be possible — always bearing in mind that the Bank must borrow its own funds at market rates — by specifying that, except in a few special cases, part of the grant aid (100 million u.a.) can be used by the Bank to provide interest subsidies, which as a rule amount to 3%.

EIB loans, therefore, are given more of the character of development aid, as they are subsidised, but in certain cases they are not sufficient on their own.

Often there is a need for complementary action in the form of an increase in equity capital to strengthen an enterprise's financial base and thus give it adequate borrowing capacity to contract the loans it requires.

To enable such help to be given appropriate arrangements were made under the Lomé Convention to set aside 100 million u.a. (²) for a relatively new form of aid, risk capital assistance, to be managed entirely by the EIB on the Community's behalf. Operations of this nature are carried out basically in the following ways.

The Bank can acquire a minority holding in the capital of an enterprise, the intention always being to transfer such interests, preferably to nationals or institutions of the ACP country concerned, as soon as this is deemed appropriate. Under the terms of its Statute the EIB is excluded from taking equity participations using its own resources, but its experience in the industrial field obviously well equips it to undertake this on the Community's behalf.

In such cases the right may be reserved for the Bank to take up a seat on the Board of Directors in the name of the Community or to be represented in some other way, but the general principle is that of maintaining a close observer relationship rather than actively participating in the day-to-day running of a company.

Strengthening an enterprise's equity base may also be accomplished indirectly by providing quasi-capital assistance to a Government or to a national development financing institution to enable it to acquire a stake itself, provided that the enterprise's activities are in one of the sectors with which the Bank is concerned and that the operation relates to new productive investments and is supplemented by further Community financing under the terms of the Lomé Convention.

In negotiating the provision of risk capital resources, the Community and its ACP partners also had in mind that such funds could be used in other circumstances, in particular where a loan from the EIB's own resources might not be considered suitable, perhaps for reasons of a country's limited debt capacity and balance of payments situation or because of factors relating directly to a project.

In the latter context it is clear that industrial investment in many ACP countries presents added risk elements.

Markets may be small and difficult to assess. It could well be that no network of established enterprises exists to provide trained labour or skilled management. Stocks of spare parts or intermediate products required in a manufacturing process may inevitably involve difficulties. The infrastructure «back-up» — transport facilities, telecommunications, energy supplies — may be limited.

The Community's concern is obviously to use finance to the best possible effect, concentrating on projects which seem to offer the greatest advantages and best chances of success, but the conditions in which some investment projects are undertaken demands a very supple approach as far as the financing is concerned.

Risk capital resources can be used, therefore, to provide quasi-capital project finance in the form of:

a) subordinated loans which are repayable only after priority loans have been paid off;

(¹) The aid figures in this article are those resulting from the Agreement of 28 March 1977, amending the Internal Agreement of 11 July 1975 on the financing and administration of Community aid which has yet to receive formal approval from certain Member States; by way of simplification, they include the amounts specified under the decision of the Concil of Ministers of 29 June 1976 extending aid to Overseas Countries and Territories linked to certain Member States.

(²) As the Bank's own funds are not involved these operations do not appear in the EIB's balance sheet; separate accounts are maintained under what is known as the Bank's «Special Section».

b) conditional loans which are repayable only after fulfilment of certain conditions, indicating that the project has overcome its teething troubles and has achieved a predetermined level of profitability.

Assistance may also be given for financing specific preinvestment studies or as aid to enterprises (technical assistance) during the start-up period of a project.

Further 60 million u.a.

In view of the trial nature of the risk capital assistance and to take stock of how it tied in with industry's requirements in the ACP countries, a limit of 40 million u.a. was set for the first two years.

At this point a joint report was to be submitted by the Commission and the EIB to the Council for decision on what, if any, further amount should be made available to continue such operations; in the event, the experience has proven to be most satisfactory and the full remainder of 60 million u.a. has been released.

The first 40 million u.a. went in 17 operations concerning 13 African ACP countries (38 million u.a.) and the Caribbean-OCT (1 million u.a.); the remaining 1 million u.a. was set aside under a blanket authorisation for financing studies and technical assistance, on a case-by-case basis.

Over 70% of the total funds were used in support of investment in countries which are listed among the least developed of the 53 signatories of the Lomé Convention.

Approximately 35 million u.a. went directly towards setting up 11 industrial projects (agro-industrial complexes, cement, textiles, chemicals and tin/tungsten mining and processing) which involve a total capital investment worth some 420 million u.a. plus

— an estimated 10 000 jobs;

— an annual increase in value added of about 75 million u.a.;

— additional foreign exchange earnings in the region of 50 million u.a., per annum, after allowing for transfers abroad; and

— an increase of about 20 million u.a. per year in Government revenues.

Apart from the 1 million u.a. reserved for studies and technical assistance, the remainder relates to

Risk capital operations under the Lomé Convention

Under 1st tranche of 40 million u.a.

Cameroon: a 2.3 million u.a. conditional loan to Société Camerounaise de Palmeraies - SOCAPALM for the construction of an oil mill at Dibombari: term 20 years, interest rate 2% for first 7 years, 4½% thereafter.

Chad: a 7.5 million u.a. conditional loan to the Government to take up shares in Société Nationale Sucrière du Tchad - SONASUT with a view to development of a sugar complex at Banda: term 20 years, interest rate 2%.

Ghana: a 2.0 million u.a. subordinated loan to the Government for taking up shares in Ciments de l'Afrique de l'Ouest - CIMAO, a major regional venture undertaken by Ghana, the Ivory Coast and Togo to assure most of the three countries' cement requirements from a large clinker works in Togo: term 20 years, interest rate initially 2%, rising to 6% when first dividends are paid out (*).

Ivory Coast: a 2.0 million u.a. subordinated loan to the Government for taking up shares in CIMAO: same conditions as above (*).

Acquisition of stake worth 0.25 million u.a. in Société Ivoirienne de Coco Râpé - SICOR with a view to assisting the construction of a desiccated coconut factory in Jacqueville (*).

Kenya: acquisition of stake worth 1.08 million u.a. in Kenya Furfural Company Ltd. which is building a factory for producing chemicals from maize cobs (*).

Liberia: acquisition of stake worth 0.29 million u.a. in the Liberian Bank for Development and Investment to support it in financing smaller industrial ventures (*).

Malawi: acquisition of stake worth 0.99 million u.a. in Dwangwa Sugar Corporation to contribute towards development of a sugar complex in the Dwangwa river delta (*).

Rwanda: a 3 million u.a. subordinated loan to Société des Mines de Rwanda - SOMIRWA for expansion of tin and tungsten ore mining and construction of a tin foundry; term 15 years, interest rate 2% for four years, 6% thereafter.

Tanzania: purchase of convertible bonds (worth 2.5 million u.a.) issued by Tanganyika Development Finance Company Ltd to help it to increase its support for small industrial ventures.
A 4.9 million u.a. conditional loan to the National Development Corporation to help it to finance a canvas mill being built at Morogoro; term depending on plant profitability, in principle 20 years, interest rate 2%.

Togo: a 2 million u.a. subordinated loan to the Government for its share in the CIMAO project; same conditions as with Ghana and Ivory Coast (*). A 3.15 million u.a. conditional loan to the Government for taking up shares in Société Nationale pour le Développement de la Palmeraie et des Huileries - SONAPH which is building a palm oil mill at Agou and storage installations: term 20 years, interest rate 2%. A conditional loan of 0.1 million u.a. from block allocation made for technical assistance (*).

Upper Volta: a 1.43 million u.a. conditional loan to the Government for taking up shares in Société Sucrière Voltaïque with a view to expanding the Banfora sugar complex: term 20 years, interest rate 2%; also 3.0 million u.a. subordinated loan to the company itself: term 13 years, at 2% for first 7 years and 5½% thereafter.

Zaire: a 1.1 million u.a. subordinated loan to Société Financière de Développement - SOFIDE to finance expansion of cement works in Shaba: term 15 years, interest rate 5.5%; acquisition worth 0.1 million u.a. in SOFIDE's share capital to strengthen its industrial financing activities; 0.03 million u.a. in a conditional loan to the Government from block allocation to finance updated project study on an oil mill development: term 8 years, interest rate 2%.

Zambia: 0.08 million u.a. conditional loan from block allocation for market research and study concerning extension of a cement works: term 6 years, interest rate 2%.

OCT - the Caribbean: 1 million u.a. conditional loan to Caribbean Investment Corporation (regional financing agency) to help it to acquire holdings and promote industrial and tourism ventures: term, in principle, 25 years, interest rate 2%.

Under 2nd tranche of 60 million u.a.

the Sudan: a 6.5 million u.a. conditional loan to the Gezira and Managil Textile Company Ltd. (owned mainly by farmers' cooperative) for construction of a cotton textile mill: term subject to plant profitability, minimum 11 years, interest rate 5.5%.

(*) Denotes projects which have benefited also from loans from the EIB's own resources.

finance provided to national development finance companies to enable them to help small and medium-sized ventures.

Cooperation with the development finance companies is regarded as very important by the EIB. Not only do they represent a channel for efficient lending to small local enterprises — they are in daily direct contact, able to assess risks and prospects from close up — but they also perform an important function in developing the financial sector in the countries concerned.

From the 60 million u.a. released for use during the remainder of the Lomé Convention, the EIB has so far used 6.5 million u.a. for industrial investment in another African ACP country (see box p. 7 for list of all risk capital operations to date).

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Although a relatively small part (about 3%) of the total development finance package for the Lomé Convention countries and the OCT, risk capital assistance has proved to be a practical, sometimes even indispensable facility.

The different forms which it can take, the scope for tailoring the terms and conditions precisely to suit the nature of each individual project, often in conjunction with a loan from the EIB's own resources, make it possible to meet widely varying needs. Indeed, were such financing possibilities not to exist it is debatable whether some projects could go ahead, at least without delays or substantial modifications.

Many of the projects currently under appraisal or in the pipeline concern ACP States which have not yet attracted Bank financing; many of them belong to the least favoured category.

Unit of Account

Below are the values in national currencies of the Unit of Account used by the Bank, as at 31 March 1978; these rates are applied for the present quarter in preparing financial statements and operational statistics of the Bank:

DM	2.54498	Bfrs	39.6425
£	0.678142	Lfrs	39.6425
Ffrs	5.76621	Dkr	7.00528
Lit	1073.10	£ Ir	0.678142
Fl	2.72362	US $	1.25929

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.

New Vice-President

The Board of Governors of the European Investment Bank has appointed as Vice-President of the Bank and Member of the Management Committee, Mr C. Richard Ross, formerly Deputy Secretary, Central Policy Review Staff, United Kingdom Government Cabinet Office.

He succeeds Sir Raymond Bell, who retires after service since the beginning of 1973, with the United Kingdom's accession to the Community.

Mr Ross, aged 54, brings to the EIB the benefits of a distinguished career in Government and academic circles.

In 1951 he was elected fellow of Hertford College, Oxford, and University lecturer in economics; from 1952-55 he worked as an Economic Adviser to the United Kingdom Treasury; he then resumed his Oxford posts, becoming in addition Bursar of Hertford College in 1959.

In 1963 he was appointed Dean of the School of Social Studies and Professor of Economics at the University of East Anglia, being in addition Deputy Vice-Chancellor from 1964-68.

From 1966-69 he was a Member of the East Anglia Regional Economic Planning Council (Deputy Chairman 1967-69); from end-1968 — early 71 he was a special consultant to the Organisation of Economic Cooperation and Development — OECD in Paris, working on problems of economic growth.

He was appointed Deputy Secretary in the Central Policy Review Staff, often referred to as the Government's «Think Tank», in February 1971.

Mr Ross has taken a close interest in the problems of developing countries, having undertaken economic advisory and consultancy assignments in Ghana, Peru, India, Pakistan and Malaya, and headed, in 1965, the UK Economic Mission to Tanzania.

NEW PUBLICATIONS

Annual Report for 1977

The EIB 1958-1978 (an illustrated review of the Bank's first 20 years)

Statute of the EIB (taking into account new capital structure)

These publications are printed in the six official languages of the European Community (Danish, Dutch, English, French, German and Italian) and are available free on request to any of the Bank's offices, at the addresses below.

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

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