

EUROPEAN INVESTMENT BANK

CA/280/94
6 June 1994

***DRAFT: Please provide the Secretariat, preferably
in writing, with any requested amendments,
if possible before the next meeting on 6.6.1994***

PV/94/08

BOARD OF DIRECTORS

**Minutes of the meeting held in Luxembourg
on 3 May 1994 at 9.00 a.m.**

10. Edinburgh Facility - Progress report (see also § 12.1 below)

Turning to Document 94/192, the CHAIRMAN announced that the ECU 7 billion available under the Edinburgh Facility could be committed in full in the coming months. He emphasised that discussions within the Christophersen Group, of which he was a member, would have a decisive bearing on future Bank operations involving Trans-European Networks (TENS). Following the Bank's participation in the meeting of the Christophersen Group held on 11 April, a paper was being finalised to go forward for the next meeting on 20 May.

The ECOFIN Council would also be looking at the TENS dossier at its meeting on 16 May.

There would be a further meeting of the Christophersen Group on 3 June before the meeting of Heads of State or Government in Corfu on 24-25 June, to which Mr Christophersen would make an interim report.

Mr RAVASIO wondered whether thought should be given forthwith to increasing the Facility's ceiling with a view to approval by the Corfu European Council.

Mr DE VRIES remarked on the absence of proposals from the Bank for any follow-up to the Edinburgh Facility, pointing out that the decision to extend it fell within the province of the European Council. The Bank should clearly indicate what, to its mind, were the limits for deploying any extension, while it was for the Governors to take the requisite decisions.

Mr DUQUESNE congratulated the Bank on its use of the Facility. He felt that the horizon had now widened and that the EIB should not suggest increasing the Facility's ceiling before the tasks which it was able to assume had been spelt out within the framework of the Christophersen Group.

Seconding the opinions voiced by Messrs DE VRIES and DUQUESNE, Mr VANORMELINGEN considered that the Bank should first conduct an in-depth examination of the results achieved before formulating proposals ; it would also be advisable to ascertain what preconditions the Heads of State might lay down for an increase in the ceiling.

Endorsing the views expressed by Mr DUQUESNE, Mr MORAWITZ added that, since the financing in question took the form of very long-term credit involving complex administration, the Bank had to adopt all the more caution.

The CHAIRMAN stated that any increase in the Facility's ceiling depended primarily on identification of new projects. In other words, the question of extending the Facility would depend on scope for future EIB participation in developing TENS ; it would be appropriate for the Bank henceforth to describe clearly what it had done and what it was intending to do, having regard not least to the changing role of the public and private sectors. Until now, EIB operations under the Facility had served, first and foremost, to speed up financing in this sector. Vice-President Christophersen was intending to submit an interim report on the Group's work to the Corfu European Council.

Mr RAVASIO shared the view that the Bank should spare no effort in illustrating what it was able to do ; it was too often thought that it could take on everything.

Mr BOSTOCK drew attention to the need to brief Governors fully, prior to the Corfu European Council, on the Bank's approach to this sector in order to enable the Heads of State to be in full possession of the facts when considering matters relating both to possible extension of the Facility and to the Christophersen Group.

The CHAIRMAN said that he expected that many of these points would arise at the forthcoming meeting of the Board of Governors as part of discussions on his annual statement. In the meantime, the Bank's paper on TENS would be circulated to the Board for information, and he would also send copies to the Governors.

III - statements by the Chairman

12.1 The Christophersen Group : progress report

(see § 10 above)

12.2 Renewal of the Management Committee

The CHAIRMAN reported that he was in contact with all parties concerned on the renewal of a number of Management Committee mandates, but that no specific news could be provided at the present stage. He assured the Board that it would be formally consulted as soon as possible.

12.3 The Bank's audit arrangements

The CHAIRMAN reported that, mindful of the attention that was being focussed on the internal financial institutions, the Bank was currently conducting a careful examination of its audit arrangements. It was looking at ways and means of strengthening the Audit Committee and the support it received and discussing possibilities with the Committee itself, with greater effectiveness and transparency as the goals. The Board would be kept apprised and the support of the Governors would be sought at the appropriate time. The process of review extended to the entire audit system of the Bank and its accounting procedures.

12.4 Enlargement of the Community

The CHAIRMAN, recalling the recent conclusion of the negotiations with the candidate countries, turned to the texts of Protocol No 1 on the Statutes of the Bank and of the Declaration of the Conference concerning the composition of the Management Committee (Document 94/201), which had been tabled.

The European Parliament's opinion was expected to be positive, with the vote to be taken at the Plenary Session later in the week.

Ratification by the Member States would follow later in the year, but still in time for the Accession Treaty to enter into force on 1 January 1995.

Most of the solutions adopted were in line with the positions evolved by the Bank, with the sole exception of the arrangements for the Management Committee, where an additional member had been specified.

However, the Bank had achieved a good result, in holding out for the Statute to obtain in this, rather than for the addition of a Vice-Presidency to be written into the Accession Treaty - the decision on the appointment was for the Governors to take, acting under Article 13(1) of the Statute.

All other arguments had been accepted as set out in the note finalised after the Board's discussion at its meeting in December 1993.

Mr DUQUESNE commented that the Board of Governors decision on the Management Committee would be based on the relevant Article of the Statute, no more or less.

12.5 The ECU 1 billion subsidised Edinburgh Facility SME tranche for job-creating global loans

The CHAIRMAN reported that the Council had taken its decision on the above tranche on 21 April 1994. The Bank had been pursuing negotiations - now nearing their final stage - with the Commission to finalise the Cooperation Agreement, taking due account of Directors' remarks at the previous Board meeting.

Commission staff were now putting the finishing touches to the text, which the Management Committee was expecting to submit to the Board in the very near future by written procedure. Once the Board had approved the Agreement, it would be signed as soon as possible ; the Governors could be informed at the Annual Meeting on 6 June, and the Bank could commence deployment of the Tranche around the same time.

12.6 Extension to the Bank's building

The Chairman reported on the latest developments, as set out in Document 94/198, and offering the floor to Mr ROTH, who noted that there had been some delay in target completion date for the entire project and the moving-in of staff, to beyond November, but this would not greatly affect the timing of the move of Bank personnel who were currently in rented accommodation.

Mr DUQUESNE transmitted the views of Mr JURGENSEN (who had left the meeting), to the effect that the project had already exceeded its financing package. With the slippage already suffered, he felt that the provisions had already been accounted for : there was a need for added caution, and optimism was not appropriate.

The CHAIRMAN stressed that the figures in the paper were based on constant prices, as the Board had originally agreed.

Mr VANORMELINGEN indicated that a slight overrun might be acceptable, within limits.

Mr BOND pointed out that the cost presentation was similar to that given on the previous occasion, when the same issues had been discussed. The provision for an ordered stoppage of the works was entirely in the control of the Bank and so it could clearly be considered a contingency amount. The cogeneration plant did not form part of the project as defined when the budget limit had been agreed originally by the Board of Directors. It had been added later as an economically and environmentally attractive option, serving not only the extension but also the existing building. It had thus been considered justified to deduct this extra cost from the budget of ECU 50 million at March 1991 values.

On present estimates, the project cost to completion remained within that budget, with a margin of 2-3%, which appeared tight but adequate.