‘The European Investment Bank' from Il nuovo Corriere della Sera (28 March 1957)

Caption: Article published in the Italian daily newspaper Il nuovo Corriere della Sera on 28 March 1957, following the creation of the European Investment Bank (EIB) by the Treaty of Rome establishing the European Economic Community (EEC), signed on 25 March 1957.

Source: Il nuovo Corriere della Sera. 28.03.1957, n° 75; Anno 82. Milano: Corriere della Sera. "La Banca Europea di Investimenti", auteur:Bresciani-Turroni, C. , p. 1.

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The European Investment Bank

Article 63 of the Common Market Treaty provides for a European Investment Bank whose members are for the time being the States that are signatories to the Treaty. The accession of any other States will result in their being members of the Bank as well.

The task of the new institution — whose seat has not yet been determined — is to contribute to 'the balanced and steady development of the common market in the interest of the Community'. (Italy's needs are taken into special consideration in one of the Annexes to the Treaty.) The Bank secures its funds either through its own resources or by recourse to the capital markets.

An organisation has been established which, to tell the truth, seems somewhat top-heavy: there is a Board of Governors that lays down general credit policy guidelines, a Board of Directors that takes decisions in respect of the granting of loans, interest rates and other aspects of borrowing, and a Management Committee responsible for the day-to-day management of the Bank.

The new institution's own resources principally comprise capital of one thousand million dollar-equivalent 'units of account' subscribed as follows: France and Germany 300 million, Italy 240 million, Benelux 160 million. However, only 25 % of the nominal capital is to be paid as of this time (within 30 days of the Treaty coming into force at the latest). One quarter of the payments are to be made in gold or convertible currencies — the Bank may freely dispose of that portion — and the rest in national currencies. Italy's commitment is therefore 60 million dollars and about 112.5 billion lire, and for the moment it is paying in 15 million dollars and about 28 billion lire. It is clear that the Bank's financial base is currently somewhat restricted, namely 62.5 million dollars in gold or convertible currencies and the equivalent of 187.5 million dollars in national currencies. These funds are considerably less than those of the International Bank for Reconstruction and Development (the World Bank) and the Export-Import Bank, but it should be noted that the tasks of the latter two are far broader than those of the European Bank.

The Board of Governors may call up payment of the remaining 75 % of the subscribed capital so that the Bank can meet its obligations. It may also, as from the beginning of the fourth year after its establishment, call for the Member States to make 'special loans', which will have a term of not over 20 years and will not exceed 400 million units of account in the aggregate. Each State will grant such loans in national currency in proportion to its share in the subscribed capital.

The Bank is authorised to borrow funds on the international markets. It is reasonable to assume that since, as shown above, both the Bank's own funds and those provided by way of 'special loans' are for the most part denominated in the currencies of the six Member States, the Bank will borrow on the international markets, in particular when it needs dollars, to finance the import of goods required to carry out projects. The rumour in that regard is that the European Bank will apply for funds from the World Bank.

It is not clear from the statutes whether the Bank will be able to obtain funds by issuing bonds. In the event that it does so, if transactions take place on the markets of a Member State, they will clearly be subject to the same rules as apply to national issues. In Italy, therefore, the approval of the Joint Ministerial Credit Committee would be necessary.

The Bank's credit operations are twofold: first, granting loans to the Member States and public or private undertakings for projects to be carried out in the territory of the Community or, exceptionally, in other countries; second, guaranteeing loans contracted by public or private undertakings that promote the attainment of the Common Market. Loans and guarantees may not exceed 250 % of the subscribed capital (it is likely that a great deal of time will pass before that limit is reached).

The granting of loans to private undertakings is conditional both on the favourable opinion of the State in whose territory the project is to be carried out and on a guarantee from the Member State itself, or other 'adequate guarantees'. It is to be hoped that the least possible use is made of State guarantees, as the experience of the World Bank has shown that private undertakings are reluctant to apply for loans if they

have to accept the controls that administrative bodies inevitably impose. That is one of the main reasons why the World Bank decided to set up its ‘International Finance Corporation’ affiliate, which does not require government guarantees for its own loans.

The principle underlying the Bank’s credit policy is excellent: loans will have to be productive so that payments of interest and capital repayments are covered out of operating profits. Furthermore, at the appropriate time the Bank is required to adjust the interest rates for the loans in line with the conditions prevailing on the capital market, without granting preferential conditions that would distort the investments (that provision is, however, attenuated by the power conferred on governments to assume part of the interest burden).

It will be to the new Bank’s advantage to try to learn from the significant experience gained over the last few years by its big sister, the World Bank, with regard to loans policy, criteria for selecting projects submitted for funding, and the complex problems of economic development, which the World Bank has studied in detail. We reiterate that the funds that the new institution has at its disposal are modest indeed, which means that the Bank should be made into an increasingly flexible and streamlined body and that its money should be used in the most efficient way possible. This will multiply its effects, as has been the case with the International Finance Corporation, which uses its funds alongside private capital and, after agreeing loans, even transfers its own investments to private individuals if it can secure favourable terms. The World Bank has also in recent years managed to promote wide-ranging, increasing involvement by private banks in its own lending business, either by selling them a proportion of the loans portfolio or by associating with them in the granting of loans.

We view the most important function of the European Bank as being the incentive it will be able to give to re-establishing an international capital market (which still has many hurdles to overcome), by bringing about a flow of investment from private sources through a sensible credit policy.

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