

PO-CH/INL/0550

PART A

Part A.

Begins: 15/3/89
Ends: 17/3/89

THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

PO - CH | NL | 0550.
PT.A.

Chancellor's (Lawson) Papers:
Renewal of the Financial Protocols
with Malta and Cyprus.

D.D.'s: 25 years

Lawson

17/4/96.

PO - CH | NL | 0550.
PT.A.

ec.jn/Kanga/hartwich

DRAFT TELEX TO:

**DIETER HARTWICH
SECRETARY GENERAL
EUROPEAN INVESTMENT BANK
100 BOULEVARD KONRAD ADENAUER
LUXEMBOURG-KIRCHBERG
L-2950 LUXEMBOURG
TELEX NO 3530 BNKEU LU**

RENEWAL OF THE FINANCIAL PROTOCOLS WITH MALTA AND CYPRUS

Thank you for your letter of 10 March 1989 Ref AG/S/SEC/VM/JD No. 2463.

In accordance with the written procedures of the Bank, I hereby endorse the draft decision of the Board of Governors attached as Annex 2 to your letter.

Regards.

**NIGEL LAWSON
UK GOVERNOR OF THE EIB
CHANCELLOR OF THE EXCHEQUER
TREASURY CHAMBERS
PARLIAMENT STREET
LONDON, SW1P 3AG**



BEI EIB

Den europæiske Investeringsbank
Europäische Investitionsbank
Ευρωπαϊκή Τράπεζα Επενδύσεων
European Investment Bank
Banco Europeo de Inversiones
Banque européenne d'investissement
Banca europea per gli investimenti
Europese Investeringsbank
Banco Europeu de Investimento

5/12

Sandie
Could you and/or
Hoshie take his on? Or
Just let me know if the Budget
work means it should be me/or want it

15

13 MAR 1989

Mr SYMES
Mr LANKESTER
Mr R.I.E. ALLEN
Mr BROWN
Mr MOULD

The Rt. Hon. Nigel LAWSON, M.P.
Chancellor of the Exchequer
Governor of the
European Investment Bank
Parliament Street

an?
Sandie
14
3
Board of Governors
Secretariat

GB - LONDON SW1P 3AG

Luxembourg, 10 March 1989 ref. AG/S/Sec/VM/jd no. 2463

Subject : Renewal of the Financial Protocols with Malta and Cyprus

Dear Chancellor,

1. By letter dated 23 February 1989, (Annex 1), the President of the Council of the European Communities has requested the Bank to mount operations from its own resources for the following amounts under the third generation of Financial Protocols to be concluded with Malta over a period up to 31 October 1993 and with Cyprus over a period up to 31 December 1993:

Malta: 23 million ECU;
Cyprus: 44 million ECU.

The letter from the President of the Council states that "the European Economic Community's global guarantee, as decided upon on 8 March 1977 and subsequently extended by the Council of the European Communities, covering 75% of all credit opened in respect of Bank operations in Mediterranean countries, will be extended on the same terms to operations carried out by the European Investment Bank under the above-mentioned Financial Protocols".

2. Subject to the agreement of the EIB's Board of Governors, the Council has adopted the following financing packages for the new protocols:

./..

| <u>Country</u> | <u>EIB loans</u> | <u>Risk capital</u> | <u>Loans on special conditions</u> | <u>Grant aid</u> | <u>Total</u> |
|----------------|------------------|---------------------|------------------------------------|------------------|--------------|
| | | * | * | * | |
| Malta | 23 (16) | 2.5 (0) | 0 (3) | 12.5 (10.5) | 38 (29.5) |
| Cyprus | 44 (28) | 5 (0) | 0 (6) | 13 (10) | 62 (44) |

* Funds made available from the Community budget (the figures in brackets show amounts provided for under the Second Financial Protocols)

3. As in the case of the Third Financial Protocols concluded in 1987 with the Maghreb and Mashreq countries, the above packages comprise loans from the Bank's own resources, risk capital - which will be administered by the Bank - and grant aid for financing both technical co-operation and interest subsidies on the EIB's loans. The level of subsidy has been set at 1.5%, it being understood that, when negotiating individual protocols, each of the beneficiary countries can, as customary, waive the subsidies for the whole of the Bank's loans in order to deploy the entire grant aid component towards funding technical co-operation projects.

4. The Council has also agreed to include the following statement concerning Cyprus in its official minutes: "The Community points out that the Third Financial Protocol is for the benefit of the island's entire population. As in the past, it will be implemented with due respect to the sovereignty of the Republic of Cyprus".

5. The amounts indicated above appear acceptable in relation to the absorptive capacity of the two countries in question.

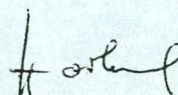
6. The amounts for EIB operations from own resources are compatible with the overall ceiling set by the Board of Governors on 11 June 1985 for operations mounted from the EIB's own resources outside the Community over the period 1985-1991.

7. In view of the foregoing considerations, points 1, 5 and 6 in particular, the Board of Directors decided on 8 March 1989 to recommend that the Governors, acting in accordance with Article 18, paragraph 1, sub-paragraph 2 of the Statute, authorise the Bank to mount operations from its own resources under the Third Financial Protocols to be concluded with Malta and Cyprus up to the amounts indicated in the letter from the President of the Council of the European Communities.

As the financial protocols should be signed in the near future, I hereby invite you, on behalf of Mr Panayotis ROUMELIOTIS, Chairman of the Board of Governors, to vote on the draft decision contained in Annex 2 to this letter, using the written procedure provided for in Article 5 of the Rules of Procedure.

Please send your vote by telex or telegram as soon as possible to the Secretariat.

Yours sincerely,



D. Hartwich
Secretary General

COUNCIL
OF THE
EUROPEAN COMMUNITIES

| | |
|-----------|-----------|
| BEI EIB | |
| 004090 | - 1.03.89 |

The President

23 FEB. 1989

Brussels,

"ENGLISH VERSION"

Mr Ernst Günther BROEDER
President of the
European Investment Bank
Boulevard Konrad Adenauer, 100
L-1200 LUXEMBOURG

7131

Sir,

In your letter dated 17 June 1985 you informed the Council of the decision of the EIB's Board of Governors of 11 June 1985 concerning the ceiling on the EIB's operations using its own resources outside the Community in the period 1985-1991 inclusive pursuant to Conventions, Financial Protocols and Decisions involving financial co-operation measures.

In the light of the possibilities indicated by the Bank the Community is providing for the following ceilings for assistance from the Bank from its own resources in the context of the renewal of the Financial Protocols with Cyprus and Malta:

Cyprus 44 MECU
Malta 23 MECU

I would ask you to inform me whether the Bank is prepared to give assistance in the above countries up to the amounts of the ceilings indicated.

Rue de la Loi, 170
1048 BRUSSELS

Tel. (02)234.61.11 - Telegrams: Consilium Bruxelles - Telex: 21711 Consil B

In this connection I would state that the European Economic Community's global guarantee, as decided upon on 8 March 1977 and subsequently extended by the Council of the European Communities, covering 75% of all credit opened in respect of Bank operations in Mediterranean countries, will be extended on the same terms to operations carried out by the European Investment Bank under the abovementioned Financial Protocols.

Please accept, Sir, the assurance of my highest consideration.

F. FERNANDEZ ORDOÑEZ

Rue de la Loi, 170
1048 BRUSSELS

Tel. (02)234.61.11 - Telegrams: Consilium Bruxelles - Telex: 21711 Consil B

DRAFT DECISION OF THE BOARD OF GOVERNORS

THE BOARD OF GOVERNORS, acting unanimously on a proposal from the Board of Directors in accordance with Article 18, paragraph 1, sub-paragraph 2 of the Bank's Statute,

HAVING REGARD TO the letter from the President of the Council of the European Communities to the President of the European Investment Bank, dated 23 February 1989, which proposed setting the amounts available for operations from the Bank's own resources within the framework of the Third Financial Protocols with Malta and Cyprus at 23 million ECU and 44 million ECU respectively,

NOTING that the Council of the European Communities has decided that the blanket guarantee of the European Economic Community covering 75% of all credit made available under Bank operations in Mediterranean countries, established subsequent to the Decision of the Council of the European Communities taken on 8 March 1977, be extended on the same terms to operations carried out by the Bank pursuant to the present decision,

DECIDES that the Bank is authorised to grant loans from its own resources under the new Financial Protocols to be signed with Malta and Cyprus up to 23 million ECU and 44 million ECU respectively.

The above maximum amounts count towards the overall ceiling set on 11 June 1985 for Bank financing outside the Community during the period 1985 to 1991 inclusive.

This authorisation implies that Member States shall provide the Bank with scope to make calls on their capital markets with a view to raising the resources required.

This authorisation also implies that the audit and discharge procedures applicable to the budgetary funds managed by the Bank within the framework of the above Financial Protocols will be in conformity with the position adopted by the Board of Governors in this respect.

The President of the Bank will notify this decision to the President of the Council of the European Communities in reply to his letter of 23 February 1989.



FROM: J M G TAYLOR

DATE: 17 March 1989

MR H E KANGA

cc Mr Lankester
Mr R I G Allen
Mrs M Brown
Mr Mercer
Ms Symes
Ms Mould

A handwritten signature in dark ink, appearing to be 'JMG'.

RENEWAL OF THE FINANCIAL PROTOCOLS WITH MALTA AND CYPRUS

The Chancellor was grateful for your note of 15 March. He is content with the draft telex; I should be grateful if you would arrange despatch.

A handwritten signature in dark ink, appearing to be 'JMG'.

J M G TAYLOR

FORM: H E KANGA
DATE: 15 MARCH 1989

- 1. ¹⁵/₃ MS SYMES
- 2. CHANCELLOR

Ch. OK?
OK .. *15/3*

- cc: Mr Lankester
- Mr R I G Allen
- Mrs Brown
- Mr Mercer
- Ms Mould

RENEWAL OF THE FINANCIAL PROTOCOLS WITH MALTA AND CYPRUS

European Investment Bank's letter of 10 March asks the Chancellor to authorise the Bank to mount operations from its own resources under the Third Financial Protocols with Malta and Cyprus. Full details are given in the letter and Annexes attached.

2. Agreement was reached at the Foreign Affairs Council on 22/23 January 1989 to EIB lending/EC aid as follows:

| | EC BUDGET | EIB | TOTAL |
|--------|-----------|-----|-------|
| Malta | 15 | 23 | 38 |
| Cyprus | 18 | 44 | 62 |

3. The Chancellor is requested to endorse the draft decision of the Board of Governors attached as Annex 2 to the EIB letter of 10 March. There is no objection to this decision.

4. A draft telex agreeing to the Bank's request is attached for the Chancellor's approval.

H E Kanga

H E KANGA

has's wanna pool?