

CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

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ECONOMIC COMMITTEE

COMECON: ACTIVITIES OF THE INTERNATIONAL INVESTMENT BANK OF THE
COMECON (IIB) IN MOSCOW

Note by the German Delegation

The establishment of the "International Investment Bank" was decided at the 23rd COMECON Council meeting (23 - 26 April 1969). The bank started its activities at the beginning of 1971. Founding members were all COMECON countries except Romania which, however, joined the bank at the end of January 1971. Cuba has been a member country since January 1974.

The International Investment Bank grants medium and long-term credits from 5 to 15 years for projects in the COMECON area. The projects for which it grants credits should primarily be in the common interest of all COMECON members. It is the task of the bank to promote specialization and co-operation and to accelerate the improvement of the raw material and fuel basis. The bank can also grant credits for economic projects of individual COMECON countries which are only in their national interest.

In April 1973 it was decided to establish at the bank a development aid fund amounting to 1,000 million transferable rubles. This fund can be increased to 3,000 million transferable rubles on a long-term basis.

2. The International Investment Bank is managed by a Bank Council consisting of representatives of all member countries. The Bank Council meets as required but at least twice a year. Each member country has one vote regardless of the amount of the capital provided.

The Bank Council decides on basic questions of organization and business policy as well as on the administrative set-up of the bank. These decisions have to be taken unanimously.

This document includes: 1 Annex

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Decisions on current business matters, among them also credit grants, require only a three quarter majority. The International Investment Bank is thus the first COMECON organization which works only partly on the principle of unanimity.

The Bank Council appoints the President and the members of the Board of Directors. The Board of Directors which deals with current business consists of one President and three deputies who are appointed for a period of five years. Since the foundation of the International Investment Bank the Soviet Russian VOROBYEV has been the Chairman of the Bank Council and the Soviet citizen BELICENKO President of the IIB.

3. The basic capital of the International Investment Bank was established at 1,068 million transferable rubles, after Romania and Cuba became members. 70 % are to be provided by the member countries in transferable rubles, 30 % in convertible foreign currencies. The deposits of the bank members are calculated according to their share in the total intra-bloc export of 1969. The commitments are shared as follows by the various COMECON countries:

	<u>Million transferable rubles</u>
USSR	399.3
GDR	176.1
CSSR	129.9
Poland	121.4
Bulgaria	85.1
Hungary	83.7
Mongolia	4.5
Romania	52.5
Cuba	<u>15.8</u>
	1,068.3

The deposits of the bank members for the basic capital amounted to only 369.3 million transferable rubles in 1975. The percentage of convertible foreign currencies in the basic capital deposits corresponds to a value of 111 million transferable rubles.

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4. The International Investment Bank has borrowed extensively from the West to finance its credit business. In 1973 and 1974 the bank received two loans of 50 million US \$ from western banks with terms of 5 1/2 respectively 7 years. In 1975 international western bank consortia granted three credits totalling 670 million US \$ with a 5 year term. In 1976 the International Investment Bank received a credit of 600 million US \$ with a 6 year term from a western bank consortium (leader: Dresdner Bank A.G.). The bank would like to borrow further amounts, however, this will probably meet with growing difficulties because of the bank's small capital basis.
5. From 1971 to 1976 the International Investment Bank supported a total of 44 projects in the COMECON area for which it granted credits amounting to 2,900 million transferable rubles.

This amount has been distributed to the various economic sectors as follows:

Fuel, energy	82.5 %
Engineering	8.4 %
Metallurgy	5.0 %
Light industry and food industry	1.7 %
Chemical industry	1.5 %
Others	<u>0.9 %</u>
	100.0 %

The Investment Bank supported primarily projects which are of importance for the entire COMECON area - taking into consideration also the specialization agreements (see Annex).

87 % of the credits were granted for a term of 10 to 15 years, about 12 % for 5 to 10 years, short-term credits up to 5 years represent less than 1 % of the total credit volume.

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6. In 1974 Yugoslavia concluded an agreement of principles with the International Investment Bank of the COMECON. Under this agreement Yugoslavia can receive IIB credits without having to contribute to the basic capital of the bank. However, although there have been discussions with IIB representatives on the financing of some projects, Yugoslavia has not yet received any credits. This is probably due to the bank's shortage of capital.

NATO,
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Credits by the International Investment Bank

1971	Credit amount in million trans- ferable rubles	Foreign currency percentage	Credit term in years
<u>CSSR</u>			
Modernization of equip- ment and extension of production capacities of the TATRA works (automobile factory)	77.5	25.3	11
<u>GDR</u>			
Capacity extension of a machine factory	10.6	.	6
<u>Poland</u>			
Construction of an electro-motor factory (Silma)	5.4	.	4.5
Construction of a factory for motors and accessories at Praszka	5.4	.	7
Production of gear-boxes for construction machinery	4.2	.	3.3
Precision-mechnaical enterprise (Blonie)	3.8	.	5
Extension of a factory for precision fittings	1.8	.	6
<u>Romania</u>			
Extension of a factory for the production of wheel sets, chassis and automatic couplings for railway waggons	9.8	.	11
Chemical industry	6.8	.	9
Extension of a factory for the production of railway waggons	4.5	.	11
Construction of a factory for railway goods-waggons	2.0	.	11
Extension of the production capacity of the factory AUTOBUS	1.2	.	8
Production of brake-systems for railway waggons	1.1	.	11

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1971	Credit amount in million trans- ferable rubles	Foreign currency percentage	Credit term in years
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<u>Hungary</u>			
Electrification of the railway line Szob-Budapest- Lököshaza	20.5	.	10
Modernization of a cotton mill	14.4	.	8
IKARUS bus factory	12.7	.	9
<hr/>			
Total:	181.7	56	-
<u>1972</u>			
<u>Bulgaria</u>			
Production of iron oxydes and magnesites	3.1	.	6
Construction of a factory for low tension conden- sators	1.2	.	6
Construction of a cigarette factory at Stara Sagora and extension of the cigarette factory at Haskovo	7.6	.	6
<u>GDR</u>			
Presumably for the construc- tion of a china factory at Illmenau	14.4	.	.
Construction of a modern engineering factory	.	.	.
<u>Poland</u>			
Construction of a new de- partment for textile finishing at a factory at Lomza	7.0	.	6
Extension of the production of EDP facilities	2.0	.	6
<u>Romania</u>			
Construction of a factory for the production of Isopren rubber	38.4	.	10
Construction of a factory for the production of Polyacrylnitritemelan fibres	15.0	.	8

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1972	Credit amount in million trans- ferable rubles	Foreign currency percentage	Credit term in years
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Hungary

For the financing of an improved transit connection of the COMECON countries via Hungary by using Diesel engines from the USSR

15.5

.

6

Total:

104.2

57

-

(According to official announcements the total credits granted in 1972 amounted to 97,000 million transferable rubles)

1973

Bulgaria

Construction of a rolling gear factory at Sopot

36.0

.

7

Extension of the electrode factory IKTIMANSKA KOMMUNA

1.6

.

6

Modernization of the ANTON IWANOW WORKS for refrigerating units and compressors

0.9

.

6

Mongolia

Construction of a wool washing facility at Ulan Bator

5.5

.

9

Poland

Extension of the PONAR-BIAL WORKS for precision instruments at Belostok

3.9

.

7

Construction of the KONTEX hosiery manufacturing plant at Plotsk

9.7

.

9

USSR

Construction of a nickel production combine at Norilsk

252.4

.

7

Total:

310.0

41

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1974	Credit amount in million trans- ferable rubles	Foreign currency percentage	Credit term in years
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Bulgaria

Building material
factory

Factory for the
production of wool
tricot garments

Poland

Chemical works

Extension of a factory
for automatic industrial
machines

Construction of a foundry and
textile machine factory

USSR

Development of gas de-
posits at Orenburg and
construction of the
gas pipeline Orenburg-
western frontier of the
USSR

Metallurgical works

Total:

1975

Cuba

Establishment of the
citrus combine VICTORIA
DE GIRON

USSR

Construction of a factory
for electro-technical
equipment at Novolynsk

Total:

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1976	Credit amount in million trans- ferable rubles	Foreign currency percentage	Credit term in years
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Bulgaria

Procurement of road construction plant and construction and/or improvement of long-distance highways	20.0	.	10
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GDR

Modernization of production facilities at the agricultural machine factory "FORTSCHRITT" at Neustadt/Saxony	14.4	.	7
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Modernization of a factory for remodelling techniques (second credit for this factory)	.	.	.
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Poland

Improvement of the second line of the oil pipeline "DRUSHBA"	42.5	.	10
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Construction of a ship paint factory	.	.	.
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Extension of the PALMO motor factory	.	.	.
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Modernization of a drying establishment and equipment for fodder briquetting	.	.	.
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Hungary

Modernization, electrification and automation of certain railway sections	5.0	.	8
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