

EIB loans: renewal of the Community guarantee for the period 2007-2013

2006/0107(CNS) - 22/06/2006 - Legislative proposal

PURPOSE: to grant a Community guarantee to the European Investment Bank (EIB) against losses under loans and guarantees for projects outside of the Community.

PROPOSED ACT: Council Decision.

CONTENT: at the end of January 2007, the current EIB external lending mandate will expire. The purpose of this proposed Decision is to seek a renewed mandate from the Community budget for financing operations in third countries. The new mandate will cover the years 2007-2013. At the same time as seeking a renewal, the European Commission is proposing certain changes, which should streamline and improve upon current provisions.

Related legislative acts:

Currently, there are two Council Decisions which provide a Community guarantee to the EIB for extra-EU operations. They are:

- Council Decision 2000/24/EC (please refer to **CNS/1999/0080**); and
- Council Decision 2005/48/EC (please refer to **CNS/2004/0121**).

Background

Originally, the EIB was set up to operate and offer financing to EU Member States only. The Statute setting up the EIB sets out strict conditions on its risk taking activities. In more recent years, the EIB's mandate has been extended to cover non-EU countries, where its activities represent a crucial complement to limited EU budget funds as well as helping to increase the EU's visibility in third countries. Operations undertaken outside of the EU in support of the EU's external relations policies is based on formal mandates from the Council and traditionally take up around 10% of its total activities. EIB Financing operations complement the activities carried out under the new external assistance instruments.

The third countries covered by EIB operations have a greater risk profile than EU countries, hence the need to offer a Community guarantee from its own resources. Without a guarantee from the Community covering political risks the EIB would be limited to offering risks in investment grade countries only. A Community guarantee for extra-EU projects provides the EIB with the security needed to allow it to finance projects without them affecting the EIB's AAA credit ratings.

Proposed new mandate

The Commission has prepared a report, which examines and summarises the results of EIB activities under its current mandate. (Please refer to CNS/1999/0080). The new mandate will build upon the existing one as well as broadening the geographical and sectoral focus of EIB operations in line with the new political priorities of the EU. The new Decision proposes:

- A single legal mandate to cover all different regions as well as a new Reserve Mandate. A blanket coverage of 65% will be applied to the whole mandate.

- The introduction of a new geographical breakdown of the ceilings to reflect the existing proposals for new EU external relations policies and instruments.
- Clearer definitions of the EU policy objectives in each region to be sought by EIB operations under the mandate.
- The introduction of a Reserve Mandate, not allocated to any single regions, for activation in cases of natural disasters, post conflict reconstruction or developments in strategically important countries.
- Clarifying the nature of the Community guarantee so as to cover risks of a political or sovereign nature. The guarantee coverage should be extended to both types of financing operations mentioned in the EIB Statute, namely loans and *guarantees*. Under the current mandates only loans are covered.
- The linkage of EIB external activity with EU policies will be strengthened via reinforced co-operation between the Commission and the EIB.
- Allowing selected individual countries to become eligible as and when they fulfil appropriate conditionality, consistent with EU high level agreements. This is in line with the practice established for Russia, the Ukraine, Moldova and Belarus.

In addition, the EIB will endeavour to further enhance co-operation with other International Financial Institutions (IFI's) such as the EBRD and the World Bank.

The Community guarantee

The Community guarantee will cover EIB financing operations up to a global amount of EUR 33 billion, including a reserve of 1.5 billion over the period 2007-2013. The guarantee will be restricted to 65% of the aggregate amount of the financing operations plus related sums. The overall ceiling will be broken down by regions as follows:

- Pre-accession countries: EUR 9 billion;
- Neighbourhood and Partnership countries: EUR 15 billion;
- Development and Economic Cooperation countries: EUR 7.5 billion;
- Reserve mandate: EUR 1.5 billion.

For further information concerning the financial implications of this measure, please refer to the financial statement.