

Procedure file

Basic information		
CNS - Consultation procedure Decision	2006/0107(CNS)	Procedure completed
EIB loans: renewal of the Community guarantee for the period 2007-2013		
Subject 6.30.04 Loans to third-countries, Guarantee Fund		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	BUDG Budgets		
	Committee for opinion	Rapporteur for opinion	Appointed
	AFET Foreign Affairs	The committee decided not to give an opinion.	
	DEVE Development	The committee decided not to give an opinion.	
	INTA International Trade		12/07/2006
	CONT Budgetary Control	The committee decided not to give an opinion.	
	Committee for opinion on the legal basis	Rapporteur for opinion	Appointed
JURI Legal Affairs		12/06/2006	
	NI SPERONI Francesco Enrico		
Council of the European Union	Council configuration	Meeting	Date
	Agriculture and Fisheries	2774	19/12/2006
	Economic and Financial Affairs ECOFIN	2766	28/11/2006
	Economic and Financial Affairs ECOFIN	2753	10/10/2006
	Economic and Financial Affairs ECOFIN	2741	11/07/2006
European Commission	Commission DG	Commissioner	
	Budget	GRYBAUSKAITĖ Dalia	

Key events			
22/06/2006	Legislative proposal published	COM(2006)0324	Summary
11/07/2006	Debate in Council	2741	
05/09/2006	Committee referral announced in Parliament		
10/10/2006	Debate in Council	2753	
20/11/2006	Vote in committee		Summary
21/11/2006	Committee report tabled for plenary, 1st reading/single reading	A6-0394/2006	

28/11/2006	Debate in Council	2766	
30/11/2006	Results of vote in Parliament		
30/11/2006	Decision by Parliament	T6-0507/2006	Summary
19/12/2006	Act adopted by Council after consultation of Parliament		
19/12/2006	End of procedure in Parliament		
30/12/2006	Final act published in Official Journal		

Technical information

Procedure reference	2006/0107(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Legal basis	EC Treaty (after Amsterdam) EC 181A
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/6/38415

Documentation gateway

Legislative proposal		COM(2006)0324	22/06/2006	EC	Summary
Committee draft report		PE378.759	09/10/2006	EP	
Committee opinion	JURI	PE380.603	11/10/2006	EP	
Committee opinion	INTA	PE378.577	23/10/2006	EP	
Amendments tabled in committee		PE380.668	26/10/2006	EP	
Committee report tabled for plenary, 1st reading/single reading		A6-0394/2006	21/11/2006	EP	
Text adopted by Parliament, 1st reading/single reading		T6-0507/2006	30/11/2006	EP	Summary
Commission response to text adopted in plenary		SP(2007)0054	11/01/2007	EC	

Additional information

National parliaments	IPEX
European Commission	EUR-Lex

Final act

[Decision 2006/1016](#)
[OJ L 414 30.12.2006, p. 0095](#) Summary

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

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.

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

The committee adopted the report by Esko SEPPÄNEN (EUL/NGL, FI) amending, under the consultation procedure, the proposed decision granting a Community guarantee to the EIB against losses under loans and guarantees for projects outside the Community :

- as many of the countries eligible for assistance are developing countries, the proposal should have a dual legal base, consisting of Article 179 of the TEC (development cooperation) as well as Article 181a as proposed by the Commission;
- specific mention should be made of the Instrument for Democracy and Human Rights;
- EIB Financing Operations should "contribute to the general objective of developing and consolidating democracy and the rule of law, the objective of respecting human rights and fundamental freedoms, and the observance of international environmental agreements to which the European Community or its Member States are parties" (Recital 7). The committee also wanted to see an "ex-post control mechanism to ensure that actions financed by the EIB outside the Community uphold the values of the EU";
- the proposed "blanket" guarantee rate of 65% should be reduced to 55%. The committee argued that this should be sufficient to shelter the Community's finances from the risk of defaults;
- the European Parliament should be involved to a greater extent, inter alia by being given more information and more opportunities for scrutiny;
- there should be greater accuracy of budget programming for the provisioning needs of the Guarantee Fund;
- lastly, the committee tabled amendments aimed at improving the assessment process.

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

The European Parliament adopted a resolution drafted by Esko SEPPÄNEN (EUL/NGL, FI) amending the proposal granting a Community guarantee to the EIB against losses under loans and guarantees for projects outside the Community. (For a summary of the main amendments, please see the document dated 20/11/2006.)

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

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

LEGISLATIVE ACT: Council Decision 2006/1016/EC granting a Community guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community

CONTENT: the Council adopted a Decision on renewal of the European Investment Bank's external lending mandates for the 2007-13 period. The Decision renews the mandates given to the EIB, under guarantee from the EU budget, for lending to projects outside the EU. The current mandates consist of a general external lending mandate as well as specific mandates, established by Council decisions 2000/24/EC and 2005/48/EC, for projects in Russia, Ukraine, Moldova and Belarus. Activities outside the EU make up roughly 10% of the EIB's total activities, amounting to EUR 5.1 billion in 2005, of which 72.5% were under EU guarantee. The guarantee prevents the bank's operations, which often bear a significantly higher risk than its operations within the EU, from affecting the bank's credit standing. It thus allows the EIB to maintain attractive lending rates.

The decision will allow lending on a single legal basis for loans and guarantees in all regions. It provides for a new geographical breakdown aimed at ensuring better linkage with the EU's external relations policies and objectives.

The decision provides for a total volume of lending for the seven-year period amounting to EUR 27.8 billion, of which EUR 2 billion will be withheld until 2010, pending the results of a mid-term review. The main points are as follows:

- the Community guarantee will be restricted to 65 % of the aggregate amount of credits disbursed and guarantees provided under EIB Financing Operations, less amounts reimbursed, plus all related sums;
- the maximum ceiling will not exceed EUR 27 800 million. This maximum ceiling shall be broken down into two parts: a basic ceiling of a fixed maximum amount of EUR 25 800 million, including its regional distribution, and an optional mandate of EUR 2 000 million;
- the basic ceiling will be broken down into the following binding regional ceilings: Pre-Accession countries: EUR 8 700 million; Neighbourhood and Partnership countries: EUR 12 400 million. These figures are broken down further into sub-ceilings;
- the Community guarantee will cover EIB Financing Operations signed during the period beginning on 1 February 2007 and ending on 31 December 2013.
- the list of countries eligible or potentially eligible for EIB financing under Community guarantee is laid down in Annex I;
- in the event of serious concerns over the political or economic situation in a specific country, the Council may decide to suspend new EIB financing under Community guarantee in that country in accordance with the procedure provided for in Article 181a(2) of the Treaty;
- there are provisions for strengthening the consistency of external actions with the external policy objectives of the EU with a view to maximising synergies of EIB financing and budgetary resources of the EU;
- the Commission must report annually to the European Parliament and the Council on the EIB Financing Operations carried out under this Decision. The report must include an assessment of impact and effectiveness of EIB Financing Operations at project, sector, country and regional level as well as the contribution of the EIB Financing Operations to the fulfilment of the external policy objectives of the European Union, taking into account the operational objectives of the EIB. It shall also include an assessment of the extent of cooperation between the EIB and the Commission and between the EIB and other IFIs and bilateral donors;
- the Commission must present to the European Parliament and the Council a mid-term report on the application of the Decision by 30 June 2010, accompanied, as appropriate, by a proposal for its amendment, drawing upon an external evaluation whose terms of reference are specified in Annex II of this Decision. The Commission must present a final report on the application of this Decision by 31 July 2013.

DATE OF EFFECT: 02/01/2007.