

# EU guarantee to the European Investment Bank (EIB) against losses under financing operations supporting investment projects outside the Union: ceilings for EIB financing operations

2016/0275(COD) - 14/09/2016 - Legislative proposal

**PURPOSE:** to amend Decision No 466/2014/EU in order to enable the European Investment Bank (EIB) to contribute to the external investment plan (EIP) by expanding both quantitatively and qualitatively the EIB external lending mandate.

**PROPOSED ACT:** Decision of the European Parliament and of the Council.

**ROLE OF THE EUROPEAN PARLIAMENT:** the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with Council.

**BACKGROUND:** the international community faces an unprecedented refugee crisis which requires solidarity, efficient mobilisation of financial resources and the need to confront and surmount the existing challenges in a concerted manner. The proposal forms part of the external investment plan ("EIP") announced in the [Commission communication](#) of 7 June 2016 on establishing a new partnership framework with third countries under the European agenda on migration. On 28 June 2016, the European Council endorsed the EIP initiative, which aims to address root causes of migration, while contributing to the achievement of sustainable development goals.

Based on EIB's forecasts for lending in the region for the entire period of the Mandate, the

Commission sees difficulties in ensuring the continuation of EIB external financing under the EU guarantee for the remainder of the current financial perspectives 2014-2020. Moreover, considering the risk grading of the countries concerned (e.g. in the Eastern Neighbourhood), there are limited possibilities in relying on EIB own risk facilities.

By amending [Decision No 466/2014/EU](#) of the European Parliament and of the Council, the proposal aims to enable the European Investment Bank (EIB) to contribute to the EIP by expanding both quantitatively and qualitatively the EIB external lending mandate. This will enable the EIB to rapidly contribute to the EIP's objectives, in particular by providing additional financing to private-sector beneficiaries.

**IMPACT ASSESSMENT:** in the context of the preparation of the Decision, the Commission completed an impact assessment. This proposal does not contain a separate impact assessment, the scope of the proposed amendments to the Decision being mainly limited to the extension of the guarantee and to the increase of the ceilings set out in the Decision.

**CONTENT :** the main amendments to Decision No 466/2014/EU proposed by the Commission are as follows:

- Addition of a new objective: it is proposed to add a new horizontal high-level objective addressing root causes of migration.
- Extension of the EU Guarantee and raising the ceilings: in order that the external lending mandate might meet the forthcoming challenges and respond to Union priorities, and in order to ensure a strategic response addressing root causes of migration, the proposal provides that the maximum ceiling for the EIB financing operations under the EU guarantee should be increased to EUR 32.3 billion by releasing the optional additional amount of EUR 3 billion in the current Decision. This ceiling consists of:
  - (a) a maximum total of EUR 30 billion, under the general mandate, out of which the amount of EUR 1.4 billion should be earmarked for projects in the public sector directed to refugees and host communities. That amount of EUR 1.4 billion will be distributed between the regions of Pre-accession countries and Mediterranean countries;
  - (b) an overall amount of EUR 2.3 billion for EIB financing operations to private sector applicable to projects in support of refugees and/or host communities. The coverage of the EU guarantee for these operations is extended to all payments due to the EIB, but not received by it (comprehensive guarantee), rather than only the political risk guarantee as is currently the case under the Decision. The EU Comprehensive Guarantee related to that new mandate will be priced. Revenues will be paid to the Guarantee Fund for external actions.
- Increased flexibility for the EIB to switch amounts under the regional ceiling allocations: the ceiling for reallocation between the regions is being increased from 10% to 20% where it concerns the need to address urgencies and crisis situations that might arise during the mandate period and which are recognised as high EU external policy priorities. The reallocation is not applicable for the EUR 2.3 billion related to the private sector mandate and for the EUR 1.4 billion related to public sector projects addressing root causes of migration.
- Amendment of the list of eligible countries: high-income and high-investment grade countries such as Brunei, Iceland, Israel, Singapore, Chile and South Korea are removed from the list of eligible countries, as well as China's Special Administrative Regions (SAR) Hong Kong and Macao. In addition, Iran is added to the list of potentially eligible regions and countries (in Annex II of the Decision).
- Climate change: a reference to the Paris agreement adopted under the UN Framework Convention on Climate Change is introduced. The volume of EIB operations for climate change mitigation and adaptation should contribute to stepping up the proportion of EIB lending in support of climate-related investment in developing countries from 25% to 35% by 2020.
- Results measurement framework: the EIB will develop and implement indicators for projects providing strategic response addressing root causes of migration. In the context of the Commission's annual reporting to the European Parliament and to the Council on EIB financing operations, an assessment of the impact of EIB financing operations of this strategic response is included.

**BUDGETARY IMPLICATIONS:** the guarantee fund for external actions, established by Council Regulation (EC, Euratom) No 480/2009 provides a liquidity cushion for the Union budget against losses incurred on EIB financing operations and other Union external action, i.e. macro financial assistance loans and Euratom loans. The EIB mandate represents about 90% of the portfolio covered by the Guarantee Fund.

The additional budgetary needs for the provisioning of the Guarantee Fund linked to the increase of the overall ceiling of the mandate will be financed from EU budget line 01 03 06 (provisioning of the Guarantee Fund). The provisioning will be financed within the Multiannual Financial Framework.

Over the current Multiannual Financial Framework, the additional budgetary needs should be limited to EUR 115 million over the period 2018-2020 on the basis of the annual forecasts of disbursements and reimbursements of EIB loans. A part of the loans signed under the current EIB mandate will be disbursed and repaid beyond 2020.

The EU guarantee covering the EIB financing operations under the private sector lending mandate will be priced. The risk premium revenues originating from EIB financing operations under the private sector lending mandate will be paid to the Guarantee Fund in order to cover the commercial risk.