

# **EIB loans: eligibility of Central Asian countries granting a Community guarantee to the EIB against losses under loans and loan guarantees for projects outside the Community**

2008/0067(CNS) - 07/04/2008 - Legislative proposal

**PURPOSE:** to make Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan eligible for financing under the Community's European Investment Bank (EIB) guarantee.

**PROPOSED ACT:** Council Decisions.

**BACKGROUND:** in June 2007, the European Council requested the development of a new EU Central Asia strategy to serve as an overall framework for EU relations with Central Asia. The Strategy, based upon common interests, defines the EU's priorities for its cooperation with the region as a whole, with implementation tailored to the specific requirements and performance of each Central Asian country. In order to intensify cooperation with the Central Asian countries, the Strategy requires that interaction between the EU and the Central Asian countries be strengthened vis-à-vis the international financial institutions, including the World Bank and the European Bank for Reconstruction and Development (EBRD). The European Investment Bank (EIB) should play an important role in the financing projects of interest to the EU in Central Asia. Existing EU legislation specifies that EIB activity in Central Asia should focus on major energy supply and energy transport projects with cross-border implications. Central Asia, with its significant hydrocarbon resources and favourable geographical location for transport routes to European markets, has the potential to play an important role in ensuring the EU's energy supplies.

In 2006, the EU adopted [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. Under the terms of this Decision, countries which have been marked with an asterisk (\*) in Annex I can only become eligible for EIB financing under the Community following a decision by the Council on a case by case basis and in accordance with the procedure provided for in Article 181a (2) of the Treaty. All five of the Central Asian countries to whom this proposal is addressed fall under this category.

**CONTENT:** bearing the above in mind, the purpose of this proposal is to establish the eligibility of five Central Asian countries, namely Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, for EIB financing under Council Decision 2006/1016/EC. Any future EIB activity in the five Central Asian countries will be fully compatible with EBRD activities as well as activities under the remit of: the Black Sea Trade and Development Bank, the International Bank for Reconstruction and Development, the International Finance cooperation; and the Nordic Investment Bank, thanks to a number of Memorandums of Understanding that have been signed.

The Commission, in spite of Parliamentary attempts to nullify this choice before the European Court of Justice, has decided to maintain Article 181a of the Treaty establishing the European Community as the sole legal basis of this legislative initiative and not to share the legal basis of the proposal with Article 179 (an instrument of development policy) as requested by Parliament. This is fully in line with Article 2 of Council Decision 2006/1016/EC. The Parliament has asked the European Court of Justice - should it decide in favour of an annulment - to uphold the effects of Council Decision 2006/1016/EC until a new Decision has been adopted.

