

EIB and EBRD annual reports for 2007

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The Committee on Economic and Monetary Affairs adopted the own-initiative report drawn up by Gay MITCHELL (EPP-ED, IE) on the 2007 Annual Reports of the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

(1) The objectives and operations of the EIB: MEPs welcome the 2007 Annual Report of the EIB, notably as regards its financing operations focusing on **six policy priorities**: (i) ensuring economic and social cohesion; (ii) implementing the Innovation 2010 initiative; (iii) developing trans-European transport and access networks; (iv) supporting small and medium-sized enterprises; (v) protecting and improving the environment; and (vi) ensuring sustainable, competitive and secure energy, and also as regards the implementation of the EIB's external lending mandate in third countries.

MEPs consider that EIB lending activity must be consistent, in its areas of competence, between countries, that the EIB must show flexibility in terms of how the European Union is able to respond to widely differing circumstances in different countries and that its operations must be consistent with the achievement of the **Millennium Goals**. They believe that the EIB must be accountable both publicly and to Parliament for the use and efficiency of EU-sourced funds spent.

Recalling that the EIB is not subject to traditional prudential supervision, MEPs call on the Commission and Member States to explore possibilities of a **broader revision of the arrangements for supervision** of the EIB's financial operations, which could be executed by a future European prudential supervisory system.

Moreover, the EIB is called upon to pursue a **zero-tolerance policy towards fraud and corruption**. In this context, MEPs call on the EIB to include measures aimed at: (i) an administrative debarment mechanism for companies found guilty of corruption by the EIB and other multilateral development banks; (ii) a whistleblower protection policy; (iii) a reinforcement of its investigative function and an enhancement of the preventive and detective role of that function.

Lastly, MEPs note the favourable opinion of the external audit and the conclusions of the annual report of the Audit Committee. In the light of the current financial and economic crisis, they call for the EIB to be subject to the same **prudential rules** as credit establishments and to real prudential control.

(2) The objectives and operations of EBRD: MEPs welcome the 2007 Annual Report of the EBRD, notably with regard to the fact that EBRD investment activities were focused on countries at an early or intermediate stage of transition. They also welcome its progress in financing projects under its Sustainable Energy initiative.

The report notes that the EBRD primarily operates in third countries, but that some operations continue also to remain important in Member States. Recognising that the operating environment is becoming increasingly challenging and integrity concerns tend to become more frequent, MEPs consider that the EBRD has to **strengthen its technical assistance and consultancy activities** to promote good governance standards and ensure adequate management of the projects at local level in the EU neighbourhood countries.

(3) Cooperation between the EIB and the EBRD: the report notes that the EIB and the EBRD are increasingly financing operations in the same geographical regions outside the European Union, such as in Eastern Europe, Southern Caucasus, Russia, the Western Balkans, and, in the near future, also in Turkey.

MEPs consider that the activities of the EIB and the EBRD in the countries of common operation should not compete, but should, rather, be complementary. They therefore recommend **better structured cooperation between the EIB and the EBRD** in countries of common operation.

In a longer term perspective, the report recommends that the **shareholders** of the EIB consider an increase of the EIB' ownership of the EBRD, for instance in the context of a capital increase or, if a shareholder of the EBRD is considering a withdrawal, of its ownership in the bank.

MEPs also recognise that the EIB and the EBRD need to work together with other international or regional financial institutions, such as the World Bank, the Asian Development Bank, and the African Development Bank, in order to make greater effects in regions further away from the European Union and to avoid unwanted overlaps and duplications in funding activities.

(4) The global financial turmoil and implications: the report stresses the important role which the European Economic Recovery Plan has assigned to the EIB, especially with regard to the enhanced financing for SMEs, energy from renewable sources, and clean transport. In this context, the EIB and the Commission should **accelerate the implementation of projects** in the Member States as well as in the sectors which are most severely affected by the crisis. In this respect, it is important to mobilise the expertise of the technical assistance programmes like Jaspers, Jeremie, Jessica and Jasmine, in order to speed up the distribution of structural aid.

MEPs call on the Member States to fully exploit the instruments of **venture capital, global loans, and micro credit facilities** offered by the EIB programs and facilities. They also call on the Commission and the EIB to investigate jointly how the credit crunch in the real economy can be overcome with the help of **new innovative financial instruments**.

The report stresses that, in the current period of tight credit conditions, the role of the two banks is highlighted both inside and outside the European Union. In this context, MEPs call on both banks to **keep their commitments with regard to third countries** even in economic difficult times. They also propose that, after carefully studying the effects of the financial crisis on the real economy, the EIB should be invited to enhance its support to the new Member States, while stressing the importance of involving the private sector in re-stabilising these economies.

(5) The ruling of the Court of Justice on the external mandate of the EIB: MEPs welcome the Court of Justice's judgment of 6 November 2008 on the legal basis of Decision 2006/1016/EC and consider that it is vital to adopt a decision replacing Decision 2006/1016/EC in accordance with the judgment of the Court of Justice. They recommend rapid agreement between Parliament, the Council and the Commission following the ruling of that judgment, with the aim of guaranteeing that Parliament's prerogatives are fully respected on the one hand, and the continuity of the external financial operations of the EIB on the other.

The report stresses that this rapid agreement serves as a temporary solution with a precise end-date, until the mid-term review in 2010. MEPs recommend that the Steering Committee finalise its work in early 2010 and request that the Steering Committee inform Parliament regularly of its progress.