EU guarantee to the European Investment Bank (EIB) against losses under loans and loan guarantees for projects outside the Union

2010/0101(COD) - 21/04/2010 - Legislative proposal

PURPOSE: to grant an EU guarantee to the European Investment Bank (EIB) against losses under loans and guarantees for projects outside the European Union.

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

BACKGROUND: the EU provides a budgetary guarantee to the EIB covering risks of a sovereign and political nature in connection with its loan and loan guarantee operations carried out outside the EU in support of EU external policy objectives.

The overall scope and general conditions of the EU guarantee coverage for EIB external operations have been set out in previous Council decisions, the EIB external mandates. Most recently, the EIB external mandate for the period 2007-2011 was established by Decision No 633/2009/EC of 13 July 2009, which requires the Commission to present a mid-term report on its application accompanied by a proposal for its amendment, drawing on an external evaluation. On the basis of findings of the mid-term review, this proposal aims to ensure the continuation of the EU guarantee for EIB external financing for the remainder of the current financial perspectives 2007-2013, whilst **introducing a number of new elements** in the mandate. The introduction of these new elements necessitated a number of modifications to the current mandate Decision. For the sake of clarity, it was therefore chosen to replace the mandate Decision with a new decision rather than presenting a proposal for amendments.

LEGAL BASES: Articles 209 and 212 of the Treaty on the Functioning of the European Union. The proposal falls under the exclusive competence of the EU.

CONTENT : the proposed decision will cover EIB financing operations signed during the period beginning on 1 February 2007 and ending on 31 December 2013.The new elements to be introduced in the new decision are the following:

- activation of the **EUR 2 billion "optional mandate**", which was placed in reserve by the Decision. This optional mandate will be activated not as an increase of individual regional ceilings, but as a mandate dedicated to projects which contribute to the fight against climate change across all regions covered by the decision;
- replacing the current system of regional objectives for operations under EU guarantee with horizontal high-level objectives covering all regions under the external mandate. These high-level objectives will be included in the Articles of the proposed decision and will cover the areas of climate change, social and economic infrastructure and local private sector development;
- development by the Commission, together with the EIB, and in consultation with the European External Action Service (EEAS), of **operational guidelines for each region** under the external mandate, reflecting EU regional strategies in order to strengthen the link between the implementation of EIB activities in line with the general high-level objectives under the external mandate and EU regional priorities;
- **strengthening of the capacity of the EIB** to support EU development objectives through (i) enhancing the EIB's appraisal and monitoring of social and development aspects of projects; (ii) increasing the focus of EIB intervention in sectors which will further the development of third

countries, such as environmental infrastructure including water and sanitation, sustainable transportation and climate change mitigation and adaptation. The EIB should also progressively increase its activity in support of health and education;

- activation of the EIB external mandate for **Iceland, Belarus, Libya, Iraq and, Cambodia**.

BUDGETARY IMPLICATIONS: the Guarantee Fund for external actions set up by Council Regulation (EC, Euratom) No 480/2009, provisioned by yearly transfers from the general EU budget, provides a buffer for the EU budget against shocks due to losses on EIB external financing operations.

The forecasts take into account the impact of the EUR 2 billion "optional mandate" on the provisioning of the Guarantee Fund. On the basis of the 9% provisioning rate, the financial impact of the allocation of the EUR 2 billion on the provisioning of the Fund will amount to a maximum of EUR 180 million over the period 2012-2020, on the assumption that the corresponding loans are fully disbursed.

The budgetary implications as regards the provisioning of the Guarantee Fund as well as the human and administrative resources involved in the administration of the EU guarantee for 2011-2013 is as follows:

- 2011: EUR 138.9 million;
- 2012: EUR 326 million;
- 2013: EUR 271 million.