

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

2010/0101(COD) - 17/02/2011 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 538 votes to 37, with 37 abstentions, a legislative resolution on the proposal for a decision of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under loans and guarantees for projects outside the European Union.

The European Parliament adopted its position at first reading under the ordinary legislative procedure. The amendments adopted in plenary amend the Commission's proposal as follows:

**EU guarantee:** the amended text stipulates that EIB financing activities shall comply with the general guiding principles, and contribute to the achievement of the objectives and policies of the external action of the Union. Eligible for EU guarantee shall be EIB loans and loan guarantees for investment projects carried out in countries covered by this Decision, granted in accordance with the EIB's own rules and procedures, including the **EIB's statement on social and environmental standards**, and in support of the relevant external policy objectives of the Union, where EIB financing has been granted according to a signed agreement which has neither expired nor been cancelled (EIB financing operations).

**General Mandate objectives:** the EU guarantee shall be granted for EIB financing operations which support any of the following general objectives: (i) **local private sector development**, in particular support to small- and medium-sized enterprises; (ii) **climate change** mitigation and adaptation.

The text states that indirectly contributing to reducing poverty through inclusive growth and sustainable economic and social development shall be an objective for EIB financing in developing countries.

In line with EU and international climate change objectives, the EIB shall, in cooperation with the Commission, present **by 2012a strategy on how to gradually and steadily increase the percentage of projects promoting the reduction of CO2 emissions** and phase out projects detrimental to the achievement of the EU climate objectives.

More generally, EIB financing operations shall **contribute to the general principles guiding the Union's external action**, of consolidating and supporting democracy and the rule of law, human rights and fundamental freedoms, and shall contribute to the implementation of international environmental agreements to which the Union is a party. The EIB shall develop performance indicators in relation to development, environmental and human rights aspects of projects funded.

In relation to developing countries in particular, attention shall be paid to **sustainable management of global natural resources**, their smooth and gradual integration into the world economy, the campaign against poverty, as well as compliance with objectives approved by the Union in the context of the United Nations and other competent international organisations. The EIB shall promote **equal access to financial services**, in particular for disadvantaged groups such as minorities, farmers and women.

**Mandate ceilings:** the maximum ceiling of the EIB financing operations under EU guarantee throughout the period 2007-2013, less amounts cancelled, shall not exceed **EUR 29 567 000 000** , broken down into two parts: (i) a General Mandate of EUR 27 567 000 000; (ii) a Climate Change Mandate of EUR 2 000 000 000.

The eligibility of countries in which the EIB finances climate-change mitigation under the EU guarantee could be restricted before the EIB dedicates funds for countries that are deemed by the Council not to have committed to meeting appropriate climate change-related targets. Prior to such a decision, the Council shall consult the EEAS and the Commission.

**EIB assessment of development related aspects of projects:** the Commission shall include on an aggregate basis in the annual report to the European Parliament and the Council an assessment of the development dimension of the activities of the EIB, based on the due diligence carried out for the projects.

The EIB shall assess the information provided by the project promoters. The EIB monitoring shall include, where possible, the performance of financial intermediaries in support of SMEs. The results of monitoring shall, where possible, be disclosed.

The Commission shall present the development reports of EIB to the European Parliament and the Council in the framework of the annual reporting exercise and make them publicly available so that interested stakeholders, including civil society and recipient countries, are also able to express their views on the matter. The European Parliament shall discuss the annual reports, taking into consideration the views of all interested parties.

**Annual reporting and accounting:** the text lays down that the report shall in particular include a detailed breakdown of all Union financial resources used in combination with EIB financing and other donors, thus giving a detailed overview of the financial exposure of financing operations carried out under this Decision. The EIB shall continue to provide to the European Parliament, the Council and the Commission all their independent evaluation reports which assess the practical results achieved by the specific activities of the EIB under the external mandates.

**Cooperation with other public financing institutions:** EIB financing operations shall increasingly be carried out, in cooperation with other international financial institutions or European bilateral finance institutions, in order to maximize synergies, cooperation and efficiency and to ensure prudent and reasonable sharing of risks and coherent project and sector conditionality, in order to minimise possible duplication of costs and unnecessary overlap.

The Commission shall propose **by mid-2012**, on the basis of the existing positive experience, the **establishment of an ‘EU platform for cooperation and development’** with a view to optimising and rationalising the functioning of mechanisms for increased blending of grants and loans in the external regions. In its reflections the Commission shall consult the EIB, the EBRD as well as the other European multilateral and bilateral finance institutions. For this purpose the Commission shall create a working group composed of Member State representatives, Members of the European Parliament, EIB and, if necessary, other institutions.

**Non cooperative jurisdictions:** in its financing operations, **the EIB shall not tolerate any activities carried out for illegal purposes**, including money laundering, financing of terrorism, tax fraud and tax evasion. In particular the EIB shall not participate in any operation implemented in an eligible country through a foreign non-cooperative jurisdiction identified as such by the Organisation for Economic Cooperation and Development (OECD), the Financial Action Task Force (FATF) and other relevant international organisations.

**Perspectives for cooperation and development financing:**the Commission shall, together with the EIB, create a **working party** to discuss the perspectives of the cooperation and development financing originating from the Union to review the existing practices and suggest changes in the organisation and coordination of development aid and the increase in its efficiency and effectiveness. The working party shall present its report with recommendations by 31 December 2012.