

European Bank for Reconstruction and Development (EBRD): extending the geographic scope of operations to the Southern and Eastern Mediterranean

2011/0442(COD) - 21/12/2011 - Legislative proposal

PURPOSE: to amend the Agreement Establishing the European Bank for Reconstruction and Development (EBRD) extending the geographic scope of EBRD operations to the Southern and Eastern Mediterranean.

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

BACKGROUND: the European Bank for Reconstruction and Development (EBRD) was established in 1990 to support the development of market economies from central Europe to central Asia following the widespread collapse of communist regimes.

- In response to the 2011 events in the Southern and Eastern Mediterranean region, in March 2011, the **Commission and the High Representative** presented a [Joint Communication](#) signalling the strong political and economic support of the EU to the region that included an option for extending the EBRD's mandate to cover the countries of the Southern Neighbourhood, building on its experience over the last 20 years.
- **The European Council** of 24/25 March 2011 broadly endorsed the contents of this Joint Communication. In its [Resolution of 7 April 2011](#) on the review of the European Neighbourhood Policy – Southern Dimension, the European Parliament invited the EBRD to change its statute in order to participate in the financial assistance process.
- In May 2011, **G8 leaders** launched the Deauville Partnership to help Southern and Eastern Mediterranean countries in their transition towards free, democratic and tolerant societies and called on the EBRD to extend its geographic scope in order to leverage its experience and support the transition of these countries to embrace the principles of multiparty democracy, pluralism and market economies.

By Resolutions 137 and 138 adopted on 30 September 2011, the Board of Governors of the EBRD voted in favour of the necessary amendments to the Agreement Establishing the EBRD, enabling it to expand the EBRD's region of operations to the Southern and Eastern Mediterranean: (a) Resolution 137 which proposes amendments to Article 1 of the Agreement Establishing the Bank (AEB) to extend the region of EBRD's operations to the Southern and Eastern Mediterranean, and (b) Resolution 138 which proposes amendments to Article 18 of the AEB to allow the use of Special Funds in potential recipient countries.

IMPACT ASSESSMENT: the EBRD has assessed the impact on its capital adequacy of expanding its activities into the new region of operations. During the first two phases of intervention (see below), the EBRD activity will be carried out through the allocation of part of the Bank's net income. **During the first phase, EUR 20 million will be allocated by the EBRD to the Cooperation Funds, and a further EUR 1 billion is expected to be allocated by the EBRD to the Special Fund set up during the second phase.**

The assessment concluded that, on the basis of the current level of financial risk and economic capital, the EBRD will be able to stay within its statutory and economic capital requirements during the Capital Resources Review (CRR) period 2011-2015 **without any further capital increase**. Moreover, the EBRD has confirmed that the extension will have **no impact on the activities in the current countries of operations**.

LEGAL BASIS: Article 212 of the TFEU. This Article provides the legal basis to the EU for carrying out economic, financial and technical cooperation measures, in particular assistance to third countries.

CONTENT: the proposal concerns the approval by the EU of the amendments to Articles 1 and 18 of the AEB which **extend the scope of the EBRD's operations to the countries of the Southern and Eastern Mediterranean region**.

The proposal for two resolutions to change these two Articles was to allow the EBRD to engage in the Southern and Eastern Mediterranean region in three phases:

1. **first phase:** following the request of the international community to quick start operations in the Mediterranean region, the EBRD will use Cooperation Funds, which will focus on technical cooperation and project preparation;
2. **second phase:** the EBRD will allocate its own resources to **Special Funds**, which can deliver a full range of EBRD investment operations in the Southern and Eastern Mediterranean region. This phase will start once the amendments to Article 18 of the AEB have been ratified by a sufficient number of EBRD members, in accordance with Article 56 of the AEB;
3. **third and final phase:** the Southern and Eastern Mediterranean countries will become fully fledged countries of operations. This phase will commence once the amendments to Article 1 of the AEB have been ratified by the EBRD members, in accordance with Article 56 of the AEB.

A wide range of donors are being approached by the Bank to supplement both the Cooperation Funds and Special Funds. Cooperation Funds are targeted to reach a total volume of **EUR 100 million**, with monies likely to come from both current donors (including the EU through the Neighbourhood Investment Facility) and possibly non-traditional contributors, such as from the Arab world. **No figure is presently anticipated to be set for donor contributions to Special Funds**.

Before the EBRD engages in any of its potential new countries of operations, it performs a **detailed technical assessment of the economic and political conditions** existing in the country, including an assessment of that country's commitment to the AEB principles of multi-party democracy, pluralism and market economics, an assessment of transition gaps, what other International Financial Institutions are doing in the country, and the priorities where the EBRD can best make use of its unique knowledge and skills. In preparing these assessments, the EBRD will fully take into account the views of the EU and the wider international community.

Assessments have recently been carried out for Egypt, Tunisia, Morocco and Jordan. These assessments will be updated at each phase of EBRD engagement, and the requirements get progressively more demanding.

BUDGETARY IMPLICATION: by its nature, the present proposal has no direct financial impact on the budget of the Union. The acceptance by the EU of the expansion of the EBRD to the Southern and Eastern Mediterranean region does not require any operational expenditure.