EU guarantee to the European Investment Bank (EIB) against losses under financing operations supporting investment projects outside the Union (2014-2020)

2013/0152(COD) - 23/05/2013 - Legislative proposal

PURPOSE: to grant an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union.

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

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the European Union provides a budgetary guarantee to the European Investment Bank (EIB) covering risks of a sovereign and political nature in connection with its financing operations carried out outside the Union in support of the Union's external policy objectives. The EU guarantee has been the key instrument ensuring the compatibility between the EIB's financial structure and the significantly higher inherent risk of lending to third countries, taking into account the need to avoid a deterioration of the Bank's AAA rating whilst limiting the EIB capital consumption.

The overall scope and general conditions of the EU guarantee coverage for EIB external operations are set out in decisions of the European Parliament and of the Council. The most recent decision covering the EIB financing operations outside the Union over the period beginning on 1 February 2007 and ending on 31 December 2013 was established by Decision No 1080/2011/EU of the European Parliament and of the Council. It requires the Commission to present to the European Parliament and to the Council a proposal for establishing the EU guarantee under the next multiannual financial framework.

The proposed new decision will cover the EU guarantee for EIB external financing operations over the period beginning on 1 January 2014 and ending on 31 December 2020.

IMPACT ASSESSMENT: the preferred option would be an **adaptation of the current set-up of the existing mandate**, with a combination of amendments responding to the new policy context. The preferred option in terms of budgetary impact, coherence and complementarity with the Union policies and instruments is the sub-option called **“FOCUS”** which involves:

- focusing the mandate on less credit-worthy beneficiaries, microfinance operations continuing not to be explicitly eligible,
- introducing an overall signature target accompanied by the introduction of a tracking system allowing to monitor absolute and relative Greenhouse Gas emission reduction of all EIB projects supported under the mandate, and
- updating technical operational regional guidelines in line with the multiannual indicative programming of EU external financial instruments.

LEGAL BASIS: Articles 209 and 212 of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the proposal aims to ensure **the continuation of the EU guarantee for EIB external financing for the next financial perspectives 2014-2020**, whilst introducing some changes:

- **refocusingthe geographical scope of the mandate** on less creditworthy beneficiaries where the use of the guarantee would display the highest value added. The Commission is empowered to adopt delegated acts to activate or suspend the actual eligibility for EIB financing under the EU guarantee for countries listed as potentially eligible countries, while the modification of the list of potentially eligible countries would require a separate decision by the legislator;
- r**einforcing the climate change dimension of the mandate** (climate change operations should represent an average of at least 25% of total EIB financing operations);
- **betteraligning EIB financing with the Union policies** and reinforcing coherence and complementarity with EU instruments to more satisfactorily mirror policy developments in a timely manner through the provision to update the technical operational regional guidelines in line with the multiannual indicative programming of EU external financial instruments.

BUDGETARY IMPLIACTION: the ceiling proposed is compatible with the provisioning amounts envisaged in the technical input from the European Commission sent by the Commission on 27 March 2013 (**EUR 1.193 billion for the 2014-2020 Financial Framework in current prices**) and is based on expected patterns of disbursements and reimbursements of guaranteed loans.

The proposal foresees a **maximum ceiling** of the EIB financing operations under EU guarantee throughout the **period 2014-2020 of EUR 28 billion**. This maximum ceiling shall be broken down into two parts: (i) a fixed ceiling of a maximum amount of EUR 25 billion; and (ii) an optional additional amount of EUR 3 billion. The activation in whole or in part of this optional amount and its regional distribution will be decided under ordinary legislative procedure following a mid-term review.

The total budgetary implication (including administrative expenditure) is estimated at **EUR 1 119.488 million for the 2014-2020 period.**

DELEGATED ACTS: the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.