EIB loans for Croatia: Community guarantee

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PURPOSE : To extend the Community guarantee granted to the European Investment Bank to cover loans for projects in Croatia. CONTENT : the present communication puts forward a Commission proposal for the extension to Croatia of the general EIB mandate for lending outside the Union laid down in Council Decision 2000/24/EC of 22 December 1999. In order to make Croatia eligible for lending under the general EIB mandate, the mandate and its Eastern European envelope shall be increased by EUR 250 million. The mandate for Croatia shall therefore be of the same order as the one originally set out in the financial protocol adopted by Council in the framework of the negotiation directives in 1996 plus an adjustment allowing for inflation since then (in line with the adjustment made for real stabilisation at the renewal of the 1997 general lending mandate). The guarantee mandate for Croatia shall, be fully integrated into the Central and Eastern European envelope of the general EIB mandate, which includes the Western Balkans, and no specific regional envelope with a precisely earmarked amount shall be established. Croatia will receive EIB loans as one of the countries entitled to benefit from the CEEC envelope. The target amount for Croatia shall be EUR 250 million; the final amount of lending to Croatia will depend upon the availability of suitable investment projects. This approach will help avoiding that aprts of specific mandates remain unused at the exipry of the regional mandate, eventually resulting in the lapse of such residual amounts - even when taking account of the automatic extension of the mandate by six months. This is in line with the approach pursued for Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia at the renewal of the 1997 general lending mandate in December 1999. Accordingly, the overall ceiling of the credits to be opened under Decsion 2000/24/EC, currently fixed at EUR 18 410 milion, together with the ceiling for Central and Eastern Europe, currently fixed at EUR 8 680 million, shall be increased by EUR 250 million to 18 660 million and EUR 8 930 million, respectively. The durations of the Central and Eastern European mandate and of the overall mandate shall remain unchanged, as shall the other provisions of the general EIB lending mandate. As part of the Socialist Federal Republic of Yugoslavia, Croatia in the framework of the former Yugoslavia Financial Protocols benefited from EIB loans amounting to a total of EUR 200 million from loans extended in 1977 and 1990. This amount refers to Crotia's share of large Yugoslavian projects in the power and transport sectors, which after the Yugoslavian split-up were assigned to Croatia. As of the end of February 2000, the outstanding amount from these loans is EUR 94 million. Croatia is presently regularly servicing its financial obligations from these loans in a timely manner and is fully current on all payments. There are no arrears. Croatia's capacity to service its debts should continue to be good, given its relatively high income level, its record on the capital markets including the fact that it is regularly servicing all its foreign debt, and assuming theimplementation of a comprehensive reform programme.