EIB loans to Russia and the Western New Independent States WNIS: EC guarantee (ext. Decision 2001/777/EC)

2004/0121(CNS) - 19/05/2004 - Legislative proposal

PURPOSE : to grant a Community guarantee to cover lending in Russia and the Western New Independent States (WNIS) by the European Investment Bank (EIB).

PROPOSED ACT : Council Decision.

CONTENT : Council Decision 2001/777/EC granting a Community guarantee to the European Investment Bank against losses under a special lending action for selected environmental projects in the Baltic Sea basin of Russia under the Northern Dimension was adopted in support of the Northern Dimension initiative launched by the Helsinki Council of December 1999. The EIB lending under this Decision is now approaching its ceiling.

In its conclusions relating to financial co-operation with Russia and the WNIS, the Ecofin Council of 25 November 2003 agreed to a Community guarantee for a ceiling of EUR 500 million for loans which the EIB would grant from its own resources in Russia and the WNIS. This action could be considered as a further development of Decision 2001/777/EC. The action will cater for limited lending in Russia and WNIS in certain sectors (i.e. environment, and transport, telecommunications, energy infrastructure on priority TEN axes with a cross-border aspect for a Member State) and it should benefit exceptionally from a 100% guarantee cover outside the general external lending mandate.

Extending EIB activity to the WNIS is designed to reward reform efforts undertaken by these new neighbours. In the case of Russia, lending would further build on the experience gained from the present lending mandate in support to environmental projects in the Baltic Sea basin of Russia. The extension reflects the political importance of the region to the EU, as well as the need for enhanced investment in infrastructure that could be fostered by EIB projects.

This mandate will be subject to, on the one hand, appropriate conditionality consistent with EU high-level agreements on political and macro-economic aspects, and with other IFIs on sectoral and project aspects, and on the other hand, appropriate work sharing between the EIB and the EBRD. EIB lending will be activated on a country-by-country basis, subject to appropriate reform efforts undertaken in each of the countries concerned. It is proposed that the individual countries would become eligible under the ceiling as and when they fulfill specific conditions consistent with European Union high-level agreements with the country in question on political and macro-economic aspects. The Commission will determine when an individual country has fulfilled the specific conditions and will notify the EIB.

Unlike the Northern Dimension Decision, this proposal does not foresee a case-by-case approval by the Board of Governors of the EIB.

It is proposed in line with the general mandate Decision 2000/24/EC that the Decision will cover lending activity by the EIB until end January 2007. Russia's and the WNIS's inclusion in the general mandate will be assessed in the review of the general mandate to be conducted in 2006.

FINANCIAL IMPLICATIONS :

- Budget heading : 01 04 01 11 (Former B0-222) European Community guarantee for European Investment Bank loans to other third countries.

The direct budgetary impact of the extension is linked to the mechanism of the Guarantee Fund and affects the use of the Reserve for the Guarantee Fund.

The following volumes of signatures could be envisaged: in 2004 EUR 100 million, in 2005 EUR 200 million and in 2006 EUR 200 million. The EIB estimates for loans over those years, as well as the Commission's estimates for Euratom and macro financial assistance loans, leave sufficient margins to fund the proposed extension of the mandate from the Reserve to the Guarantee Fund.

Should the EIB activate the Community guarantee, the Guarantee Fund will intervene. The Community budget will be called only after the resources of the Fund have been exhausted. As a result, the amount and timing of any call on this budget heading cannot be calculated in advance and should not occur since the guarantee fund mechanism has been created to avoid direct calls on Community budget.