

# **European Investment Bank (EIB) loans for projects in Bosnia and Herzegovina: Community guarantee to the EIB**

1998/0175(CNS) - 18/05/1998 - Legislative proposal

**OBJECTIVE:** to extend the Community guarantee granted to the European Investment Bank (EIB) to cover loans for reconstruction projects in Bosnia-Herzegovina. **SUBSTANCE:** the proposal follows the guidelines outlined in the report to the Council addressing the possibility of a special and exceptional Community action in Bosnia-Herzegovina (COM(98)95). The Commission proposes to extend to this country the Community guarantee (70%) with the EIB to cover loans for projects in Bosnia for a two year period from the date of entry into force of the provisions. The loans will be granted out of the EIB's own resources and according to the bank's lending criteria. The guarantee will amount to a total of ECU 100 m. In order to do this, the Commission requests that Council Decision 97/256/EC (CNS96278) seeking to provide a Community guarantee on EIB loans for projects outside the Community be amended. In addition to extending the bank guarantee the proposal also seeks a 2% interest rate subsidy for EIB loans. Given the low GDP of Bosnia, EIB bank loans would need to be combined with other measures such as interest rate subsidies (2%) and/or project co-financing (the Commission and the EIB would decide on one or other solution on a case-by-case basis). The procedures for the granting of interest rate subsidies for loans for outright grants would be the same as those laid down under Regulation (EC) no 1628/96 relating to financial assistance for former Yugoslavia (CNS96096) ensuring that the committee referred to in Article 12 of the Regulation is duly consulted. The projects benefiting from bank financing would include the traditional sectors for bank intervention, that is to say general infrastructure including transport energy and the environment (water, waste water and sanitation projects).