European Bank of Reconstruction and Development (EBRD): finance operations in Mongolia; amendment to the Agreement establishing the EBRD

2005/0139(CNS) - 28/07/2005 - Legislative proposal

OBJECTIVE: to extend EBRD funding to Mongolia.

PROPOSED ACT: Council Decision.

CONTENU: The European Bank for Reconstruction and Development (EBRD, hereinafter also referred to as “the Bank”), is a multilateral financial institution which was established on 29 May 1990. The Bank’ s shareholders comprise 62 countries and institutions, including all EU Member States, the European Community (EC) and the European Investment Bank. The EC share of the EBRD’s capital amounts to 3.05 %. Together with its Member States, the EU holds 61.70 % of the Bank’s capital. The EBRD invests in businesses and banks that form the core of strong market economies in 27 countries of operations from central Europe to central Asia.

Investments are designed to foster the transition towards open market-oriented economies and to promote private sector development.

At the time of establishment of the EBRD, Mongolia was neither part of the Soviet Union nor a founding member of the Bank. However, Mongolia’s location in the sphere of economic influence of the Russian Federation and its historical links to the former Soviet Union place it in a situation similar to that of the Russian Far East, Kyrgyzstan and Kazakhstan, notably with respect to the need for the country to foster its transition process towards a market economy and to develop its private sector. Since Mongolia’s needs for assistance are consistent with the needs generally faced by the EBRD’s countries of operations, notably in areas where the Bank has accumulated considerable expertise, it was deemed appropriate that Mongolia should become a member of the Bank. This took place in October 2000 following a Resolution of the EBRD’s Board of Governors, dated 3 May 2000.

Consistently, the Bank’s Board of Directors then decided that the Bank could have a role to play with its special expertise in fostering transition and in promoting private and entrepreneurial initiative in Mongolia. Since early 2001, the EBRD has therefore been providing technical assistance to Mongolia, using donor funds made available through the Mongolia Cooperation Fund.

However, the Mongolian authorities considered that the involvement of the Bank should not be limited to technical assistance, but should also include financing of specific projects. In July 2003, the Prime Minister of Mongolia formally expressed an interest that Mongolia be granted “country of operation” status. However, being non-European and located outside the territory that the Bank’s founders had originally intended for its activities, Mongolia could only become eligible for EBRD financing after an amendment of the Agreement Establishing the Bank.

In the case of the EC, the formal acceptance by the EC Governor of the EBRD of the Amendment to the Agreement necessary to enable the Bank to finance operations in Mongolia, was communicated to the

Bank on 13 January 2004. However, the formal acceptance of this Amendment by the EC also requires the adoption of a Council Decision. The Commission considers that the legal basis for this Decision should be Article 181a of the Treaty, following a Commission proposal and a consultation of the Parliament.

It should be noted that this proposal will have no impact on the Union's financial resources.