EIB loans to PECOs, Western Balkans, Mediterranean countries, Latin America, Asia and South Africa: EC guarantee

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This report has been prepared in accordance with Article 2 of Council Decision 2000/24/EC on granting a Community Guarantee to the European Investment Bank against losses under loans for projects outside the Community (Central and Eastern Europe, Mediterranean Countries, Latin America and the Republic of South Africa). Article 2 states that the Commission must report on the application of the Decision by 31 July 2006 at the latest.

The first part of the report concentrates on the achievements of the EIB under its existing mandate. The second part of the report focuses on what orientations the EIB's future activities will take. The report is accompanied by two staff working papers; one reviewing the regional outlook, the other providing a detailed assessment of the existing mandate. Further, alongside the presentation of this report the Commission is presenting a proposal for a Council Decision on a renewal of the EIB's external mandate. (Please refer to CNS/2006/0107).

To recall, the objective of Decision 2000/24/EC was to give the EIB a mandate to support Community policies by financing selected investment projects. The Bank was called upon to enhance coordination with the Community's other financial instruments and to consult regularly with the Commission to ensure the coordination of activities in the countries concerned. The bank was also invited to cover the commercial risk on 30% of its lending under risk-sharing arrangements from third-party guarantees or other security.

Achievements

As regards the existing external lending mandates the report notes that loan signatures, on 31 December 2005 (i.e. 85% of the duration of the lending mandate), accounted for 87% of the overall lending ceiling. Transport and Telecoms accounted for 35% of total lending, with over half of the loans going to the EU's Southern and Eastern Neighbours. Water projects and urban planning initiatives received 20% of total lending and the energy sector accounted for 19% of loans granted during the period under review.

In 2005, the EIB was the main player in both the Mediterranean and in the Western Balkan. The EIB, however, played a more marginal role in the Eastern Neighbour Countries, Asia and Latin America. In other achievements, figures show that the Bank, by the end of December 2005, had reached 16.7% of total risk sharing loans signed under the mandate.

According to the report, the EIB, when compared to other IFI's, operates its external lending mandates with fewer staff and is perceived by potential borrowers as a streamlined and efficient lending institution with a closely defined focus. Its expertise and comparative advantage lies in fields such as infrastructure, environmental projects and SME's, where it seeks to pass on its technical and economic know-how. As part of its project conditions the EIB covers important issues such as pricing, improving management style, the cessation of non-profitable activities, productivity targets and asset disposal. Such conditions form part of the finance contracts and are monitored throughout project implementation.

Future Activities

The Commission states that the proposed new mandate of the EIB would be to build upon the existing achievements of the Bank, whilst broadening the geographical and sectoral focus of activities in line with the new political priorities of the EU. In light of this, the Commission is proposing to increase the budget. At EUR 31.5 billion the new amount would represent, in real terms, a seven year increase of around 16% - or slightly more than 2% annually.

The report points out that while the current EIB mandate has a fragmented geographical coverage, the proposed new mandate will offer a global coverage, by supporting the three circles of EU external policies namely: Pre-accession; Neighbourhood and Partnership; and Development Co-operation and Economic Co-operation. The amounts devoted to the different regions will depend on the relative importance of such regions within the EU's external policy. The estimated allocation would be: Pre-accession +/- EUR 100 million; Neighbourhood and Partnership +/- EUR 40 million; and Development Co-operation and Economic Co-operation +/'- EUR 2 million.

The Commission is also proposing the introduction of a "Reserve Mandate" to cover unforeseen eventualities mainly triggered by natural disasters such a floods, fires, earthquakes, hurricanes/typhoons, tsunamis etc. but it would also cover post-conflict reconstruction. Concerning the guarantee coverage, the EIB will continue to extend the volume and the scope of its operations without Community guarantee wherever appropriate. For the period 2007-2013, financing in Croatia, Turkey and the Former Yugoslav Republic of Macedonia would increasingly take place under the Pre-Accession Facility made available by the EIB, which should be extended over time to the rest of the Western Balkans.

Lastly, provisions will also be put in place to extend the country coverage of the EIB's mandate namely Russia, the Ukraine, Moldova and Belarus, all of whom could become eligible as and when they comply with EU agreements. Other measures include linking up with related EU policies; co-operating with other IFI's in the various regions and the provision of reporting and accounting methods.