European Investment Fund: increasing the nominal capital

2006/0203(CNS) - 19/04/2007 - Final act

PURPOSE: to increase the subscribed capital of the European Investment Fund (EIF).

LEGISLATIVE ACT: Council Decision (2007/247/EC) on the Community participation in the capital increase of the European Investment Fund.

CONTENT: the European Investment Fund was created in 1994. Community participation in the Fund is based on Council Decision 1994/375/EC. The Fund plays an important role in addressing, in a flexible way, persistent and well-identified market gaps that limit SMEs' access to finance, thus hindering their potential growth in all stages: creation, expansion and development. The Fund will exhaust its own resources by mid-2007 and will be unable to continue its own resources operations. In the absence of a capital increase, the Fund would have to gradually scale down all new operations funded by its own resources. Therefore, following an exhaustive examination of the outlook and alternatives by the Fund's Board of Directors, the Board has proposed to increase the subscribed capital by 50% in nominal terms.

The authorised capital of the EIF was set at the time of its establishment at EUR 2 billion, divided into 2 000 shares each with a nominal value of EUR 1 million. The subscribed capital is to be paid-in at a rate of 20%. The Community subscribed for 600 shares of the Fund for a nominal value of EUR 600 million, of which EUR 120 million was paid-in.

Bearing the above in mind, the main provisions set out in this Decision are as follows:

- In addition to its current shareholding in the Fund, the Community will subscribe, for up to 300 shares each of a nominal value of EUR 1 million in the Fund.

- The Community will purchase the new shares over a four year period starting in 2007.

- During 2007 to 2010, the dividends received for the Community participation in the Fund will be considered as assigned revenue, to cover part of the cost of subscription.

- A total amount of EUR 100 million for the whole period will be available within the general budget of the European Union in order to cover the remaining costs.

- The budgetary commitment may be broken down into annual instalments over four years.

The Commission will submit an evaluation of the own resources activity of the Fund by 31 July 2012. The Fund will send its Annual Report and the Annual Report of the Audit Board to the European Parliament and the Council.

ENTRY INTO FORCE: 25 April 2007.

APPLICATION: 19 April 2007.