Basic information

2011/0014(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Decision	Procedure completed
European Bank for Reconstruction and Development (EBRD): subscription by the EU to additional shares in the capital **Subject** 6.20.05 Multilateral and plurilateral economic and trade agreements and relations 6.40.13 Relations with/in the context of international organisations: UN, OSCE, OECD, Council of Europe, EBRD 8.70.40 Basic budgetary texts	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	BOWLES Sharon (ALDE)	15/02/2011

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	KALFIN Ivailo (S&D)	07/02/2011

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3122	2011-11-08

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	REHN Olli

Key events

Date	Event	Reference	Summary
02/02/2011	Legislative proposal published	COM(2011)0034	Summary
14/02/2011	Committee referral announced in Parliament, 1st reading		
06/06/2011	Vote in committee, 1st reading		Summary
14/06/2011	Committee report tabled for plenary, 1st reading	A7-0227/2011	
12/10/2011	Debate in Parliament		

13/10/2011	Decision by Parliament, 1st reading	T7-0439/2011	Summary
13/10/2011	Results of vote in Parliament		
08/11/2011	Act adopted by Council after Parliament's 1st reading		
16/11/2011	Final act signed		
16/11/2011	End of procedure in Parliament		
26/11/2011	Final act published in Official Journal		

Technical information

Procedure reference	2011/0014(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Decision
Legal basis	Treaty on the Functioning of the European Union TFEU 212
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/05289

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE462.517	30/03/2011	
Amendments tabled in committee		PE462.914	20/04/2011	
Committee opinion	BUDG	PE460.940	02/05/2011	
Committee report tabled for plenary, 1st reading/single reading		A7-0227/2011	14/06/2011	
Text adopted by Parliament, 1st reading/single reading		T7-0439/2011	13/10/2011	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	00049/2011/LEX	16/11/2011	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2011)0034	02/02/2011	Summary
Commission response to text adopted in plenary	SP(2011)8697	30/11/2011	

Commission document (COM)	COM(2013)0927	20/12/2013	Summary
Follow-up document	COM(2016)0046	04/02/2016	Summary
Follow-up document	SWD(2016)0022	04/02/2016	

Additional information		
Source	**Document**	**Date**
National parliaments	IPEX	
European Commission	EUR-Lex	
European Commission	EUR-Lex	

Final act	
Decision 2011/1219 OJ L 313 26.11.2011, p. 0001	Summary

European Bank for Reconstruction and Development (EBRD): subscription by the EU to additional shares in the capital

2011/0014(COD) - 02/02/2011 - Legislative proposal

PURPOSE: to permit the European Union to subscribe for additional callable shares in the EBRD in the framework of the capital increase decided by the EBRD Board of Governor on 14/15 May 2010.

PROPOSED ACT: Decision of the European Parliament and of the Council.

BACKGROUND: the European Bank for Reconstruction and Development (EBRD) was established in 1990 to support the development of market economies from central Europe to central Asia following

the widespread collapse of communist regimes. The European Union, together with the European Investment Bank (EIB) and 40 countries (including all EU Member states at that time), were founding members. The EBRD is currently owned by 61 countries, the EU and the EIB. The initial capital of the EBRD was fixed at ECU 10 billion, of which the EU subscribed 3%.

In 1996, the Governors of the EBRD decided to double the authorised capital of the EBRD for which the EU subscribed an additional 30 000 shares of EUR 10 000 each, bringing the EU subscribed capital at EUR 600 million. The EU share in the EBRD total authorised capital was maintained unchanged.

At the Annual Meeting of the Governors of the EBRD on 14/15 May 2010, the Board of Governors adopted Resolutions 126 and 128 providing for an **increase in the authorised capital stock of the Bank of 50% from EUR 20 billion to EUR 30 billion**. The capital increase comprises **EUR 1 billion paid-in capital and EUR 9 billion of new callable capital**.

For the EU, it means that the EU shall subscribe up to an additional 27 013 callable shares (each worth EUR 10 000 each) amounting to EUR 270.13 million taking into account the EU proportion of 3.031% in the subscribed capital.

The subscription of callable shares amounting to a total of EUR 9 billion will become effective as soon as the individual shareholders have completed their internal procedures and deposited their instruments of subscription, as it was the case for the 1996 capital increase. The Bank would expect that the callable capital increase will become effective at the end of April 2011, but in any event not later than 31 December 2011.

IMPACT ASSESSMENT: the EBRD fourth Capital Resources Review (CRR4) for the period 2011-2015, which was undertaken during the past year, reflected the need for the Bank to respond effectively to the crisis and to redirect its medium term strategy taking account of the significant impact the

crisis is having on its region of operations. In this framework, the EBRD carried out an analysis of capital enhancement options, based on the need to comply with the Bank's statutory 'gearing ratio' and economic capital requirements, the maintenance of the Bank's Triple-A credit rating, as well as the effective and efficient use of shareholders' capital.

The efforts undertaken by the EBRD to mitigate the impact of the crisis in all its countries of operations through the proposed capital increase will allow the Bank to sustain a high level of activity and accompany the recovery in its region of operations, in cooperation with the EIB and other International Financial Institutions. It is expected that the capital increase would enable the EBRD to have an annual business volume of about EUR 9 billion for 2011 and 2012, and about EUR 8.5 billion until 2015.

LEGAL BASIS: **Article 212** of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: under the terms and conditions of Resolution 128 on capital increase in the form of additional subscription of callable capital, the authorised capital stock of the Bank shall be increased by 900 000 callable shares, each share having a par value of EUR 10 000 which shall be subject to redemption in accordance with the provisions of the above Resolution. **The EU is entitled to subscribe up to 27 013 callable shares**.

The proposed Decision aims at authorising the EU to take part in the callable part of the EBRD capital increase by subscribing to the shares it is allowed to.

According to the terms of the Resolution 128, each member of the EBRD shall deposit with the Bank an instrument of subscription whereby the member subscribes to the number of callable shares specified in such instrument. In addition, the member shall deposit a representation that the member has duly taken all legal and other internal action necessary to enable it to make such subscription.

BUDGETARY IMPLICATION: as regards the callable part of the capital increase, its budgetary impact will be catered for by the **budget line 01 03 01 02 "European Bank for Reconstruction and Development – Callable portion of subscribed capital"**, which has been established in the 2011 budget, so as to reflect the EU budget's liability deriving from the callable part of the EU participation in the EBRD's capital. The budget line should be endowed with a 'p.m.' reflecting the contingent nature of the call and a budgetary comment defining the size of the contingent liability.

Although a call is considered to be highly unlikely, the budgetary line and its comment will reflect the financing needs which could arise in the event of a payment request by the EBRD relating to the callable part of the capital subscribed by the EU.

The modalities of the EU participation in the capital increase of the EBRD do not foresee any operational expenditure. The amount for human resources amounts to EUR 135 million for 2010 to 2013.

European Bank for Reconstruction and Development (EBRD): subscription by the EU to additional shares in the capital

2011/0014(COD) - 13/10/2011 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 573 votes to 64 with 9 abstentions, a legislative resolution on the proposal for a decision of the European Parliament and of the Council concerning the subscription by the European Union to additional shares in the capital of the European Bank for Reconstruction and Development (EBRD) as a result of the decision to increase this capital.

Parliament adopted its position in first reading following the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise negotiated between Parliament and Council. The Commission proposal is amended as follows:

The amended text stipulates that the Governor of the EBRD for the Union shall report annually to the European Parliament on the use of capital, on measures to ensure transparency of operations of the EBRD through financial intermediaries, on how the EBRD has contributed to the Union's objectives, on risk taking and effectiveness in leveraging additional financing from the private sector, and on cooperation between the European Investment Bank and the EBRD outside the Union.

The amendments stipulate that the representatives of the Union in the governing bodies of the EBRD should encourage the EBRD:

- to continue implementing the best prudential banking practices in order to further preserve its very strong capital position;
- to intervene in areas consistent with the key objectives of the Europe 2020 Strategy in order to enhance the overall coherence of the Union's external action policy;
- to further develop financial instruments, based on co-financing between the budgets of the Union and of the EBRD, contributing to the achievement of the Union's objectives, while taking into account that such cooperation should be accompanied by effective control over, and visibility of, the Union's public funds;
- to provide, on its website, appropriate information about the beneficiaries, the impact of its financial intermediary operations and the evaluations of projects.

The representatives of the Union in the governing bodies of the EBRD should also use their best endeavours to avoid any activity by the EBRD implemented in its countries of operation:

- through a foreign non-cooperative jurisdiction characterised notably by no or nominal taxes, a lack of effective exchange of information with foreign tax authorities and a lack of transparency in legislative, legal or administrative provisions, or
- a foreign non-cooperative jurisdiction as identified by the Organisation for Economic Cooperation and Development or the Financial Action Task Force,

The Commission should present to the European Parliament and the Council, by the end of the CRR4 period, a report assessing the effectiveness of the existing system of European public financing institutions promoting investment in Europe and its neighbourhood. That report should include recommendations on the cooperation between the respective banks and the optimisation and coordination of their activities as called for by the European Parliament in its resolution of 25 March 2009on the 2007 Annual Reports of the European Investment Bank and the European Bank for Reconstruction and Development.

European Bank for Reconstruction and Development (EBRD): subscription by the EU to additional shares in the capital

2011/0014(COD) - 16/11/2011 - Final act

PURPOSE: to allow the European Union to subscribe to additional callable shares in the European Bank for Reconstruction and Development, following the decision of the Governors of the EBRDon 14 and 15 May 2010 to increase the authorised capital stock.

LEGISLATIVE ACT: Decision No 1219/2011/EU of the European Parliament and of the Council of 16 November 2011 concerning the subscription by the European Union to additional shares in the capital of the European Bank for Reconstruction and Development (EBRD) as a result of the decision to increase this capital.

CONTENT: following an agreement in first reading with the European Parliament, the Council adopted a decision authorising the EU to subscribe to additional callable shares in the EBRD following the decision of the latter to increase its capital.

At the Annual Meeting of the Governors of the EBRD on 14/15 May 2010, the Board of Governors decided, in view of the financial crisis, on an **increase in the authorised capital stock of the Bank of 50% from EUR 20 billion to EUR 30 billion**, in order to maintain enough capital to sustain, over the medium term, a reasonable level of activity in the EBRD countries of operation.

The capital increase comprises **EUR 1 billion paid-in capital and EUR 9 billion of new callable capital**.

This Council Decision provides that the EU subscribe to 27 013 additional callable shares of EUR 10 000 each in the EBRD.

The Governor of the EBRD for the Union shall report annually to the European Parliament on the use of capital, on measures to ensure transparency of operations of the EBRD through financial intermediaries, on how the EBRD has contributed to the Union's objectives, on risk-taking and effectiveness in leveraging additional financing from the private sector, and on cooperation between the European Investment Bank and the EBRD outside the Union.

ENTRY INTO FORCE : 29/11/2011.

European Bank for Reconstruction and Development (EBRD): subscription by the EU to additional shares in the capital

2011/0014(COD) - 20/12/2013

This report responds to decision 1219/2011/EU of the European Parliament and of the Council which introduces a new requirement for the EU Governor of the EBRD to report annually to the European Parliament on measures to ensure transparency of operations of the EBRD and on cooperation between the European Investment Bank (EIB) and the EBRD outside the Union, in particular in the Southern and Eastern Mediterranean.

General information on the EBRD: the EBRD was established in 1990 following the collapse of communist regimes in Europe and the Soviet Union. Its mandate is to "foster transition towards open market-oriented economies and to promote private and entrepreneurial initiative" across Central and Eastern Europe, Central Asia and, most recently, the Southern and Eastern Mediterranean region. The Bank currently operates in 34 countries across these regions and supports projects that cannot be fully financed by the market, primarily in the private sector.

Governance: as at end 2012, the EU Chair's share in the EBRD authorised capital amounted to 3.04% (EUR 900 million out of a total capital of EUR 30 billion), of which just over 20% is paid-in (EUR 188 million for the EU) with the rest being callable capital (EUR 712 million for the EU, which represents a contingent liability for the EU budget).

All 66 shareholders are represented on the EBRD Board of Governors. The EU representative is appointed by the Commission and is presently Mr Olli Rehn, Vice-President for Economic and Monetary Affairs. In expressing the official views and positions of the EU Chair, the EU Director takes into account the views of all Commission Services concerned, the European External Action Service, and other relevant EU bodies, as well as the majority view of Board Directors representing EU Member States.

Financial results: the Bank continued to experience good financial health in 2012 with a strong capital position, high levels of liquidity, and continued strong support from its shareholders.

The EBRD delivered an **Annual Business Volume** (ABV) of EUR 8.9 billion through 393 individual projects and 72 outstanding balances under the 2012 Trade Facilitation Programme. This includes **6 commitments for EUR 181 million funded in the Southern and Eastern Mediterranean (SEMED) region**.

Net profits of EUR 1 billion were recorded in 2012 (EUR 173 million in 2011) mainly due to the change in unrealised equity fair values, which, given the volatility of equity markets, is likely to vary significantly going forward. This meant that EBRD reserves increased from EUR 7 billion in 2011 to **EUR 7.8 billion at end 2012**.

The Bank raised EUR 6.3 billion of long-term funding in 2012 under its annual borrowing programme, with an average maturity of 4.1 years. The bonds were issued in 12 currencies, with US dollar issuance accounting for 60% of the total.

EBRD activities in 2012: the Commission report focused in particular on the EBRD actions in the SEMED region. Progress in democratic reform in some parts of the EBRD region was strong, while elsewhere reforms stagnated. Reform progress was most pronounced in countries starting out on the democratic path, such as Egypt and Tunisia, although there was a degree of turbulence and the transition process is likely to remain uneven for all countries in the SEMED region.

Kosovo also became a member of the EBRD in 2012.

In 2012, EBRD prepared new 3-year Country Strategies for Albania, Armenia, Estonia, Lithuania, Romania, Russia, the Slovak Republic, Tajikistan and Turkey.

Lastly, following a request for support and collaboration from the Greek authorities in August 2012, the EBRD set up a Task Force to explore how it could support growth in **Greece** and the region through cross-border infrastructure investments, trade integration and regional business development involving Greek subsidiaries present throughout South Eastern Europe.

European Bank for Reconstruction and Development (EBRD): subscription by the EU to additional shares in the capital

2011/0014(COD) - 04/02/2016 - Follow-up document

In accordance with Decision No 1219/2011/EU concerning the subscription by the European Union to additional shares in the capital of the European Bank for Reconstruction and Development (EBRD), this Commission report **assesses the effectiveness of the existing system of European public financing institutions in promoting investment in Europe and its Neighbourhood** - including recommendations on the cooperation between the respective banks and the optimisation and coordination of their activities.

To recall, the Commission actively supports European and neighbouring countries through a wide range of financial programmes and instruments which are also channelled through International Financial Institutions (IFIs). These involve, amongst others, the EBRD and the European Investment Bank (EIB) Group, which comprises the EIB and the European Investment Fund (EIF). The cooperation between the Commission, the EIB Group and the EBRD is framed by the Memorandum of Understanding on activities outside the EU.

The analysis covers the period of 2010-2014 and focuses on those EU countries where EBRD is active and on the European Neighbourhood ("the Region") which for the purposes of this report are divided into the following distinct geographical areas: Eastern and Central European EU Member States (EU-11); Southern and Eastern Mediterranean; South Eastern Europe; Eastern Europe and Caucasus; Central Asia; Russia and Turkey.

In the report preparation, the Commission was assisted by an external consultant in the collection and analysis of the data.

EBRD and EIB: the two IFIs have **different shareholders, distinct mandates and particular business models**. Based on the EBRD's and the EIB Group's different mandates, the two institutions follow distinct pricing policies in the financing of their operations.

In terms of **loan origination** of the two IFIs, the EBRD has very strong focus on direct lending (86% of its commitments, EUR 45 billion in absolute terms). Also the EIB Group finances most of its operations in a direct manner (72% of its commitments, EUR 67 billion in absolute terms).

The loan size is an aspect which differentiates EIB's and EBRD's lending model. For the period 2010-2014, for EBRD the average loan size was **EUR 19 million per operation, while for EIB this was EUR 66 million per operation**.

In terms of regional split (in total for the examined period), EBRD's lending in non-EU countries amounted to EUR 34.1 billion in the Region and EUR 9.6 billion in the EU-11, whereas EIB Group financing reached EUR 27 billion in non-EU countries of the Region and EUR 49.4 billion in the EU-11.

Conclusion and recommendations: the Commission believes that the existing system of European public financing institutions in promoting investment in Europe and its Neighbourhood is effective: a wide range of market needs are being well served with significant positive effects, and accompanied by the efforts of the IFIs to leverage private financing.

The two institutions **strive to avoid duplication of efforts** particularly in the project appraisal and due diligence procedures, in negotiations, financing and monitoring of financed operations. Furthermore, on an institutional level, a formal information exchange was also observed.

The two institutions **co-finance on a project-by-project basis and through joint facilities or funds** whenever it makes sense from an investment and policy perspective. This includes in particular large projects (e.g. energy, transport and municipal infrastructure) where the investment costs and risks are high and each institution can leverage its own comparative advantage, and operations where the two institutions' policy objectives and interests are perfectly aligned (again, energy, transport and municipal infrastructure projects can be mentioned but also projects with a focus on the positive climate change impact).

In conclusion, both IFIs are well aware of their comparative advantages in terms of their respective mandates and in general make good use of them. The Commission makes the following recommendations in order to further enhance the effectiveness of the IFIs' interventions:

- **Recommendation 1**: although there is already an existing and close high-level inter-institutional dialogue in the framework of EU financial instruments, the EBRD and the EIB Group could still **enhance the cooperation at operational level**. When cooperating, the IFIs should consider using a more standardised or systematic approach and minimise the creation of ad-hoc instruments. In those cases when they decide to cooperate with the Commission and/or Managing Authorities of various Member States, they should preferably use the existing structure of EU financial instruments and/or financial instruments under ESI Funds.
- **Recommendation 2**: there may still be potential for **enhanced mutual reliance** especially in terms of joint contract negotiations, coordination and sharing of market assessments and further alignment of reporting requirements, in particular with EU objectives when EU resources are used.
- **Recommendation 3**: the EBRD's and the EIB Group's lending objectives in terms of volume should be accompanied by **ambitious targets** for the additionality/transition impact, quality and soundness of operations. One important additional consideration in this regard is that the EBRD and the EIB Group should each strengthen their emphasis on the **crowding-in of private financing**. EU blending facilities could provide support in order to pave the way for more private sector financing.
- **Recommendation 4**: the cooperation between the two IFIs could be further increased through **EBRD's involvement in the Investment Plan for Europe**, a flagship EU initiative. EBRD could get engaged, in particular, via Investment Platforms which are foreseen by the European Fund for Strategic Investments (EFSI) Regulation.
- **Recommendation 5**: the two IFIs should increase their efforts to pro-actively involve institutional investors such as pension funds and Sovereign Wealth Funds (SWFs) in co-financing projects in infrastructure in their common countries of operation.
- **Recommendation 6**: the Commission should encourage the two banks to be instrumental, in particular, in the **development of capital-based products and in policy dialogue**. The EBRD could step up its engagement with the Commission and countries of operation to deliver on mutually-beneficial policy initiatives. Within the EU-11 for example, both IFIs could assist national governments in developing policies which would help them move towards a common capital market in Europe.