Basic information

2011/0442(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Decision	Procedure completed
European Bank for Reconstruction and Development (EBRD): extending the geographic scope of operations to the Southern and Eastern Mediterranean **Subject** 6.40.13 Relations with/in the context of international organisations: UN, OSCE, OECD, Council of Europe, EBRD 6.40.15 European neighbourhood policy 8.40.07 European Investment Bank (EIB) **Geographical area** Mediterranean Sea area	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	BINEV Slavi (NI)	17/01/2012
	Shadow rapporteur ESSAYAH Sari (PPE) GOULARD Sylvie (ALDE) LAMBERTS Philippe (Verts /ALE) KAMALL Syed (ECR) CHOUNTIS Nikolaos (GUE /NGL)	

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	The committee decided not to give an opinion.	
INTA International Trade	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
General Affairs	3180	2012-06-26

European Commission	Commission DG	Commissioner
	Economic and Financial Affairs	REHN Olli

Key events

Date	Event	Reference	Summary
21/12/2011	Legislative proposal published	COM(2011)0905	Summary
17/01/2012	Committee referral announced in Parliament, 1st reading		
17/04/2012	Vote in committee, 1st reading		
24/04/2012	Committee report tabled for plenary, 1st reading	A7-0142/2012	Summary
13/06/2012	Decision by Parliament, 1st reading	T7-0244/2012	Summary
13/06/2012	Results of vote in Parliament		
26/06/2012	Act adopted by Council after Parliament's 1st reading		
04/07/2012	Final act signed		
04/07/2012	End of procedure in Parliament		
07/07/2012	Final act published in Official Journal		

Technical information

Procedure reference	2011/0442(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/7/08383

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE483.759	01/03/2012	
Amendments tabled in committee		PE486.070	23/03/2012	
Committee report tabled for plenary, 1st reading/single reading		A7-0142/2012	24/04/2012	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0244/2012	13/06/2012	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	00024/2012/LEX	04/07/2012	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2011)0905	21/12/2011	Summary
Commission response to text adopted in plenary	SP(2012)540	12/07/2012	
Commission document (COM)	COM(2013)0927	20/12/2013	Summary

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	
European Commission	EUR-Lex	

Final act

Decision 2012/0602
OJ L 177 07.07.2012, p. 0001 Summary

European Bank for Reconstruction and Development (EBRD): extending the geographic scope of operations to the Southern and Eastern Mediterranean

2011/0442(COD) - 20/12/2013 - Follow-up document

This report responds to decision 602/2012/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): extending the geographic scope of operations to the Southern and Eastern Mediterranean

2011/0442(COD) - 21/12/2011 - Legislative proposal

PURPOSE: to amend the Agreement Establishing the European Bank for Reconstruction and Development (EBRD) extending the geographic scope of EBRD operations to the Southern and Eastern Mediterranean.

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.

- In response to the 2011 events in the Southern and Eastern Mediterranean region, in March 2011, the **Commission and the High Representative** presented a Joint Communication signalling the strong political and economic support of the EU to the region that included an option for extending the EBRD's mandate to cover the countries of the Southern Neighbourhood, building on its experience over the last 20 years.
- **The European Council** of 24/25 March 2011 broadly endorsed the contents of this Joint Communication. In its Resolution of 7 April 2011 on the review of the European Neighbourhood Policy – Southern Dimension, the European Parliament invited the EBRD to change its statute in order to participate in the financial assistance process.
- In May 2011, **G8 leaders** launched the Deauville Partnership to help Southern and Eastern Mediterranean countries in their transition towards free, democratic and tolerant societies and called on the EBRD to extend its geographic scope in order to leverage its experience and support the transition of these countries to embrace the principles of multiparty democracy, pluralism and market economies.

By Resolutions 137 and 138 adopted on 30 September 2011, the Board of Governors of the EBRD voted in favour of the necessary amendments to the Agreement Establishing the EBRD, enabling it to expand the EBRD’s region of operations to the Southern and Eastern Mediterranean: (a) Resolution 137 which proposes amendments to Article 1 of the Agreement Establishing the Bank (AEB) to extend the region of EBRD’s operations to the Southern and Eastern Mediterranean, and (b) Resolution 138 which proposes amendments to Article 18 of the AEB to allow the use of Special Funds in potential recipient countries.

IMPACT ASSESSMENT: the EBRD has assessed the impact on its capital adequacy of expanding its activities into the new region of operations. During the first two phases of intervention (see below), the EBRD activity will be carried out through the allocation of part of the Bank’s net income. **During the first phase, EUR 20 million will be allocated by the EBRD to the Cooperation Funds, and a further EUR 1 billion is expected to be allocated by the EBRD to the Special Fund set up during the second phase**.

The assessment concluded that, on the basis of the current level of financial risk and economic capital, the EBRD will be able to stay within its statutory and economic capital requirements during the Capital Resources Review (CRR) period 2011-2015 **without any further capital increase**. Moreover, the EBRD has confirmed that the extension will have **no impact on the activities in the current countries of operations**.

LEGAL BASIS: Article 212 of the TFEU. This Article provides the legal basis to the EU for carrying out economic, financial and technical cooperation measures, in particular assistance to third countries.

CONTENT: the proposal concerns the approval by the EU of the amendments to Articles 1 and 18 of the AEB which **extend the scope of the EBRD's operations to the countries of the Southern and Eastern Mediterranean region**.

The proposal for two resolutions to change these two Articles was to allow the EBRD to engage in the Southern and Eastern Mediterranean region in three phases:

1. **first phase**: following the request of the international community to quick start operations in the Mediterranean region, the EBRD will use Cooperation Funds, which will focus on technical cooperation and project preparation;
2. **second phase**: the EBRD will allocate its own resources to **Special Funds**, which can deliver a full range of EBRD investment operations in the Southern and Eastern Mediterranean region. This phase will start once the amendments to Article 18 of the AEB have been ratified by a sufficient number of EBRD members, in accordance with Article 56 of the AEB;
3. **third and final phase**: the Southern and Eastern Mediterranean countries will become fully fledged countries of operations. This phase will commence once the amendments to Article 1 of the AEB have been ratified by the EBRD members, in accordance with Article 56 of the AEB.

A wide range of donors are being approached by the Bank to supplement both the Cooperation Funds and Special Funds. Cooperation Funds are targeted to reach a total volume of **EUR 100 million**, with monies likely to come from both current donors (including the EU through the Neighbourhood Investment Facility) and possibly non-traditional contributors, such as from the Arab world. **No figure is presently anticipated to be set for donor contributions to Special Funds**.

Before the EBRD engages in any of its potential new countries of operations, it performs a **detailed technical assessment of the economic and political conditions** existing in the country, including an assessment of that country's commitment to the AEB principles of multi-party democracy, pluralism and market economics, an assessment of transition gaps, what other International Financial Institutions are doing in the country, and the priorities where the EBRD can best make use of its unique knowledge and skills. In preparing these assessments, the EBRD will fully take into account the views of the EU and the wider international community.

Assessments have recently been carried out for Egypt, Tunisia, Morocco and Jordan. These assessments will be updated at each phase of EBRD engagement, and the requirements get progressively more demanding.

BUDGETARY IMPLICATION: by its nature, the present proposal has no direct financial impact on the budget of the Union. The acceptance by the EU of the expansion of the EBRD to the Southern and Eastern Mediterranean region does not require any operational expenditure.

European Bank for Reconstruction and Development (EBRD): extending the geographic scope of operations to the Southern and Eastern Mediterranean

2011/0442(COD) - 24/04/2012 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Slavi BINEV (NI, BG) on the proposal for a decision of the European Parliament and of the Council on amendments to the Agreement Establishing the European Bank for Reconstruction and Development (EBRD) extending the geographic scope of EBRD operations to the Southern and Eastern Mediterranean.

The committee recommends that the position of the European Parliament in first reading following the ordinary legislative procedure should be to amend the Commission proposal. The main amendments are as follows:

The report stresses that the EBRD's expansion to the Southern and Eastern Mediterranean is an expression of the Union's and the international community's support for the hopes, encouraged by the Arab Spring, of a **transition in that region towards market economies and pluralistic democratic societies.**

Members ask that the Governor of the EBRD representing the Union **report annually to the European Parliament** on the expansion of EBRD operations to the countries of the Southern and Eastern Mediterranean, in particular as regards the EBRD's contribution to the transition towards energy-efficient, socially-inclusive market economies whilst taking into account the civic and human rights context, as well as any new agreements signed with donors for cooperation funds or special funds in favour of those countries.

Furthermore, **the representatives of the Union in the governing bodies of the EBRD shall encourage the EBRD to:**

- make a detailed technical **assessment** of the economic and political conditions existing in the country concerned;
- provide its assistance only in compliance with Article 1 of the Agreement and not undertake activities that conflict with Union policies on **civic and human rights**;

- focus on areas consistent with the key objectives of Union external policies and support projects that promote **sustainable development**;
- adopt a strategy by 2013 with a **concrete timeline** to increase the use of renewable energy and energy-efficient technologies;
- continue implementing the **best prudential banking practices** in order to further preserve its very strong capital position,
- strengthen the work of the Audit Committee of the EBRD and the Office of the Chief Compliance Officer and tighten control to prevent secrecy by the beneficiaries or the use of **tax havens**;
- adopt a **clear plan** on how to finance its activities relating to the Southern and Eastern Mediterranean, and provide a public statement of its priorities within that area,
- provide on the EBRD's **website** appropriate information about beneficiaries of its funds, the impact of its financial intermediary operations and evaluations of projects.

Lastly, with respect of the **approval of potential recipient or recipient country status** of the countries of the Southern and Eastern Mediterranean, the Commission shall carry out an inter-service consultation and shall consult civil society in an appropriate manner prior to the Board of Governors' vote on country compliance with EBRD conditions.

European Bank for Reconstruction and Development (EBRD): extending the geographic scope of operations to the Southern and Eastern Mediterranean

2011/0442(COD) - 13/06/2012 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 565 votes to 83, with 31 abstentions, a legislative resolution on the proposal for a decision of the European Parliament and of the Council on amendments to the Agreement Establishing the European Bank for Reconstruction and Development (EBRD) extending the geographic scope of EBRD operations to the Southern and Eastern Mediterranean.

Parliament adopted its position at first reading following the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise negotiated between the European Parliament and the Council.

Under the compromise, the amendments to Articles 1 and 18 of the Agreement on establishing the European Bank for Reconstruction and Development which extends the geographic scope of EBRD operations have been approved on behalf of the European Union.

Role of the Governor: as part of the annual report to the European Parliament, the Governor of the EBRD representing the Union shall also report on the EBRD's activities and operations in the Southern and Eastern Mediterranean.

Transition: in the recitals, it is highlighted that the expansion of EBRD operations to the Southern and Eastern Mediterranean reflects support by the Union and the international community for the hope, encouraged by the Arab Spring, for a transition in that region towards market economies and pluralistic democratic societies.

Bearing in mind the fragility of the economies in the EBRD's new countries of operation and the social inequalities which were one of the root causes of the turmoil of the Arab Spring, the representatives of the Union in the governing bodies of the EBRD should encourage the EBRD to:

- **broaden its focus on private-sector development**, in order also to contribute, through its financing, to the achievement of socially and environmentally sustainable societies, as elaborated in the relevant Millennium Development Goals, and in line with Article 3(5) and Article 21 of the Treaty on European Union;
- **contribute to the transition towards energy-efficient, socially inclusive, open market economies** while taking into account the social, poverty, civil and human rights context.

Monitoring operations: the representatives of the Union in the governing bodies of the EBRD should use their best endeavours to encourage the EBRD to monitor its operations closely, particularly in countries where there is a lack of political accountability, where civil and human rights are infringed or where high levels of corruption persist.

Furthermore, the representatives of the Union in the governing bodies of the EBRD should use their best endeavours to ensure that the principles of prudential banking, transparency and anti-fraud are taken into account in the activities of the EBRD in the new countries of operation.

Approval of new countries: before the EBRD approves a potential new country of operation, it should make a detailed technical assessment of the economic and political conditions existing in the country concerned, including: an assessment of that country's commitment to principles of multi-party democracy, pluralism and market economics, as enshrined in Article 1 of the Agreement, an assessment of transition gaps, and a review of activities of other international financing institutions in that country and of the priorities in relation to which the EBRD could best make use of its unique knowledge and skills. In discussing those assessments, the representatives of the Union in the governing bodies of the EBRD should encourage the EBRD to take full account of the views of the Union.

European Bank for Reconstruction and Development (EBRD): extending the geographic scope of operations to the Southern and Eastern Mediterranean

2011/0442(COD) - 04/07/2012 - Final act

PURPOSE: to amend the Agreement Establishing the European Bank for Reconstruction and Development (EBRD) extending the geographic scope of EBRD operations to the Southern and Eastern Mediterranean.

LEGISLATIVE ACT: Decision No 602/2012/EU of the European Parliament and of the Council on amendments to the Agreement Establishing the European Bank for Reconstruction and Development (EBRD) extending the geographic scope of EBRD operations to the Southern and Eastern Mediterranean.

CONTENT: following agreement reached in first reading, the European Parliament and the Council adopted amendments to Articles 1 and 18 of the Agreement Establishing the European Bank for Reconstruction and Development (EBRD) which extend the geographical scope of EBRD operations to the Southern and Eastern Mediterranean.

Extension of operations to the southern and eastern Mediterranean reflects support from the EU and international community for a transition in the region towards market economies and pluralistic democratic societies.

As part of the annual report to the European Parliament, the Governor of the EBRD representing the Union shall also report on the EBRD’s activities and operations in the Southern and Eastern Mediterranean.

ENTRY INTO FORCE: 10/07/2012.