

# EUROPEAN PARLIAMENT

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*Committee on Budgets*

**2008/0067(CNS)**

3.6.2008

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## **DRAFT REPORT**

on the proposal for a Council decision on the eligibility of Central Asian countries under Council Decision 2006/1016/EC granting a Community guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community  
(COM(2008)0172 – C6-0182/2008 – 2008/0067(CNS))

Committee on Budgets

Rapporteur: Esko Seppänen

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission.)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. In the case of amending acts, passages in an existing provision that the Commission has left unchanged, but that Parliament wishes to amend, are highlighted in **bold**. Any deletions that Parliament wishes to make in passages of this kind are indicated thus: [...]. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). Suggested corrections of this kind are subject to the agreement of the departments concerned.

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council decision on the eligibility of Central Asian countries under Council Decision 2006/1016/EC granting a Community guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community**

**(COM(2008)0172 – C6-0182/2008 – 2008/0067(CNS))**

**(Consultation procedure)**

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2008)0172),
  - having regard to Article 181a of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0182/2008),
  - having regard to its resolution of 20 February 2008 on an EU Strategy for Central Asia<sup>1</sup>,
  - having regard to the resolution on the EU Strategy for a new Partnership with Central Asia adopted by the European Council on 21-22 June 2007,
  - having regard to case C-155/07 pending before the Court of Justice of the European Communities,
  - having regard to Rule 51 of its Rules of Procedure,
  - having regard to the report of the Committee on Budgets and the opinions of the Committee on Foreign Affairs and of the Committee on International Trade (A6-0000/2008),
1. Approves the Commission proposal;
  2. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
  3. Asks the Council to consult the Parliament again if it intends to amend the Commission proposal substantially;
  4. Asks the Commission to withdraw its proposal, should Decision 2006/1016/EC currently pending before the Court of Justice of the European Communities be annulled;
  5. Instructs its President to forward its position to the Council and Commission.

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<sup>1</sup> *Texts Adopted, P6\_TA(2008)0059.*

## EXPLANATORY STATEMENT

### Introduction

This proposal deals with the eligibility of the five Central Asia countries for European Investment Bank (EIB) financing under Community guarantee, according to Council Decision 2006/1016/EC.

This proposal is the first one that modifies the list of countries eligible for EIB financing under Community guarantee since the Decision was adopted in 2006 by the Council.

### Legal basis

The rapporteur wishes to recall that, in the course of the legislative procedure (2006/0107(CNS)) for the adoption of Council Decision 2006/1016/EC granting a Community guarantee to the EIB against losses under loans and loan guarantees for projects outside the Community, the issue of the legal basis was raised.

The European Parliament questioned the relevance of Article 181a of the Treaty as a legal basis and proposed a dual legal basis, Article 181a together with Article 179 (development cooperation, under the codecision procedure), since many countries eligible according to Annex 1 are developing countries under the OECD list.

As a consequence, Parliament challenged the choice of the legal basis in the Court of Justice (case C-155/07), invoking that, as developing countries, both articles should apply (Article 179 should at least apply when referring to those eligible countries that are developing ones). However, Parliament acknowledged that Decision 2006/1016/EC was valid until it has been annulled by the Court.

Case C-155/07 is still pending in the Court of Justice. The hearing was held on 14 May 2008. The opinion of the Advocate General, not binding but giving already an indication on Parliament's chances of winning the case, is scheduled for 26 June 2008, and judgment will arrive later.

***The rapporteur believes that Parliament should not amend the legal basis of the proposal (Article 181, which is valid under the law as it stands) and, in the light of loyal cooperation between Institutions, wait for the judgment of the Court of Justice without trying to block, by any legal or procedural means, the adoption of the proposal.***

### Financial ceiling

The 2006 Council Decision provides for financial ceilings for EIB financing operations by broad regions. According to Article 1 (c) (ii), Asia is allocated a maximum amount of EUR 1 billion. This sub-ceiling for Asia cannot be modified without amending the Council Decision.

The EIB has been consulted on the proposal and did not raise any objection, especially as regards the ceiling.

Should it appear that the sub-ceiling for Asia is insufficient for financing operations in the region and especially in the five countries that would become eligible for EIB loans under Community guarantee, or should any other sub-ceiling appear not adapted to the specific needs in some other developing regions, the mid-term review of the Council Decision could create an opportunity for adjustment.

Actually, according to Article 9 of the Council Decision, the Commission shall present by 30 June 2010 at the latest a mid-term review on the implementation of the Decision and shall propose, if necessary, to modify it. The final report on the implementation of the Decision shall be presented by 31 July 2013 at the latest.

### **Appropriateness of granting eligibility to Central Asia countries:**

The five Central Asia countries were already listed as eligible countries in the annex of the 2006 Council Decision, but were subject to the approval of the Commission, according to Article 2 (2), following a political and macro-economic assessment.

At its meeting of 21-22 June 2007, the European Council adopted the EU Strategy for a new partnership with Central Asia, as a framework for increased and intensified cooperation with these countries. The European Council stressed, inter alia, that "the EIB should play an important role in financing projects of interest for the EU in Central Asia".

In its resolution adopted on 20 February 2008 (2007/2102(INI))<sup>1</sup>, Parliament urged "the Council to authorise the EIB to extend its credit support to Central Asia, in cooperation with the European Bank for Reconstruction and Development, which is already active in the region".

In its proposal for a Council Decision and its Annex, the Commission develops further the reasons for granting eligibility to Central Asia for EIB financing under Community guarantee: high macro-economic performances of the region, despite some disparities between countries; improved investment climate, but with further efforts still needed; strategic and energetic importance of Central Asia for the EU which seeks better stability in the region, etc.

From a strategic point of view, the crucial alternative for energy supply routes that these countries would represent for the European Union shall be secured via a stabilisation process that this eligibility for loans under Community guarantee would favour.

Nevertheless, your rapporteur wishes to express his circumspection regarding the political appropriateness of granting this eligibility. At the moment, these countries do not fulfil even the basic requirements regarding democracy, the rule of law, political pluralism or media freedom, and recent developments in each of these countries give rise to serious concern. That being said, the eligibility of these five countries, to be granted as a group of countries in order to improve the stability of the region, should be approved.

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<sup>1</sup> P6\_TA-PROV(2008)0059, A6-0503/2007