



EUROPEAN PARLIAMENT

2009 - 2014

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*Committee on Budgets*

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**2011/0014(COD)**

3.5.2011

## **OPINION**

of the Committee on Budgets

for the Committee on Economic and Monetary Affairs

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  
(COM(2011)0034 – C7-0038/2011 – 2011/0014(COD))

Rapporteur: Ivailo Kalfin

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## SHORT JUSTIFICATION

The proposed decision is intended 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. The decision will also authorise the Governor of the EBRD for the European Union to deposit the requisite instrument of subscription.

The European Union<sup>1</sup> became a member of the EBRD subsequent to Council Decision of 19 November 1990 on the conclusion of the Agreement establishing the EBRD (90/674/EEC). 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<sup>2</sup>. The EU share in the EBRD total authorised capital was maintained unchanged. The EU subscription of additional shares followed Council Decision 97/135/EC adopted on 17 February 1997 providing that "the European Community should subscribe for extra shares as a result of the Decision to double the capital of the EBRD".

The Board of Governors decided last May to increase the capital of the bank from EUR 20 to EUR 30 billion with a view to responding to the financial crisis and to enhancing its activities in support of its countries of operation. The capital increase assumes EUR 1 billion new paid-in capital and EUR 9 billion new callable capital.

The proposal is to generate the new paid-in capital by transforming accumulated distributable reserves into share capital. Hence, the operation will have no immediate direct effect on the EU budget. The risk stems from the potential need to call up additional capital in the unlikely case of a considerable negative development with the bank's investment portfolio.

After the operation the EU will continue holding a 3.031% share in EBRD, with the paid in part rising from EUR 157.50 million to EUR 187.81 million and the callable part - from EUR 442.5 million to EUR 712.63 million.

The callable part of the capital increase will be reflected in the p.m. 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.

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<sup>1</sup> According to Council Decision 90/674/EEC of 19 November 1990, the EU is represented by the Commission in the EBRD.

<sup>2</sup> The EU subscribed capital in the EBRD was composed of EUR 157.5 million paid-in capital and EUR 442.5 million callable capital.

## AMENDMENTS

The Committee on Budgets calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following amendments in its report:

### Amendment 1

#### Proposal for a decision

##### Recital 3

###### *Text proposed by the Commission*

(3) Pursuant to Resolution 126 on increase in authorised capital stock, issuance of paid-in shares, and payment through reallocation of net income, the authorised capital stock of the EBRD is increased by 100 000 paid-in shares, and each member is issued a number of whole shares, rounded downwards, pro rata to their existing shareholding. The paid-in part of the capital increase will be paid through integration in the capital of part of the EBRD's unrestricted general reserves. All EBRD shareholders will automatically receive paid-in shares in proportion of their existing shareholding, without any further procedural steps to be taken by the shareholders themselves. Accordingly, the EU is issued 3 031 new shares, each share having a par value of EUR 10 000 increasing the number of paid-in shares of the EU to 63 031.

###### *Amendment*

(3) Pursuant to Resolution 126 on increase in authorised capital stock, issuance of paid-in shares, and payment through reallocation of net income, the authorised capital stock of the EBRD is increased by 100 000 paid-in shares, and each member is issued a number of whole shares, rounded downwards, pro rata to their existing shareholding. The paid-in part of the capital increase will be paid through integration in the capital of part of the EBRD's unrestricted general reserves. ***This Decision thus has no direct impact on the budget of the Union.*** All EBRD shareholders will automatically receive paid-in shares in proportion of their existing shareholding, without any further procedural steps to be taken by the shareholders themselves. Accordingly, the EU is issued 3 031 new shares, each share having a par value of EUR 10 000 increasing the number of paid-in shares of the EU to 63 031.

### Amendment 2

#### Proposal for a decision

##### Recital 5 a (new)

###### *Text proposed by the Commission*

###### *Amendment*

***(5a) The potential risk related to the callable part of the subscribed capital is reflected in the EU budget in p.m. line 01***

***03 01 02 "European Bank for Reconstruction and Development - Callable portion of subscribed capital". The Governor of the EBRD for the European Union should remind the Board of Governors, where necessary, that the EBRD is to continue implementing the best prudential banking practices in order to further preserve its very strong capital position and its AAA investment rating and not to trigger a call on the capital subscribed by the EU.***

### **Amendment 3**

#### **Proposal for a decision**

##### **Recital 6**

###### *Text proposed by the Commission*

(6) It is appropriate for the European Union to subscribe to those additional shares in order to achieve the European Union's objectives in the field of economic external relations and preserve its relative voting power within the EBRD.

###### *Amendment*

***(6) This Decision provides the opportunity for the EBRD to increase its activities in its countries of operation, thus providing valuable assistance to the economies of those countries in times of restricted capital availability. It is appropriate for the European Union to subscribe to those additional shares in order to achieve the European Union's objectives in the field of economic external relations and preserve its relative voting power within the EBRD. The Governor of the EBRD for the European Union should, however, suggest that the Board of Governors consider the possibility of rebalancing the level of shareholder equity relative to loans and other investments in order to decrease the impact of the equity valuation on the EBRD's balance sheet. The Governor of the EBRD for the European Union should also support the further development of financial instruments, based on co-financing between the EU budget and that of the EBRD, supporting the achievement of the EU objectives, while taking into account that such cooperation should be***

*accompanied by better control and  
visibility of EU public funds.*

## PROCEDURE

<b>Title</b>	Subscription by the EU to additional shares in the capital of the European Bank for Reconstruction and Development (EBRD)						
<b>References</b>	COM(2011)0034 – C7-0038/2011 – 2011/0014(COD)						
<b>Committee responsible</b>	ECON						
<b>Opinion by</b> Date announced in plenary	BUDG 14.2.2011						
<b>Rapporteur</b> Date appointed	Ivailo Kalfin 7.2.2011						
<b>Date adopted</b>	2.5.2011						
<b>Result of final vote</b>	<table> <tr> <td>+:           </td><td>20</td></tr> <tr> <td>–:           </td><td>2</td></tr> <tr> <td>0:           </td><td>0</td></tr> </table>	+:	20	–:	2	0:	0
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<b>Members present for the final vote</b>	Marta Andreasen, Reimer Böge, Lajos Bokros, Giovanni Collino, Isabelle Durant, José Manuel Fernandes, Eider Gardiazábal Rubial, Jens Geier, Ingeborg Gräble, Estelle Grelier, Carl Haglund, Jutta Haug, Anne E. Jensen, Ivailo Kalfin, Jan Kozłowski, Giovanni La Via, Vladimír Maňka, Dominique Riquet, László Surján, Helga Trüpel, Angelika Werthmann						
<b>Substitute(s) present for the final vote</b>	Jürgen Klute						