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REPORT

on the proposal for a Council decision on the Community participation in the capital increase of the European Investment Fund
(COM(2006)0621 – C6-0426/2006 – 2006/0203(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***. 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). These suggested corrections 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 Community participation in the capital increase of the European Investment Fund
(COM(2006)0621 – C6-0426/2006 – 2006/0203(CNS))**

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2006)0621)¹,
 - having regard to Article 3 of Council Decision 94/375/EC of 6 June 1994 on Community membership of the European Investment Fund², pursuant to which the Council consulted Parliament (C6-0426/2007),
 - having regard to Rule 51 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgets (A6-0065/2007),
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 Parliament again if it intends to amend the Commission proposal substantially;
 4. Instructs its President to forward its position to the Council and the Commission.

¹ Not yet published in OJ.

² OJ L 173, 7.7.1994, p. 12

EXPLANATORY STATEMENT

Introduction

The European Investment Fund was created in 1994 on the basis of Article 308 of the EC Treaty. Its task is to contribute to the pursuit of Community objectives by means of provision of guarantees and venture capital to enterprises; the Fund focuses its operations on SMEs in particular. The EIF does not provide funds directly to firms - as far as its own-resources operations are concerned, it operates through financial intermediaries such as venture capital funds or guarantee institutions. In recent years, EIF profits have been rising constantly and the fund has not written off losses; however, the possibility of incurring losses cannot be excluded in the coming years.

According to its Statutes, the EIF operates on the territory of the Member States of the EU and the accession countries, as well as in adjacent countries insofar as cross-border projects are involved.

Nominal value of the capital subscribed amounts to EUR 2 000 million (2000 shares of nominal value of 1 million EUR each), and the level of the paid-in capital has been established at 20%. Shareholders of the EIF are the European Investment Bank, the European Community represented by the European Commission and a number of financial institutions. At present, the Community holds 30% of the EIF shares.

Summary and comments on the proposal

According to the information received, the EIF will have exhausted its own resources by mid-2007. It is now proposed to increase the capital of the Fund in order to ensure continuation of its own-resources operations and mandates (co-investment rules).

The increase proposed aims at raising the capital by 50%, through increasing the nominal value of the subscribed capital up to EUR 3 000 million and issuing 1000 new shares of nominal value of 1 million EUR. Their purchase by the Commission would be spread over a four-year period (2007-2010), so that by the end of 2010 its participation level would be maintained at 30%.

As far as the budgetary aspects are concerned, it should be noted that the actual price to be paid for the shares is different from the nominal price, and depends on the performance of the Fund. Therefore, the budgetary needs can only be estimated on the basis of the situation in the past. An approximation has been presented in the table below.

Table: Indicative breakdown of number of shares and budgetary needs related to the proposed increase of EIF capital (estimation, to be verified against the future results of the Fund)

	2007	2008	2009	2010	Total
Indicative number of shares to be subscribed by the shareholders	790	90	89	26	1000
Indicative number of shares to be subscribed by the Commission	95	90	89	26	300
Indicative annual share price (in EUR)	326 526	338 912	351 406	364 376	
Indicative budgetary need (in EUR)	31 019 970	30 502 080	31 275 134	9 473 776	102 270 960

Source: Annex to the proposal for a council decision (COM (2006)621)

There would be two financial sources for covering the cost of purchase of the shares by the Community:

- Firstly, according to the latest Financial Programming, as communicated by the Commission on 26 January 2007, an overall amount of EUR 100 million over the period 2007-2010 - EUR 25 million per year - has been foreseen in the Community budget for the purpose of financing the purchase of the newly issued EIF shares under budget line 01 04 09. This programming is identical to the previous one, of May 2006, which is to be welcomed.
- Secondly, it is proposed that the remaining cost be covered by dividends from EIF perceived by the Community (budget line 850), which would be treated as assigned revenue in terms of Article 18(2) of the Financial Regulation.
The amounts available from the dividends, just like the price of the shares, can only be estimated on the basis of the performance of the EIF in the past. The Commission has evaluated that these financial sources should prove sufficient, and in the event of a significant increase in the price of shares, the related costs could be compensated by a parallel increase in dividends.

Your rapporteur proposes to approve the Commission's proposal without amendments, allowing for the capital increase and use of the dividends for this purpose. Indeed, the EIF seems to fulfil its tasks in a satisfactory manner, so financial means should be made available for it to continue its activity, in line with the Community's objectives in the field of economic development, SMEs and innovations.

Moreover, the proposal provides for the direct transmission of the EIF Annual Report to the European Parliament and the Council, which was, until now, only forwarded to the two institutions by the Commission. Your rapporteur considers this proposal to be an improvement, increasing transparency and ensuring more timely information for the Parliament, and proposes to approve it.

PROCEDURE

Title	Community participation in the capital increase of the European Investment Fund	
References	COM(2006)0621 - C6-0426/2006 - 2006/0203(CNS)	
Date of consulting Parliament	17.11.2006	
Committee responsible Date announced in plenary	BUDG 29.11.2006	
Rapporteur(s) Date appointed	Esko Seppänen 20.9.2004	
Discussed in committee	26.2.2007	12.3.2007
Date adopted	12.3.2007	
Result of final vote	+: 29	-: 0
	0: 0	
Members present for the final vote	Reimer Böge, Paulo Casaca, Brigitte Douay, James Elles, Salvador Garriga Polledo, Ingeborg Gräßle, Louis Grech, Catherine Guy-Quint, Jutta Haug, Anne E. Jensen, Wiesław Stefan Kuc, Zbigniew Krzysztof Kuźmiuk, Alain Lamassoure, Janusz Lewandowski, Nils Lundgren, Vladimír Maňka, Francesco Musotto, Gianni Pittella, Esko Seppänen, László Surján, Helga Trüpel, Kyösti Virrankoski, Ralf Walter	
Substitute(s) present for the final vote	Thijs Berman, Richard Corbett, Bárbara Dührkop Dührkop, Hans-Peter Martin, Paul Rübig, Margarita Starkevičiūtė	