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DRAFT REPORT

on the proposal for a Council decision granting a Community guarantee to the European Investment Bank against losses under loans for certain types of projects in Russia and the Western New Independent States (WNIS)
(COM(2004)0385 – C6-0073/2004 – 2004/0121(CNS))

Committee on Budgets

Rapporteur: Esko Olavi 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 granting a Community guarantee to the European Investment Bank against losses under loans for certain types of projects in Russia and the Western New Independent States (WNIS)
(COM(2004)0385 – C6-0073/2004 – 2004/0121(CNS))**

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2004)0385)¹,
 - having regard to Article 308 of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0073/2004),
 - having regard to Rule 51 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgets (A6-0000/2004),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Calls for initiation of the conciliation procedure under the Joint Declaration of 4 March 1975 if the Council intends to depart from the text approved by Parliament;
 5. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
 6. Instructs its President to forward its position to the Council and Commission.

¹ Not yet published in OJ.

Amendment 1
Recital 5

(5) The lending mandate should be subject, ***on the one hand***, to appropriate conditionality consistent with EU high-level agreements on political and macro-economic aspects, ***and*** with other international financial institutions on sectoral and project aspects, ***and on the other, to*** appropriate work-sharing between the EIB and the European Bank for Reconstruction and Development (EBRD).

(5) The lending mandate should be subject to appropriate conditionality consistent with ***European Union policies and*** EU high-level agreements on political and macro-economic aspects. ***The EIB and the Commission should ensure the necessary coordination*** with other international financial institutions on sectoral and project aspects. ***This may involve, in particular***, appropriate work-sharing between the EIB, ***as an Institution of the European Union***, and the European Bank for Reconstruction and Development (EBRD).

Justification

The lending mandates are subject to Regulations and to European Union Policy agreed under the normal procedures.

The EU should of course coordinate with international financial institutions but cannot put itself in a position where the EU lending mandate is explicitly subject to work-sharing with the EBRD. It cannot be excluded that an EU Institution, such as the EIB, could be given a mandate to act even if another financial body, like the EBRD, did not want to agree a particular scheme for "work-sharing".

Amendment 2
Recital 7

(7) Russia and the WNIS should be fully taken into account for the 2006 review of the EIB general mandate under Council Decision 2000/24/EC of 22 December 1999 granting a Community guarantee to the European Investment Bank against

(7) Russia and the WNIS should be fully taken into account for the 2006 review of the EIB general mandate under Council Decision 2000/24/EC of 22 December 1999 granting a Community guarantee to the European Investment Bank against

losses under loans for projects outside the Community (Central and Eastern Europe, Mediterranean countries, Latin America and Asia and the Republic of South Africa).

losses under loans for projects outside the Community (Central and Eastern Europe, Mediterranean countries, Latin America and Asia and the Republic of South Africa). ***Consideration should also be given to including countries of the South Caucasus and Central Asia at the time of this review.***

Justification

As previously adopted by Parliament on a proposal from the ITRE and AFET committees. Armenia, Azerbadjan, Georgia, Kazakstahn, Kyrgistan, Tajikistan, Turkmenistan and Uzbekistan should not be excluded beforehand in the consideration of the next generation of EIB lending mandates

Amendment 3 Article 2

Eligible projects shall be economically viable and of significant interest to the European Union. Eligible sectors shall be environment as well as transport, telecommunications and energy infrastructure on priority Trans-European Network (TEN) axes having cross-border implications for a Member State.

Eligible projects shall be economically viable and of significant interest to the European Union. Eligible sectors shall be environment, as well as transport, telecommunications and energy infrastructure, ***including nuclear safety***, on priority Trans-European Network (TEN) axes having cross-border implications for a Member State.

Justification

A priority that should be stated.

Amendment 4 Article 3

1. The overall ceiling of the credits opened shall be ***EUR 500 million***.
2. The EIB shall benefit from an exceptional Community guarantee of ***100***

1. The overall ceiling of the credits opened shall be ***EUR 800 million***.
2. The EIB shall benefit from an exceptional Community guarantee of ***65 %***,

%, which shall cover the total amount of the credits opened under this Decision and all related sums.

3. Projects financed by loans to be covered by the guarantee shall satisfy the following criteria:

- (a) eligibility in accordance with Article 2;
- (b) co-operation, and where appropriate co-financing, by the EIB with other international financial institutions in order to ensure reasonable risk-sharing and appropriate project conditionality.

The EIB and the EBRD shall share the work appropriately.

which shall cover the total amount of the credits opened under this Decision and all related sums.

3. Projects financed by loans to be covered by the guarantee shall satisfy the following criteria:

- (a) eligibility in accordance with Article 2;
- (b) co-operation, and where appropriate, ***recognising the role of the EIB as an EU Institution pursuing EU policies***, co-financing, by the EIB with other international financial institutions in order to ensure reasonable risk-sharing and appropriate project conditionality.

The EIB and the EBRD shall, ***whenever possible***, share the work appropriately.

Justification

The extra EUR 300 million proposed for Russia and the Western New Independent States can be found through a technical operation involving a change of the guarantee rate. In practical terms this hardly increases the risk since the Guarantee Fund is currently over-provisioned.

The EU should of course coordinate with international financial institutions but cannot put itself into a position where the EU lending mandate is explicitly subject to work-sharing with the EBRD. It cannot be excluded that an EU Institution, such as the EIB, could be given a mandate to act even if another financial body, like the EBRD, did not want to agree a particular scheme for "work-sharing".

Amendment 5 Article 4

Individual countries shall become eligible under the ceiling as and when they fulfil specific conditionality consistent with European Union high-level agreements with the country in question on political and macro-economic aspects. The Commission shall determine when an individual country has fulfilled the specific conditionality and shall notify the EIB thereof.

Individual countries shall become eligible under the ceiling as and when they fulfil specific conditionality consistent with European Union ***policies and*** high-level agreements with the country in question on political and macro-economic aspects. The Commission shall determine when an individual country has fulfilled the specific conditionality and shall notify the EIB thereof.

Justification

To only mention "high-level" agreements seems strange as it is not clear what "high-level" means. Conditionalities are also part of political policy-making under the normal procedures and/or regulations.

Amendment 6
Article 4 a (new)

Article 4a

The EIB is invited to prepare feasibility studies on the possible inclusion in the general mandate, as from 2007, of countries of the South Caucasus and Central Asia regions.

Justification

As previously adopted by the Parliament following proposals from the ITRE and AFET committees.

EXPLANATORY STATEMENT

The Commission has put forward a proposal for a Council decision on granting a Community guarantee for European Investment Bank (EIB) lending activities in Russia and the "Western New Independent States" (WNIS), namely Belarus, Moldova and Ukraine.

The activities of the EIB in these countries are linked with the political process and with conditionalities. No loans will be signed unless they are in line with the "Neighbourhood Policy" and with appropriate conditionalities, to ensure that EIB loan operations are consistent with, and reinforce, the EU's general policies in the given country.

It should be noted that, in the spring, the Parliament was already consulted on a modification of the general mandate and, in its report, suggested that Russia and the WNIS should be included under the general mandate. Despite a broadly supported final proposal by the Irish Presidency this was in the end blocked by only two or three countries in the Council. This was of course lamentable, especially considering that the extension of lending activities to the East, already existing for practically all regions in the world, was apparently used as a bargaining chip in internal Council negotiations.

This is the reason why the Commission has now "re-consulted" the Parliament concerning Russia and the WNIS in a new proposal.

The rapporteur regrets the attitude of the Council and has to stress, again, that it would have been far easier to simply include these actions under the general lending mandate, at least on a provisional basis until its planned revision in 2006.

The rapporteur wishes to underline that the main political justification for these aspects are of course linked to the fact that real decisions on the ground are needed, perhaps especially in the field of environment and nuclear security, where there is a large unmet credit demand and where the loan guarantees could make a difference.

Notwithstanding the institutional aspects and the stubborn reluctance of Council to pay much attention to the Parliament's opinions in this area, he therefore considers that an approach which will ensure this guarantee facility and not risk another stalemate should be adopted.

The guarantee would apply for loans signed until 31 January 2007. The Commission states in a recital, that Russia and the WNIS should be fully taken into account for the 2006 review of the general lending mandate. This general external lending mandate of the EIB is laid down in a Council decision granting a guarantee for external lending¹.

The Commission proposal would mean a 100% coverage of the aggregate amounts of these loans through the Guarantee Fund mechanism, the payments to which are coming from the EU budget. The Parliament has already pointed out that the 100% guarantee rate seems excessive. All loans under the general mandate, for the other regions, have a guarantee rate of 65%. In practical terms this hardly increases the risk since these rates refer to the overall stock of the loan portfolio. This means that, in the case of a default on an individual loan, any losses would still be fully covered through the guarantee mechanism unless there were (highly unlikely) a situation in which so many loans were not repaid that the money in the Guarantee Fund were not sufficient. This is extremely unlikely, especially since the Guarantee Fund is

¹ Decision 2000/24/EC and as amended in Decisions: 1999/786/EC, 2000/688/EC, 2000/788/EC and 2001/777/EC.

currently over-provisioned. In fact, it has only been called upon in three or four cases ever. Therefore, through a technical operation, the envelope for Russia/WNIS can easily be raised to EUR 800 million. This has already been proposed by the Parliament and the Commission has confirmed its feasibility. The rapporteur cannot see any reason why the EU would deny itself this possibility when it does not cost anything.

The rapporteur would like to point out that the external lending capacity of the EU is an important foreign policy tool/development tool and that it is, properly used with agreed political conditionalities, a powerful tool in the overall capacity of the EU to contribute to development and security in our immediate neighbourhood.

The rapporteur notes that, even with the current proposal, the EU has no guarantee structure for any lending to the countries of the South Caucasus and central Asia. This is despite the fact that EU has equipped itself with lending capacity (lending mandates) for practically every country in the world (with the obvious exception of rich countries like the US, Canada, Norway etc).

The rapporteur reiterates the Parliament's position that consideration should be given to including these countries in the general lending mandate from 2007 and onwards. The Commission, the EIB and the Council are invited to take this into account in the revision of the general lending mandate scheduled to start in 2006.

Finally, the rapporteur notes in the Commission proposal excessively rigid formulations with regard to coordination with the European Bank for Reconstruction and Development. The rapporteur fully supports work-sharing with this body, whenever appropriate, but considers that an EU regulation and the projects that flow from it cannot be formally subject to the opinions of the EBRD.