



EUROPEAN COMMISSION

Brussels, 8.2.2012  
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**COMMISSION DELEGATED DECISION**

**of 8.2.2012**

**amending Annex III to Decision No 1080/2011/EU of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC, as regards Syria**

## **EXPLANATORY MEMORANDUM**

### **1. CONTEXT OF THE DELEGATED ACT**

#### **Political context**

In the wake of a deteriorating situation in Syria resulting from serious violations of human rights and fundamental freedoms, the Foreign Affairs Council of 23 May 2011 decided to suspend all preparations in relation to new bilateral cooperation programmes and to suspend the ongoing bilateral programmes with the Syrian authorities under the European Neighbourhood and Partnership Instrument (ENPI) and MEDA instruments. Moreover, the Council invited the European Investment Bank (EIB) to not approve new financing operations in Syria<sup>1</sup>. The European Parliament in its Resolution of 7 July 2011 welcomed the Council conclusions to impose restrictive measures on Syria as well as the suspension of new EIB operations in the country.

As a follow up to the Council conclusions, the Commission decided to suspend all bilateral cooperation involving Syrian authorities under the ENPI. More recently, the Commission decided to suspend the participation in regional programmes.

On 23 October 2011, the European Council endorsed the Council conclusions on Syria adopted on 10 October 2011 related to the further and more comprehensive restrictive measures against the Syrian regime as long as the repression of the civilian population continues.

In this context, the Council decided on 14 November 2011 to prohibit disbursements by the EIB in connection with existing loan agreements between Syria and the EIB as well as suspend EIB technical assistance contracts for sovereign projects in Syria<sup>2</sup>. This Decision has been thereafter consolidated in Council Decision 2011/782/CFSP of 1<sup>st</sup> December 2011 and Council Regulation (EU) N° 36/2012 of 18 January 2012.

#### **Economic context**

The macroeconomic and balance of payments situation of Syria have worsened significantly since the beginning of the unrest in March 2011. Combined with the deterioration of the political situation, the overall country risk has increased considerably.

The Syrian economy is projected by the IMF to contract by at least 2% in 2011 due to unrest and sanctions. The budget deficit is expected to rise sharply to 11 – 12% of GDP caused by a sharp decrease of revenues (tax and customs duties) and an increase of expenditure (military expenditure, raise of public salaries, subsidies). Regarding Syria's trade balance, it is expected that Syria will face a strong decline of its exports, in particular due to the EU sanctions which block i.e. the import of oil from Syria from 15 November 2011. Oil exports constitute about 30% of its total exports, the vast majority of which was exported to EU. This break-in of exports is to

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<sup>1</sup> 3091st Foreign Affairs Council meeting of 23 May 2011: Council conclusions on Syria.

<sup>2</sup> Council Decision 2011/735/CFSP and Council Regulation (EU) No 1150/2011.

some extent mirrored by a decline of imports. Consequently to the announcement of the EU sanctions, an import ban was imposed by Syrian authorities, but lifted again soon after, as it proved highly unpopular. However, imposing such a ban showed that the authorities saw a need to react to the weakening of the balance of payments, which is also seriously affected by capital outflows, including transfers of bank deposits, and by the collapse of the tourism sector.

## **2. OBJECTIVE OF THE DELEGATED ACT**

Decision No 1080/2011/EU<sup>3</sup> grants an EU guarantee to the EIB against losses under loans and loan guarantees for projects outside the Union. In this framework, loans granted for investment projects by the EIB to eligible countries over the period from 1 February 2007 to 31 December 2013 are covered by a guarantee of the EU budget.

Annex III to Decision No 1080/2011/EU sets out the list of countries eligible for EIB financing under EU guarantee includes Syria. According to Article 4(2) of the Decision, the Commission is empowered to adopt delegated acts concerning amendments to Annex III.

In line with the EU policy and strategy towards Syria and taking into account the overall economic and political context as well as the relevant European Parliament resolutions and Council decisions and conclusions the Commission and the EEAS assess that the EIB should not approve any new financing operations in Syria under Decision No 1080/2011/EU. Removing Syria from the list of eligible countries is driven by political considerations, as well as by credit risk considerations with the view to limit the EIB exposure and the potential liabilities of the EU budget stemming from the guarantee.

Therefore, Syria should be removed from Annex III to Decision No 1080/2011/EU.

## **3. CONSULTATION OF INTERESTED PARTIES AND IMPACT ASSESSMENT**

There is no need to conduct a consultation, the Council and the European Parliament having already explicitly invited the EIB not to approve new financing operations in Syria for the time being respectively in the Council Conclusions of 23 May 2011 and in the European Parliament Resolution of 7 July 2011. Thereafter, the Council adopted a further series of restrictive measures against Syria, including the prohibition of disbursements by the EIB in connection with existing loan agreements between Syria and the EIB.

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<sup>3</sup> Decision No 1080/2011/EU of the European Parliament and of the Council of 25 October 2011 granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC (OJ L 280, 27.10.2011, p. 1).

#### **4. LEGAL ELEMENTS OF THE DELEGATED ACT**

Decision No 1080/2011/EU stipulates that the power to adopt acts in accordance with Article 290 TFEU is delegated to the Commission in respect of amending Annex III.

The modalities of the exercise of the delegation by the Commission are defined in Article 5 of Decision No 1080/2011/EU. In particular, the Commission shall notify to the European Parliament and to the Council the delegated act as soon as it adopts it. The delegated act enters into force only if no objection has been expressed by the two institutions within 2 months after the notification by the Commission or as soon as the other conditions detailed in Article 5(5) of Decision No 1080/2011/EU have been fulfilled.

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Decision No 1080/2011/EU of the European Parliament and of the Council of 25 October 2011 granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC<sup>4</sup>, and in particular Article 4(2) thereof,

Whereas:

- (1) Council conclusions on Syria of 23 May 2011<sup>5</sup> invite the European Investment Bank (EIB) not to approve new EIB financing operations in Syria for the time being.
- (2) European Parliament Resolution of 7 July 2011 on the situation in Syria, Yemen and Bahrain in the context of the situation in the Arab world and North Africa welcomes the Council conclusions to impose restrictive measures on Syria and notably to invite the EIB not to approve new financing operations in Syria for the time being.
- (3) The political and economic situation in Syria has further deteriorated since the adoption of Decision No 1080/2011/EU.
- (4) Council conclusions on Syria of 14 November 2011<sup>6</sup> decided to place new restrictive measures against the Syrian regime by suspending the disbursement or other payments under or in connection with existing EIB loan agreements with Syria.
- (5) In this context, the Council has adopted a series of restrictive measures, including the prohibition of disbursements by the EIB in connection with existing loan agreements between Syria and the EIB, which are now consolidated into Council Decision 2011/782/CFSP of 1 December 2011 concerning restrictive measures against Syria and repealing Decision 2011/273/CFSP<sup>7</sup> and Council Regulation (EU) N° 36/2012 of

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<sup>4</sup> OJ L 280, 27.10.2011, p. 1.

<sup>5</sup> 3091<sup>st</sup> Foreign Affairs Council meeting

<sup>6</sup> 3124<sup>th</sup> Foreign Affairs Council meeting

<sup>7</sup> OJ L 319, 2.12.2011, p. 56.

18 January 2012 concerning restrictive measures in view of the situation in Syria and repealing Regulation (EU) N°442/2011<sup>8</sup>.

- (6) The Commission, with the involvement of the European External Action Service, has assessed that the overall economic and political situation requires removing Syria from Annex III to Decision No 1080/2011/EU, which sets out the list of countries eligible for EIB financing under EU guarantee,

HAS ADOPTED THIS DECISION:

*Article 1*

In point B(1) of Annex III to Decision No 1080/2011/EU, the word "Syria" is deleted.

*Article 2*

This Decision shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

Done at Brussels, 8.2.2012

*For the Commission*  
*The President*  
*José Manuel BARROSO*

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<sup>8</sup> OJ L 16, 19.1.2012, p.1.