

029723/EU XXIV.GP
Eingelangt am 21/04/10

EN

EN

EN



EUROPEAN COMMISSION

Brussels, 21.4.2010
COM(2010)174 final

2010/0101 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**granting an EU guarantee to the European Investment Bank against losses under loans
and guarantees for projects outside the European Union**

{SEC(2010) 443 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The European Union provides a budgetary guarantee to the European Investment Bank (EIB) covering risks of a sovereign and political nature in connection with its loan and loan guarantee operations carried out outside the EU in support of EU external policy objectives. The EU guarantee for the EIB's external operations is an effective means to combine EU budgetary funds (through the provisioning of the Guarantee Fund for external actions which backs the EU guarantee) with EIB own resources, building on the EIB's financial strength, while ensuring that the EIB's financial health is not affected.

The overall scope and general conditions of the EU guarantee coverage for EIB external operations have previously been set out in Council decisions, the so-called EIB external mandates. Most recently, the EIB external mandate for the period 2007-2011 was established by Decision No 633/2009/EC of the European Parliament and of the Council of 13 July 2009¹ (the 'Decision'). Article 9 of the Decision requires the Commission to present a mid-term report on its application accompanied by a proposal for its amendment, drawing, *inter alia*, on an external evaluation (see Section 2).

On the basis of findings of the mid-term review, this proposal aims to ensure the continuation of the EU guarantee for EIB external financing for the remainder of the current financial perspectives 2007-2013, whilst **introducing a number of new elements** in the mandate.

The introduction of these new elements necessitated a number of modifications to the current mandate Decision. For the sake of clarity, it was therefore chosen to replace the mandate Decision with a new decision rather than presenting a proposal for amendments. The proposed decision will cover EIB financing operations signed during the period beginning on 1 February 2007 and ending on 31 December 2013.

The new elements to be introduced in the new decision are the following:

- * Activation of the **EUR 2 billion "optional mandate"**, which was placed in reserve by the Decision. This optional mandate will be activated not as an increase of individual regional ceilings, but as a mandate dedicated to projects which contribute to the fight against climate change across all regions covered by the decision.

- * Replacing the current system of regional objectives for operations under EU guarantee with horizontal high-level objectives covering all regions under the external mandate. These high-level objectives will be included in the Articles of the proposed decision and will cover the areas of climate change, social and economic infrastructure and local private sector development.

- * Development by the Commission, together with the EIB, and in consultation with the European External Action Service (EEAS), of operational guidelines for each region under the external mandate, reflecting EU regional strategies in order to strengthen the link between

¹ Decision granting a Community guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community (OJ L 190, 22.7.2009, p. 1).

the implementation of EIB activities in line with the general high-level objectives under the external mandate and EU regional priorities.

* Strengthening of the capacity of the EIB to support EU development objectives through

- enhancing the EIB's appraisal and monitoring of social and development aspects of projects.
- increasing the focus of EIB intervention in sectors which will further the development of third countries, such as environmental infrastructure including water and sanitation, sustainable transportation and climate change mitigation and adaptation. The EIB should also progressively increase its activity in support of health and education.

* Activation of the EIB external mandate for Iceland, Belarus, Libya, Iraq and, Cambodia.

The Staff Working Document² accompanying the proposal provides further details on the possible EIB activity in support of climate change under the EUR 2 bn optional mandate as well as on the rationale to support the proposal to activate the EIB external mandate for Iceland, Belarus, Libya, Iraq and Cambodia.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

As mentioned in the previous section, the current external mandate Decision required a mid-term review of the operation of the mandate. This review builds on an external evaluation supervised and managed by a Steering Committee of Wise Persons (SCWP), on an evaluation carried out by an external consultancy (COWI), and on specific evaluations carried out by the evaluation department of the EIB. The terms of reference of the mid-term review are set out in Annex 2 to the Decision.

During the course of the evaluation process, which started in October 2008 and ended in February 2010, the SWCP organised hearing sessions with Commission and EIB senior staff as well as with representatives of civil society, the European Parliament, International Financial Institutions (IFIs) and European bilateral finance institutions³ (EBFIs) as well as European think tanks. SWCP members also visited selected beneficiary countries and held discussions with government and private sector representatives, and with COWI and the EIB evaluation department. COWI's evaluation included interviews with Commission and EIB staff and specific country and project case studies.

The report of the SCWP is available at the following address:
<http://www.eib.org/about/documents/mtr-external-mandate-report-steering-committee.htm>.

The COWI report is available at the following address:

http://ec.europa.eu/economy_finance/evaluation/completed/index_en.htm.

² SEC(2010) 443.

³ Financial institutions in the Member States engaged in development and investment in projects outside of their own country.

The findings of the evaluation reports are summarised and analysed in the Commission report⁴ on the mid-term review which accompanies the present proposal. The proposals for modifications of the current mandate put forward in the proposed decision are based on this report.

The SCWP also provided a number of different suggestions for future reform of EU external actions including the external activities of the EIB. These suggestions will be further explored in a process, involving the Commission, the EEAS, the EIB, other IFIs and EBFIs, in time for the Commission's new proposals for the next Financial Framework.

3. LEGAL ELEMENTS OF THE PROPOSAL

The proposal for a decision of the European Parliament and of the Council is based on the dual legal basis of Articles 209 and 212 of the Treaty on the Functioning of the European Union.

The proposal falls under the exclusive competence of the EU. The subsidiarity principle therefore does not apply.

The proposal complies with the proportionality principle, as the EU guarantee has proved to be an efficient and inexpensive means of covering the political and sovereign risks relating to EIB external operations carried out in support of EU external policies. The extension of the EU guarantee will allow the existing efficient and economically sound practice to continue.

4. BUDGETARY IMPLICATION

The Guarantee Fund for external actions (the "Guarantee Fund") set up by Council Regulation (EC, Euratom) No 480/2009⁵, provisioned by yearly transfers from the general EU budget, provides a buffer for the EU budget against shocks due to *inter alia* losses on EIB external financing operations.

The budgetary implications as regards the provisioning of the Guarantee Fund as well as the human and administrative resources involved in the administration of the EU guarantee are set out in the financial statement accompanying the proposal.

5. OPTIONAL ELEMENTS

Detailed explanation of the proposal

Article 1 extends the EU guarantee to the remaining period of the current financial perspective 2007-2013, with the possibility of a six-month extension to ensure the continuity of EIB financing operations. The EU guarantee is limited to 65% of the aggregate amount of the EIB outstanding disbursed amounts plus related amounts (i.e. interest, commissions, and other possible charges that are due by a guaranteed obligor to the EIB pursuant to a loan or guarantee agreement), in line with the current Decision. It stresses that the EIB uses its own rules and procedures when granting financing covered by the EU guarantee, but also makes

⁴ COM(2010) 173.

⁵ OJ L 145, 10.6.2009, p. 10.

the guarantee coverage conditional on the EIB financing being carried out in support of EU external policy objectives.

Article 2 sets out the ceilings for EIB financing under EU guarantee. The current regional ceilings are maintained in an Annex to the proposed decision. The optional mandate of EUR 2 billion – which was reserved for possible activation following the mid-term review – is activated as a specific envelope dedicated to the financing of projects in the field of climate change. The Article also contains a definition of the projects which can be considered as contributing to the fight against climate change.

Article 3 determines the horizontal high-level objectives which must be pursued by EIB financing operations covered by the EU guarantee. This will give the mandate a clearer identity by focusing it on areas where the EIB has a comparative advantage and particular strengths, i.e. climate change, economic infrastructure and local private sector development (in particular SMEs). Regional integration will be an underlying objective for all EIB financing activity.

Article 4 deals with the list of countries concerned by the proposal and their eligibility. Compared to the current mandate Decision, the eligibility of Iceland, Belarus, Libya, Iraq and Cambodia for EIB financing under EU guarantee is established. This reflects the progress that has been made in the EU's relations with these countries. The more detailed justification for extending the EU guarantee to EIB financing in these countries is set out in the Staff Working Document⁶ accompanying this proposal. It takes into account the political situation in these countries and the bilateral relations with the EU, the democracy, human rights and fundamental freedoms situation as well as the macro-economic situation and investment needs at country level. As in the Decision currently in force, the inclusion of new countries of operations or the suspension of EIB financing to a country covered by the mandate, in light of its human rights record or for other reasons, would continue to be taken following the ordinary legislative procedure.

Article 5 details the requirements relating to the linkage of EIB external activities with EU policies. It aims to ensure that the high-level objectives outlined in the mandate are translated into the EIB's implementation of the mandate and that EIB financing is complementary to corresponding EU assistance policies, programmes and instruments in the different regions. The translation of these objectives into operations would happen through the development of regional operational guidelines for EIB financing under the proposed decision. This Article requires the Commission to inform the European Parliament and the Council of the operational guidelines established. It also calls on the EIB to develop appropriate financing strategies for the actual execution of EIB financing operations. Furthermore, it specifies that an EIB financing operation will not be granted the cover of the EU guarantee if the Commission delivers a negative opinion on the operation within the framework of the procedure provided for in Article 19 of the Statute of the EIB.

Article 6 aims to ensure that the EIB will carry out thorough due diligence on development-related aspects of projects to be covered by the EU guarantee, including a social impact assessment, so that only projects that are economically, financially, environmentally and socially sustainable are supported under the mandate.

⁶ SEC(2010) 443.

Article 7 details the modalities of reinforced cooperation between the Commission and the EIB, and where appropriate the EEAS. It aims to ensure that at all levels, from upstream strategic planning to downstream project development, that EIB external financing operations comply with and support EU external relations policies and the high-level objectives set out in this decision.

Article 8 details the modalities of enhanced cooperation with other IFIs.

Article 9 outlines the nature of the EU guarantee which will cover risks of a political or sovereign nature for financing operations entered into by the EIB. It also requires the EIB to establish a policy governing the decision on whether to submit eligible operations for cover under the EU guarantee or to finance them at the EIB's own risk. The aim of such a policy would be to ensure that the EU guarantee coverage is utilised to the maximum benefit of beneficiaries, e.g. in countries and for operations that have difficulties in obtaining finance from the capital market on acceptable terms, while borrowers in investment grade countries, or investment grade structures in sub-investment countries may have access to EIB own risk facilities.

Article 10 includes the reporting and accounting information requirements for both the EIB and the Commission.

Article 11 specifies the responsibility of the EIB to pursue possible recovery claims on behalf of the Commission.

Article 12 mentions that the detailed provisions and procedures relating to the EU guarantee shall be laid down in a guarantee agreement between the Commission and the EIB.

Article 13 states that the Commission shall present to the European Parliament and the Council a proposal for establishing the EU guarantee under the next Financial Framework , as appropriate.

Article 14 mentions that the Commission shall present a final report on the application of the proposed decision by 31 October 2014.

The 'Recitals' section includes, amongst other things, the political background for the proposal to maintain the EU guarantee and the main findings of the mid-term review.

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

granting an EU guarantee to the European Investment Bank against losses under loans and guarantees for projects outside the European Union

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 209 and 212 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) In addition to its core mission of financing investment in the European Union, the European Investment Bank (EIB) has since 1963 undertaken financing operations outside the European Union in support of the EU's external policies. This allows the EU budget funds available to the external regions to be complemented by the financial strength of the EIB for the benefit of beneficiary countries.
- (2) With a view to supporting the EU's external action, and in order to enable the EIB to finance investments outside the EU without affecting its credit standing, the majority of its operations in external regions have benefited from an EU budgetary guarantee administered by the Commission.
- (3) Most recently, the EU guarantee was established for the period 2007-2011 by Decision No 633/2009/EC of the European Parliament and of the Council of 13 July 2009 granting a Community Guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community⁷.
- (4) The Guarantee Fund for external actions (the "Guarantee Fund"), established by Council Regulation (EC, Euratom) No 480/2009⁸, provides a liquidity cushion for the EU budget against losses on EIB financing operations and other EU external action.
- (5) As required by Decision No 633/2009/EC, the Commission and the EIB have prepared a mid-term review of EIB external financing, based on an independent external evaluation supervised by a steering group of "wise persons", a review by an external

⁷ OJ L 190, 22.7.2009, p. 1.

⁸ OJ L 145, 10.6.2009, p. 10.

consultancy, and specific evaluations produced by the EIB. On 12 February 2010, the steering group submitted a report to the European Parliament, the Council, the Commission and the EIB containing its conclusions and recommendations.

- (6) The steering group report concluded that the EU guarantee to the EIB is an efficient and forceful policy instrument with high financial and political leverage and that it should be maintained in order to cover risks of a political or sovereign nature. Certain amendments to Decision No 633/2009/EC were proposed to ensure maximum added value and efficiency in the EIB's external operations.
- (7) The amounts covered by the EU guarantee in each region should continue to represent ceilings for financing by the EIB under the EU guarantee and not targets that the EIB is requested to meet.
- (8) In addition to the regional ceilings, the optional mandate of EUR 2 000 000 000 should be activated and allocated as an envelope to support EIB financing operations in the field of climate change mitigation and adaptation across the regions covered by the mandate. The EIB could contribute with its expertise and resources, in close cooperation with the Commission, to support public authorities as well as the private sector to address the challenge of climate change and to make the best possible use of available financing. For mitigation and adaptation projects, the resources of the EIB should be complemented where possible with concessional funds available under the EU budget, through the efficient and consistent blending of grants and loans for climate change financing in the context of EU external assistance.
- (9) Some flexibility on regional allocation under the Climate Change Mandate should be provided to allow for the fastest and most effective possible uptake of available financing within the 3-year period 2011-2013. In the event that the total amount of financing operations under consideration would exceed the available EUR 2 billion, the Commission and the EIB should strive to ensure a balanced distribution across the regions covered, based on the established priorities for external aid under the General Mandate.
- (10) Moreover, the evaluation found that although the EIB operations carried out in the period covered by the evaluation (2000-2009) were generally in line with EU external policies, the link between EU policy objectives and their operational implementation by the EIB should be strengthened and made more explicit and structured.
- (11) In order to enhance the coherence of the mandate, strengthen the focus of the EIB external financing activity on supporting EU policies, and for the maximum benefit of beneficiaries, this decision should set out horizontal high-level objectives in the mandate for EIB financing operations across all eligible countries, building on the comparative strengths of the EIB in areas where it has a well-proven track record. In all regions covered by this decision, the EIB should thus finance projects in the areas of climate change mitigation and adaptation, social and economic infrastructure (notably in transport, energy including renewable energy, energy security, environmental infrastructure including water and sanitation, as well as information and communication technology (ICT)), and local private sector development, in particular in support of small and medium-sized enterprises (SMEs). Within these areas, regional integration among partner countries, including economic integration between pre-

accession countries, neighbouring countries and the EU, should be an underlying objective for EIB financing operations.

- (12) Moreover, EIB financing operations should contribute to the general principles guiding the EU's external action, as referred to in Article 21 of the Treaty on the European Union, of promoting and consolidating democracy and the rule of law, human rights and fundamental freedoms, and to the implementation of international environmental agreements to which the EU is a party. In relation to developing countries⁹ in particular, EIB financing operations should foster: sustainable economic, social and environmental development of these countries, particularly in the most disadvantaged amongst them; their smooth and gradual integration into the world economy; the campaign against poverty; as well as compliance with objectives approved by the EU in the context of the United Nations and other competent international organisations. The EIB should gradually build up appropriate means to adequately meet these requirements.
- (13) Under this decision, the EIB should increase its development orientation in close coordination with the Commission and following the principles of the European Consensus on Development. This should be implemented through a number of concrete measures, in particular by reinforcing its capacity to appraise social and development aspects of projects, including human rights and conflict related risks, and by promoting local consultation. Moreover, it should increase its focus on sectors where it has sound expertise from financing operations within the EU and which will further the development of the country in question, such as environmental infrastructure including water and sanitation, sustainable transportation and climate change mitigation, particularly in renewable energy. The EIB should also progressively strengthen its activity in support of health and education as well as of climate change adaptation, where appropriate working in cooperation with other International Finance Institutions (IFIs) and European bilateral finance institutions (EBFIs). This will require access to concessional resources and a progressive increase in human resources devoted to EIB external activities. EIB activity should also be complementary to EU objectives and priorities relating to institution building and sector reforms. Finally, the EIB should define performance indicators which are linked to development aspects of the projects and their results.
- (14) With the entry into force of the Lisbon Treaty, the function of High Representative of the Union for Foreign Affairs and Security Policy, which is at the same time Vice-President of the Commission for External Relations, has been created with the aim of increasing the impact and coherence of the EU's external relations. A new European External Action Service (EEAS) will be created under the authority of the High Representative. There has also been a broadening and strengthening of the EU's external relations policies in recent years. This has notably been the case for the Pre-Accession Strategy, the European Neighbourhood Policy, the EU Strategy for Central Asia, the renewed partnerships with Latin America and South-East Asia and the EU's Strategic Partnerships with Russia, China and India. It is also the case for the EU's development policies, which have now been extended to include all developing countries. From 2007, the EU's external relations have also been supported by new

⁹ As defined in the OECD list of ODA recipients (which include Least Developed Countries, Low Income Countries as well as Middle Income Countries).

financial instruments, i.e. the Instrument for Pre-Accession Assistance (IPA), the European Neighbourhood and Partnership Instrument (ENPI), the Development Cooperation Instrument (DCI), the European Instrument for Democracy and Human Rights (EIDHR) and the Instrument for Stability.

- (15) EIB activity in Pre-accession countries should take place in the framework established in the Accession and European Partnerships which set out the priorities for each country, and for Kosovo under United Nations Security Council Resolution 1244 (1999), with a view to making progress in moving closer to the EU, and which provide a framework for EU assistance. The Stabilisation and Association Process (SAP) is the EU policy framework for the Western Balkans. It is based on progressive partnership, in which the EU offers trade concessions, economic and financial assistance and contractual relationships through Stabilisation and Association Agreements (SAAs). Pre-accession financial assistance, through the IPA, helps the candidates and potential candidates prepare for the obligations and challenges of membership of the EU. This assistance supports the reform process, including preparations for eventual membership. It focuses on institution-building, alignment with the *acquis communautaire* and preparation for EU policies and instruments.
- (16) EIB activity in Neighbourhood countries should take place in the framework of the European Neighbourhood Policy, under which the EU aims to develop a special relationship with neighbouring countries with a view to establishing an area of prosperity and good neighbourliness, founded on the values of the EU and characterised by close and peaceful relations based on co-operation. To achieve these objectives the EU and its partners implement jointly agreed bilateral Action Plans defining a set of priorities including on political and security issues, trade and economic matters, environmental concerns and integration of transport and energy networks. The Union for the Mediterranean, the Eastern Partnership, and the Black Sea Synergy are multilateral and regional initiatives complementary to the European Neighbourhood Policy aimed at fostering co-operation between the EU and the respective group of neighbouring partner countries facing common challenges and/or sharing a common geographical environment. The Union for the Mediterranean supports improved socio-economic, solidarity, regional integration, sustainable development and knowledge building, underlining the need to increase financial co-operation to support regional and trans-national projects. The Eastern Partnership aims to create the necessary conditions to accelerate political association and further economic integration between the EU and Eastern Partner countries. The Russian Federation and the EU have a wide-ranging Strategic Partnership, distinct from the European Neighbourhood Policy and expressed through the Common Spaces and Roadmaps. This is complemented at multilateral level by the Northern Dimension which provides a framework for co-operation between the EU, Russia, Norway and Iceland.
- (17) EIB activity in Latin America should take place in the framework of the EU, Latin America and the Caribbean Strategic Partnership. As highlighted in the September 2009 Commission Communication "The European Union and Latin America: Global Players in Partnership"¹⁰, the EU priorities in the field of cooperation towards Latin America are the promotion of regional integration and the eradication of poverty and

¹⁰ COM(2009) 495.

social inequality in order to promote sustainable economic and social development. These policy objectives should be fostered taking into account the different level of development of Latin America countries. Bilateral dialogue should be pursued in areas of common interest for the EU and Latin America, including environment, climate change, disaster risk reduction and energy, science, research, higher education, technology and innovation.

- (18) The EIB should be active in Asia both in dynamic emerging economies and in less prosperous countries. In this diverse region, the EU is deepening its strategic partnerships with China and India and negotiations are progressing on new partnership and free trade agreements with South-East Asian countries. At the same time, development cooperation remains high on the EU's agenda with Asia; the EU development strategy for the Asian region aims at eradicating poverty by supporting broad-based sustainable economic growth, promoting a conducive environment and conditions for trade and integration within the region, enhancing governance, increasing political and social stability, and supporting the achievement of the 2015 Millennium Development Goals. Policies are being put in place jointly to address common challenges, such as climate change, sustainable development, security and stability, governance and human rights, as well as the prevention of, and response to natural and human disasters.
- (19) The EU Strategy for a new partnership with Central Asia adopted by the European Council in June 2007 has strengthened regional and bilateral dialogue and EU cooperation with Central Asian countries on major issues facing the region, such as poverty reduction, sustainable development and stability. The implementation of the strategy has made important advances in the fields of human rights, rule of law, good governance and democracy, education, economic development, trade and investment, energy and transport and environmental policies.
- (20) EIB activity in South Africa should take place in the framework of the EU-South Africa Country Strategy Paper. The focal areas identified in the Strategy Paper are employment creation and capacity development for service delivery and social cohesion. EIB activities in South Africa have taken place in high complementarity with the Commission's development cooperation programme, namely through the EIB focus on private sector support and investments in expansion of infrastructure and social services (housing, electric power and municipal infrastructure). The Mid-Term Review of the Country Strategy Paper for South Africa has proposed the strengthening of actions in the area of climate change through activities supporting the creation of green jobs.
- (21) With a view to enhancing the coherence of overall EU support in the regions concerned, opportunities should be sought to combine EIB financing with EU budgetary resources when and as appropriate, in the form e.g. of guarantees, risk capital and interest rate subsidies, investment co-financing, alongside technical assistance for project preparation and implementation, through the IPA, the ENPI, the Instrument for Stability, the EIDHR and the DCI.
- (22) At all levels, from upstream strategic planning to downstream project development, it should be ensured that EIB external financing operations comply with and support EU external policies and the high-level objectives set out in this decision. With a view to increasing the coherence of EU external actions, dialogue on policy and strategy

should be further strengthened between the Commission, the EEAS and the EIB. To the same end, there should be enhanced cooperation and early mutual exchange of information between the EIB the Commission at operational level. It is of particular importance to have an early exchange of views between the EIB, the Commission and the EEAS, as appropriate, in the process of preparing programming documents in order to maximise synergies between EIB activities and those implemented by the Commission.

- (23) The practical measures for linking the general mandate objectives and their implementation will be set out in regional operational guidelines developed by the Commission together with the EIB, in consultation with the EEAS on policy issues, appropriate. These guidelines should take as a starting point the wider EU policy framework for each region, reflect EU country strategies and aim to ensure that EIB financing is complementary to corresponding EU assistance policies, programmes and instruments in the different regions. The guidelines should be provided to the European Parliament and Council in the framework of the annual reporting exercise on the EIB external mandate of the Commission.
- (24) The EIB should prepare, in consultation with the Commission, an indicative multi-annual programme of the planned volume of signatures of EIB financing operations, so as to ensure appropriate budgetary planning for provisioning the Guarantee Fund. The Commission should take account of this plan in its regular budget programming transmitted to the budgetary authority.
- (25) The Commission should study the development of an "EU platform for cooperation and development" with a view to optimising the functioning of mechanisms for the blending of grants and loans in the external regions. In its reflections the Commission should consult the EIB as well as the other European multilateral and bilateral finance institutions. Such a platform would continue to promote mutual reliance arrangements, based on the comparative advantage of the different institutions while respecting the role and prerogatives of the EU institutions in the implementation of the EU budget and of EIB loans.
- (26) The EIB should be encouraged to increase its operations outside the EU without recourse to the EU guarantee in order to support EU external policy objectives, particularly in pre-accession countries and neighbourhood countries and in investment grade countries in other regions, but also in sub-investment grade countries when the EIB has the appropriate third party guarantees. In consultation with the Commission, the EIB should develop a policy for deciding between the allocation of projects to either the mandate under EU guarantee or to EIB own risk financing. Such a policy would notably take into account the creditworthiness of the countries and projects concerned.
- (27) The EIB should expand the range of new and innovative financing instruments offered, including by focusing more on developing guarantee instruments. Moreover, the EIB should be encouraged to provide loans in local currencies and issue bonds in local markets, provided that partner countries put in place the necessary structural reforms, in particular in the financial sector, as well as other measures to facilitate EIB activity.

- (28) In order to ensure that the Bank meets the requirements of the mandate across regions and sub-regions, sufficient human and financial resources will need to be devoted to the EIB's external activities. This would notably include having sufficient capacity to support EU development cooperation objectives, to increase focus on ex ante appraisal of the environmental, social and development aspects of its activities, and to effectively monitor projects during implementation.
- (29) In its financing operations outside the EU that fall within the scope of this decision, the EIB should endeavour to further enhance coordination and cooperation with IFIs and EBFIs where relevant, including, where appropriate, cooperation on sector conditionality and mutual reliance on procedures, use of joint co-financing and participation in global initiatives, such as those promoting aid coordination and effectiveness. The above efforts are to be based on reciprocity between EIB and other institutions and require an equivalent effort by the EIB and other financial institutions to be implemented effectively. In particular, the modalities for the implementation of EIB financing in the Eastern Neighbourhood and Partnership countries, Central Asia and Turkey are set out in tripartite Memoranda of Understanding between the Commission, the EIB and the European Bank for Reconstruction and Development.
- (30) The reporting and transmission of information by the EIB to the Commission should be strengthened in order to allow the Commission to enhance its annual report to the European Parliament and the Council on the EIB financing operations carried out under this decision. The report should in particular assess the compliance of EIB financing operations with this decision, taking into account the operational guidelines, and include sections on added value in line with EU policies and sections on cooperation with the Commission, other IFIs and bilateral donors, including co-financing. Where necessary, the report should include references to significant changes in circumstances that would justify further amendments to the mandate before the end of the period.
- (31) EIB financing operations should continue to be managed in accordance with the EIB's own rules and procedures, including appropriate control measures and measures taken to avoid tax evasion, as well as with the relevant rules and procedures concerning the Court of Auditors and the European Anti-Fraud Office (OLAF),

HAVE ADOPTED THIS DECISION:

Article 1
EU guarantee

1. The European Union shall grant the European Investment Bank (EIB) an EU budgetary guarantee for operations carried out outside the EU (the EU guarantee). The EU guarantee shall be granted as a global guarantee in respect of payments not received by the EIB, but due to it, in connection with loans and loan guarantees for EIB investment projects that are eligible in accordance with paragraph 2.
2. Eligible for EU guarantee shall be EIB loans and loan guarantees for investment projects carried out in countries covered by this decision, granted in accordance with the EIB's own rules and procedures in support of the relevant external policy objectives of the

EU, where the EIB financing has been granted according to a signed agreement which has neither expired nor been cancelled (EIB financing operations).

3. The EU guarantee shall be restricted to 65% of the aggregate amount of credits disbursed and guarantees provided under EIB financing operations, less amounts reimbursed, plus all related amounts.

4. The EU guarantee shall cover EIB financing operations signed during the period beginning 1 February 2007 and ending 31 December 2013. EIB financing operations signed under Council Decision 2006/1016/EC of 19 December 2006 granting a Community guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community¹¹, Council Decision 2008/847/EC of 4 November 2008 on the eligibility of Central Asian countries under Decision 2006/1016/EC granting a Community guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community¹² and Decision No 633/2009/EC shall continue to benefit from the EU guarantee under this Decision.

5. If, on expiry of the period referred to in paragraph 4, the European Parliament and the Council have not adopted a decision granting a new EU guarantee to the EIB for its financing operations outside the EU on the basis of a proposal presented by the Commission in accordance with Article 13, that period shall be automatically extended by six months.

Article 2 Mandate ceilings

1. The maximum ceiling of the EIB financing operations under EU guarantee throughout the period 2007-2013, less amounts cancelled, shall not exceed EUR 27 800 000 000, broken down into two parts:

- (a) a General Mandate of EUR 25 800 000 000
- (b) a Climate Change Mandate of EUR 2 000 000 000

2. The General Mandate shall be broken down into binding regional ceilings and indicative sub-ceilings as laid down in Annex I. Within the regional ceilings, the EIB shall progressively ensure a balanced country distribution within the regions covered by the General Mandate.

3. EIB Financing Operations covered under the General Mandate shall be those pursuing the objectives set out in Article 3 of this Decision.

4. The Climate Change Mandate shall cover EIB financing operations in all countries covered by this decision, where such EIB financing operations support the key EU policy objective of tackling climate change by supporting projects in climate change mitigation and adaptation which contribute to the overall objective of the United Nations Framework Convention on Climate Change (UNFCCC), in particular by avoiding or reducing greenhouse gas emissions in the areas of renewable energy, energy efficiency and sustainable transport, or

¹¹ OJ L 414, 30.12.2006, p. 95.

¹² OJ L 301, 12.11.2008, p. 13.

by increasing resilience to the adverse impacts of climate change on vulnerable countries, sectors and communities. The Climate Change Mandate shall be implemented in close cooperation with the Commission, combining where possible and appropriate EIB financing with EU budget funds.

5. For the Climate Change Mandate, the EIB shall nevertheless endeavour to ensure a balanced distribution of financing operations signed across the regions covered by Annex II of this decision, by the end of the period referred to in Article 1(4). In particular, the EIB will ensure that the region referred to under point A of Annex II does not receive more than 40% of the amount allocated to this Mandate, the region under point B not more than 50%, the region under point C not more than 30% and the region under point D not more than 10%.

Article 3

General mandate objectives

1. The EU guarantee shall be granted for EIB financing operations which support the following general objectives:

- (a) Climate change mitigation and adaptation, as defined in Article 2(4).
- (b) Development of social and economic infrastructure, including transport, energy, environmental infrastructure and information and communication technology (ICT).
- (c) Local private sector development, in particular support to small- and medium-sized enterprises.

2. Regional integration among partner countries, including economic integration between pre-accession countries, neighbouring countries and the EU, shall be an underlying objective for EIB financing operations within the areas covered by paragraph 1.

3. The EIB shall progressively increase its activity in social sectors, such as health and education.

Article 4

Countries covered

1. The list of countries eligible or potentially eligible for EIB financing under EU guarantee is set out in Annex II.

2. For countries listed in Annex II and marked with "*" and for other countries not listed in Annex II, eligibility for EIB financing under EU guarantee shall be decided by the European Parliament and the Council on a case-by-case basis in accordance with the ordinary legislative procedure.

3. The EU guarantee shall cover only EIB financing operations carried out in eligible countries that have concluded a framework agreement with the EIB establishing the legal conditions under which such operations are to be carried out.

4. In the event of serious concerns over the political or economic situation in a specific country, the European Parliament and the Council may decide to suspend new EIB financing under EU guarantee in that country in accordance with the ordinary legislative procedure.

5. The EU guarantee shall not cover EIB financing operations in a specific country where the agreement concerning such operations has been signed after that country's accession to the European Union.

Article 5

Contribution of EIB operations to EU policies

1. The Commission shall develop, together with the EIB, regional operational guidelines for EIB financing under this decision. In drawing up these guidelines the Commission and the EIB will consult with the European External Action Service (EEAS) on policy issues, as appropriate. The operational guidelines aim to ensure that EIB financing supports EU policies, and shall take as a starting point the wider EU regional policy framework set by the Commission and the EEAS, as appropriate. Notably, the operational guidelines will ensure that EIB financing is complementary to corresponding EU assistance policies, programmes and instruments in the different regions, taking into account European Parliament resolutions and Council decisions and conclusions. The Commission will inform the European Parliament and the Council of the guidelines established. Within the framework set out by the operational guidelines, the EIB shall define corresponding financing strategies and ensure their implementation.

2. The consistency of EIB financing operations with the external policy objectives of the EU shall be monitored in accordance with Article 10.

3. An EIB financing operation shall not be included under the cover of the EU guarantee in the event that the Commission delivers a negative opinion on such an operation within the framework of the procedure provided for in Article 19 of the Statute of the EIB.

Article 6

EIB assessment of development related aspects of projects

1. The EIB shall carry out thorough due diligence on development-related aspects of projects covered by the EU guarantee. The EIB's own rules and procedures shall include the necessary provisions on assessment of environmental and social impact of projects and of aspects related to human rights, to ensure that only projects that are economically, financially, environmentally and socially sustainable are supported under this Decision.

Where appropriate, the appraisal shall include an assessment of how the capacities of the beneficiaries of EIB financing can be reinforced throughout the project cycle with technical assistance.

2. In addition to the ex-ante assessment of development-related aspects, the EIB should strengthen its monitoring during project implementation, inter alia, on the development impact of the project.

Article 7

Cooperation with the Commission and the European External Action Service

1. The consistency of EIB external actions with the external policy objectives of the EU shall be strengthened, with a view to maximising synergies between EIB financing and EU budgetary resources, in particular through the establishment of the operational guidelines referred to in Article 5 as well as through regular and systematic dialogue and early exchange of information on:

(a) strategic documents prepared by the Commission and/or the EEAS as appropriate, such as country and regional strategy papers, indicative programmes, action plans and pre-accession documents;

(b) the EIB's strategic planning documents and project pipelines;

(c) other policy and operational aspects.

2. The cooperation shall be carried out on a region-by-region basis, taking into consideration the EIB's role as well as the policies of the EU in each region.

Article 8

Cooperation with other international financial institutions

1. EIB financing operations shall increasingly be carried out, where appropriate, in cooperation with other international financial institutions or European bilateral finance institutions, in order to maximize synergies, cooperation and efficiency and to ensure reasonable sharing of risks and coherent project and sector conditionality.

2. The cooperation referred to in paragraph 1 shall be facilitated by coordination, carried out notably in the context of Memoranda of Understanding or other EU regional cooperation frameworks, where appropriate, between the Commission, the EIB and the main international financial institutions and European bilateral finance institutions operating in the different regions.

Article 9

Coverage and terms of the EU guarantee

1. For EIB financing operations entered into with a State, or guaranteed by a State, and for other EIB financing operations entered into with regional or local authorities, or government-owned and/or government-controlled public enterprises or institutions where such other EIB financing operations have an appropriate EIB credit risk assessment taking into account the credit risk situation of the country concerned, the EU guarantee shall cover all payments not received by the EIB, but due to it (the "Comprehensive Guarantee").

2. For the purposes of paragraph 1, the West Bank and Gaza Strip is represented by the Palestinian Authority and Kosovo under United Nations Security Council Resolution 1244 (1999) by the United Nations Mission in Kosovo or an administration designated in the guidelines referred to under Article 5 of this Decision.

3. For EIB financing operations other than those indicated in paragraph 1, the EU guarantee shall cover all payments not received by the EIB, but due to it, where the non-receipt has been caused by the realization of one of the following political risks (the "Political Risk Guarantee"):

- (a) non-transfer of currency;
- (b) expropriation;
- (c) war or civil disturbance;
- (d) denial of justice upon breach of contract.

4. The EIB shall, in consultation with the Commission, develop a clear and transparent allocation policy for deciding upon the source of financing of operations which are eligible both for coverage by the EU guarantee and for EIB own risk financing.

Article 10

Annual reporting and accounting

1. The Commission shall report annually to the European Parliament and the Council on EIB financing operations carried out under this decision. The report shall include an assessment of EIB financing operations at project, sector, country and regional level as well as the contribution of the EIB financing operations to the fulfilment of the external policy and strategic objectives of the EU. The report shall in particular assess the compliance of EIB financing operations with this Decision, taking into account the operational guidelines referred to in Article 5, and shall include sections on added value for the achievement of EU policy objectives as well as on cooperation with the Commission and other international financial institutions and bilateral institutions, including co-financing.

2. For the purposes of paragraph 1, the EIB shall provide the Commission with yearly reports on EIB financing operations carried out under this decision at project, sector, country and regional level and on the fulfilment of the external policy and strategic objectives of the EU, including cooperation with the Commission, other international financial institutions and bilateral institutions.

3. The EIB shall provide the Commission with statistical, financial and accounting data on each of the EIB financing operations which are necessary to fulfil the Commission's reporting duties or requests by the European Court of Auditors as well as with an auditor's certificate on the outstanding amounts of the EIB financing operations.

4. For the purposes of the Commission's accounting and reporting of the risks covered by the Comprehensive Guarantee, the EIB shall provide the Commission with the EIB's risk assessment and grading information concerning EIB financing operations with borrowers or guaranteed obligors other than States.

5. The EIB shall provide the information referred to in paragraphs 2, 3 and 4 at its own expense.

Article 11
Recovery of payments made by the Commission

1. Where the Commission makes any payment under the EU guarantee, the EIB shall, in the name and on behalf of the Commission, pursue the recovery of claims for the amounts paid.
2. The EIB and the Commission shall enter into an agreement laying down the detailed provisions and procedures relating to recovery of claims no later than the date of conclusion of the agreement referred to in Article 12.

Article 12
Guarantee agreement

The EIB and the Commission shall enter into a guarantee agreement laying down the detailed provisions and procedures relating to the EU guarantee.

Article 13
Review

The Commission shall present to the European Parliament and the Council a proposal for establishing the EU guarantee under the next Financial Framework, as appropriate.

Article 14
Final reporting

The Commission shall present a final report on the application of this decision by 31 October 2014.

Article 15
Repeal

Decision No 633/2009/EC is repealed.

Article 16
Entry into force

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX I

REGIONAL CEILINGS OF THE GENERAL MANDATE

A. Pre-accession countries: EUR 8 700 000 000;

B. Neighbourhood and Partnership Countries: EUR 12 400 000 000;

broken down into the following indicative sub-ceilings:

(i) Mediterranean countries: EUR 8 700 000 000;

(ii) Eastern Europe, Southern Caucasus and Russia: EUR 3 700 000 000;

C. Asia and Latin America: EUR 3 800 000 000;

broken down into the following indicative sub-ceilings:

(i) Latin America: EUR 2 800 000 000;

(ii) Asia (including Central Asia): EUR 1 000 000 000;

D. Republic of South Africa: EUR 900 000 000.

Within the regional ceilings of the General Mandate, the governing bodies of the EIB may decide to reallocate an amount of up to 10 % of the regional ceiling between the indicative sub-regional ceilings.

ANNEX II

REGIONS AND COUNTRIES ELIGIBLE OR POTENTIALLY ELIGIBLE

A. Pre-accession countries

1. Candidate countries

Croatia, Turkey, the former Yugoslav Republic of Macedonia.

2. Potential candidate countries

Albania, Bosnia and Herzegovina, Montenegro, Serbia, Kosovo under United Nations Security Council Resolution 1244 (1999), Iceland.

B. Neighbourhood and Partnership Countries

1. Mediterranean countries

Algeria, Egypt, the West Bank and the Gaza Strip, Israel, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia.

2. Eastern Europe, Southern Caucasus and Russia

Eastern Europe: Republic of Moldova, Ukraine, Belarus;

Southern Caucasus: Armenia, Azerbaijan, Georgia;

Russia.

C. Asia and Latin America

1. Latin America

Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba (*), Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela.

2. Asia

Asia (excluding Central Asia): Afghanistan (*), Bangladesh, Bhutan (*), Brunei, Cambodia, China (including Hong Kong and Macao Special Administrative Regions), India, Indonesia, Iraq, South Korea, Laos, Malaysia, Maldives, Mongolia, Nepal, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan (*), Thailand, Vietnam, Yemen.

Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan.

D. **South Africa:** Republic of South Africa.

LEGISLATIVE FINANCIAL STATEMENT

1. NAME OF THE PROPOSAL

Proposal for a Decision of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under loans and guarantees for projects outside the EU

2. ABM / ABB FRAMEWORK

Policy Area(s) concerned and associated Activity/Activities:

Policy Area: Economic and Financial Affairs

ABB Activity: Financial operations and instruments

3. BUDGET LINES

3.1. Budget lines (operational lines and related technical and administrative assistance lines (ex- B.A lines)) including headings

01 04 01 06 - "EC guarantee for EIB loans to third countries"

01 04 01 14 – "Provisioning of the Guarantee Fund"

3.2. Duration of the action and of the financial impact

EIB loans and loan guarantees under EU guarantee cover ("EIB Financing Operations") can be signed by the EIB from 2007 to 2013. An extension of six months is foreseen if the European Parliament and the Council have not adopted a decision granting a new EU guarantee to the EIB for its financing operations outside the EU at the end of 2013. The total duration of the action and of its financial impact will be determined, however, by the maturity of the signed EIB Financing Operations. As foreseen in the guarantee agreement signed between the Commission and the EIB, disbursements of signed operations should take place within seven years from the end of the mandate.

3.3. Budgetary characteristics

Budget line	Type of expenditure	New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
01 04 01 06	Diff. ¹³	NO	NO	NO	4
01 04 01 14	Diff. ¹⁴	NO	NO	NO	4

¹³ Differentiated appropriations.

4. SUMMARY OF RESOURCES

4.1. Financial Resources

4.1.1. *Summary of commitment appropriations (CA) and payment appropriations (PA)*

- 01 04 01 06 - "EC guarantee for EIB loans to third countries"

The budget entry ("p.m.") reflecting the budget guarantee for the EIB loans to third countries will be activated only in the case of an effective call on the guarantee which cannot be wholly covered by the Guarantee Fund.

- 01 04 01 14 – "Provisioning of the Guarantee Fund"

The Guarantee Fund for external actions has to be provisioned according to the Guarantee Fund Regulation¹⁵. In line with this Regulation, loans are provisioned on the basis of the outstanding amount at the end of a year. The provisioning amount is calculated at the beginning of the year "n" as the difference between the target amount (9% of the outstanding amount) and the Fund's net assets at the end of the year "n-1". This provisioning amount is introduced in the year "n" to the "n+1" preliminary budget and effectively paid in one transaction at the beginning of the year "n+1" from budget line 01 04 01 12.

The following table summarizes the estimated budgetary resources needed for funding the Guarantee Fund between 2007 and 2013. Data regarding 2007-2010 represent the actual budgetary execution. The calculations are based on the proposed EIB lending mandate of EUR 27.8 billion between 2007 and 2013, of which EUR 2 billion for the optional mandate.

It should be noted that the Guarantee Fund also covers Macro-financial Assistance and Euratom loans which fall outside the scope of the proposed Decision. Therefore, the budgetary needs take into account existing signed operations as well as potential new operations under these two activities.

- The forecast needs for provisioning of the Guarantee Fund in 2012-2013 are based on the volume of signatures and disbursements estimated by the EIB. It should be noted that this annual data will vary according to the actual rhythm of signatures, disbursements and reimbursement of the loans. The forecasts take into account the impact of the EUR 2 billion "optional mandate" on the provisioning of the Guarantee Fund. On the basis of the 9% provisioning rate, the financial impact of the allocation of the EUR 2 billion on the provisioning of the Fund will amount to a maximum of EUR 180 million over the period 2012-2020, on the assumption that the corresponding loans are fully disbursed.

An envelope of EUR 1.4 billion has been set aside in the financial programming of Heading 4 with a flat profile of EUR 200 million per year. The total programmed

¹⁴ Differentiated appropriations.

¹⁵ Council Regulation (EC, Euratom) No 480/2009 (OJ L 145, 10.6.2009, p. 10).

amount of EUR 1.4 billion shall be maintained as the "maximum budgetary needs". This annual amount of EUR 200 million initially envisaged could be exceeded in 2012 and 2013, taking into account the evolution of disbursement volumes, as well as negative developments such as accumulation of defaults¹⁶ and adverse assets valuation¹⁷, in order to cope with extreme situations as shown in the total "Maximum budgetary needs" (see table below)

The budgetary needs estimated on the basis of "normal" and exceptional provisioning of the Guarantee Fund are detailed in the table below (actual figures for 2007-2011).

EUR Million	2007	2008	2009 (**)	2010	2011	2012	2013	Total
<i>Budgetary revenues</i>	260,9 ***	125.7	0	0	0	0	0	386.6
Budgetary needs for normal provisioning	0	0	92.5	93.8	138.9	326	271	922.2
Possible adjustments in the market valuation of the assets of the Guarantee Fund (*)	0	0	0	0	0	57	68	125
Potential impact of possible calls	0	0	0	0	0	100	100	200
Maximum budgetary needs (**)	0	0	92.5	93.8	138.9	483	439	1247.2

* These figures are estimated on the total amount of the Guarantee Fund.

** In 2009, an additional amount of EUR 0.5 million was reserved from the Guarantee Fund for the external evaluation under the mid-term review.

*** Return of the surplus of the Guarantee Fund. The surplus of EUR 260.94 million in 2007 stemmed from the enlargement of the European Union.

The table below provides an estimate of the budgetary needs for normal provisioning of the Fund at the 9% target rate for the period 2011-2013. In contrast to the previous table, it does not take into account the maximum and exceptional budgetary needs such as the defaults on payments which may occur during the year, or adjustments of the valuation of the Fund's assets. When such elements are included, they represent the worst case scenario as regards the risks incurred by the EU budget.

¹⁶ EUR 100 million/year stem from the activation of the guarantee in case of major defaults (see "smoothing mechanism" in the Guarantee Fund Regulation).

¹⁷ In order to evaluate implications for the provisioning of possible fluctuations in the asset valuation of the Guarantee Fund, the following assumptions have been made:

- a portfolio duration of 3.3 years;

- 1% increase in interest rates per year;

- A Guarantee Fund assets' evolution resulting from the estimated 'normal provisioning'.

There are no implications for 2007 and 2008 due to the transition period.

EUR million

Expenditure type	Section no.		2011	2012	2013	Total
------------------	-------------	--	------	------	------	-------

Operational expenditure¹⁸

Commitment Appropriations (CA)	8.1.	a	138.9	326.0	271.0	
Payment Appropriations (PA)		b	138.9	326.0	271.0	

Administrative expenditure within reference amount¹⁹

Technical & administrative assistance (NDA)	8.2.4.	c				
---	--------	---	--	--	--	--

TOTAL REFERENCE AMOUNT

Commitment Appropriations		a+c	138.9	326.0	271.0	
Payment Appropriations		b+c	138.9	326.0	271.0	

Administrative expenditure not included in reference amount²⁰

Human resources and associated expenditure (NDA)	8.2.5.	d	0.9	0.9	0.9	
Administrative costs, other than human resources and associated costs (NDA)	8.2.6.	e	0.9	0.9	0.9	

Total indicative financial cost of intervention

TOTAL CA including cost of Human Resources		a+c+d+e	139.8	326.9	271.9	
TOTAL PA including cost of Human Resources		b+c+d+e	139.8	326.9	271.9	

Co-financing details

No co-financing is foreseen.

4.1.2. Compatibility with Financial Programming

Proposal is compatible with existing financial programming.

4.1.3. Financial impact on Revenue

Proposal has financial impact – the effect on revenue is as follows:

¹⁸ Expenditure that does not fall under Chapter xx 01 of the Title xx concerned.

¹⁹ Expenditure within article xx 01 04 of Title xx.

²⁰ Expenditure within chapter xx 01 other than articles xx 01 04 or xx 01 05.

If the Guarantee Fund is above the target amount, the exceeding amount is reversed to the general budget.

4.2. Human Resources FTE (including officials, temporary and external staff) – see detail under point 8.2.1.

Annual requirements	2010	2011	2012	2013
Total number of human resources	7	7	7	7

5. CHARACTERISTICS AND OBJECTIVES

5.1. Need to be met in the short or long term

According to Decision No. 633/2009 of the European Parliament and of the Council the EU guarantee covers EIB Financing Operations signed between 1 February 2007 and 31 October 2011. It is therefore necessary to submit a proposal for a new decision if the EU wishes to continue to grant a guarantee for EIB Financing Operations in support of the EU's policy objectives until 31 December 2013.

5.2. Value-added of EU involvement and coherence of the proposal with other financial instruments and possible synergy

EIB Financing Operations outside the EU represent a highly visible and effective tool in support of EU's external action. The main benefits of EIB intervention in such countries include the passing on to project promoters of expertise and the application of EU environmental and procurement standards to the projects financed. In addition to the above benefits, the EIB passes on in full the financial advantages resulting from the EU guarantee and the attractive funding costs of the EIB to final beneficiaries in the form of competitive interest rates.

The mandate under EU guarantee cover provides for the necessary political and financial backing by the EU for countries and projects which would not normally fit within EIB's standard guidelines and criteria.

EIB Financing Operations will complement the activities carried out under the new external assistance instruments. In order to further increase support for EU external policies in each specific region, the linkage between EIB priorities and EU policies will be strengthened. This will be achieved through a stronger framework for dialogue and cooperation between the EIB and the Commission in the definition of regional policies, country strategies, and at a project level. EIB Financing Operations may be usefully combined with EU budget resources in the form of grant support, risk capital alongside technical assistance for project preparation and implementation or enhancement of the legal and regulatory framework.

5.3. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

The main objective of the proposal is to further the contribution of the EIB to the fulfilment of EU policy objectives, through the financing of investment projects. The

objectives to be sought by EIB Financing Operations under the mandate are detailed in the proposed legal act.

The attainment of objectives will be measured by the volume of EIB Financing Operations by regions and by sector, as well as by the volume of EIB Financing Operations co-financed with other IFIs and/or Commission programmes, as well as by other indicators in the context of ex-ante and ex-post assessments of EIB Financing Operations.

5.4. Method of Implementation (indicative)

Joint management with international organisations.

Relevant comments:

In line with existing provisions, the proposal foresees that the EIB finances investment projects in accordance with its own rules and procedures. The Commission is responsible for managing the EU guarantee. The EIB and the Commission enter into an agreement laying down the detailed provisions and procedures relating to the implementation of the proposed Decision.

6. MONITORING AND EVALUATION

6.1. Monitoring system

EIB Financing Operations under EU guarantee will be managed by the EIB in accordance with the EIB's own rules and procedures, including appropriate audit, control and monitoring measures. As foreseen in the EIB Statute, the Audit Committee of the EIB, which is supported by external auditors, is responsible for verifying the regularity of the EIB operations and accounts. The EIB accounts are approved annually by its Board of Governors.

Furthermore, the EIB Board of Directors, where the Commission is represented by a Director and an alternate Director, approves each EIB Financing Operation and monitors that the EIB is managed in accordance with its Statute and with the general directives laid down by the Board of Governors.

The existing tripartite agreement between the Commission, the Court of Auditors and the EIB of October 2003, renewed for another four-year period in 2007, details the rules under which the Court of Auditors is to carry out its audits on the EIB Financing Operations under EU guarantee.

As per Article 10 of the proposal, the Commission shall report to the European Parliament and the Council each year on the EIB Financing Operations carried out under the mandate, drawing upon yearly reports prepared by the EIB.

Furthermore, the EIB shall provide the Commission with statistical, financial and accounting data on each of the EIB Financing Operations as necessary to fulfil its reporting duties or requests by the European Court of Auditors as well as an auditor's certificate on the outstanding amounts of the EIB Financing Operations.

6.2. Evaluation

6.2.1. *Ex-ante evaluation*

In line with Decision No 633/2009/EC, the Commission is presenting to the European Parliament and the Council a mid-term report, drawing upon an external evaluation. The external evaluation has been supervised and managed by a steering committee comprising several 'wise persons' appointed by the EIB Board of Governors, an EIB representative and a Commission representative. This external evaluation has been also transmitted to the European Parliament and the Council. The conclusions of the mid-term review provide the basis for the main features of the present proposal.

Furthermore, the Report from the Commission to the European Parliament and the Council on borrowing and lending activities of the European Communities in 2008 (COM(2010) 69) include an assessment of the existing EU Guarantee to EIB extra-EU operations. Another report of relevance is the Report to the budgetary authority on guarantees covered by the general budget – Situation at 31 December 2008 (COM(2009) 398) and the Commission Staff Working Paper annexed to it (SEC(2009) 1063).

6.2.2. *Measures taken following an intermediate/ex-post evaluation (lessons learned from similar experiences in the past)*

The findings of the evaluation report are summarised and analysed in the Commission report on the mid-term review which accompanies the present proposal²¹.

6.2.3. *Terms and frequency of future evaluation*

The Commission will prepare a final report on the implementation of the EIB external mandate by 31 October 2014.

7. ANTI-FRAUD MEASURES

The EIB has the main responsibility for the adoption of fraud prevention measures, notably through the application to the financed operations of the "EIB's Policy on preventing and deterring Corruption, Fraud, Collusion, Coercion, Money Laundering and the Financing of Terrorism in European Investment Bank activities" as adopted in April 2008.

The EIB's rules and procedures include, among the detailed arrangements to fight against fraud and corruption, the competence of OLAF to carry out internal investigations. In particular, in July 2004, the EIB Board of Governors has approved a decision "concerning the terms and conditions for internal investigations in relation to the prevention of fraud, corruption and any illegal activity detrimental to the Communities' financial interests".

²¹ COM(2010) 173.

8. DETAILS OF RESOURCES

8.1. Objectives of the proposal in terms of their financial cost

The costs are based on an estimate of the financial flows stemming from the execution of the mandate (volume of signatures and disbursements of loans), taking into account the smoothing mechanism which applies in the exceptional case that defaults should exceed EUR 100 million in one year. It is difficult to estimate potential defaults on payments. However, the semi-annual Commission reports on the guarantees covered by the budget allows for the factoring in of the maximum risks covered by the budget (cf. the report COM(2009)398 and the accompanying staff working document SEC(2009) 1063).

(EUR million)

Objectives and actions	Type of output	2007		2008		2009 (**)		2010		2011		2012		2013	
		EIB Financing	Total cost	EIB Financing	Total cost	EIB Financing	Total cost	EIB Financing	Total cost	EIB Financing	Total cost	EIB Financing	Total cost	EIB Financing	Total cost
Indicative volume of signed EIB Financing Operations (new mandate) Total = EUR 27,800 million		1.898		4.045		6.034		4.573		4.409		4.494		2.347	
Outstanding amount based on estimated disbursements and amortizations of EIB operations (Old and new mandates)		11.854		13.609		15.810		18.820		21.989		24.645		26.356	
Outstanding amount based on estimated disbursements and amortizations of other operations (MFA+ Euratom) *		573		575		551		1.625		1.996		1.912		1.831	
Total outstanding amount based on estimated disbursements and amortizations		12.427		14.184		16.361		20.445		23.985		26.557		28.187	
Target amount @ 9%		1.118		1.277		1.472		1.840		2.159		2.390		2.537	

Budgetary revenues		0		125,8		0		0		0		0		0
Normal provisioning needs		0		0		92,46		93,81		138,9		326		271
Maximum budgetary needs		0		0		92,46		93,81		138,9		483		439

* It includes new possible MFA and Euratom loans.

** In 2009, an additional amount of EUR 0.5 million has been reserved from the Guarantee Fund for the external evaluation under the mid-term review.

8.2. Administrative Expenditure

8.2.1. Number and type of human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources (number of posts/FTEs)			
		2010	2011	2012	2013
Officials or temporary staff ²² (XX 01 01)	A*/AD	4	4	4	4
	B*, C*/AST	3	3	3	3
Staff financed ²³ by art. XX 01 02					
Other staff ²⁴ financed by art. XX 01 04/05					
TOTAL			7	7	7

8.2.2. Description of tasks deriving from the action

The main tasks arising from the management of the EU guarantee are the following:

- Preparation of legislative proposals and guarantee agreements;
- Management of the approval procedure;
- Administration of the annual budgetary procedure;
- Annual reporting to the Council and Parliament;
- Handling of calls;
- Monitoring of the management of the Guarantee Fund;
- Accounting;
- Relations with the Court of Auditors, Parliament and Council.

8.2.3. Sources of human resources (statutory)

- Posts currently allocated to the management of the programme to be replaced or extended

²² Cost of which is NOT covered by the reference amount.

²³ Cost of which is NOT covered by the reference amount.

²⁴ Cost of which is included within the reference amount.

8.2.4. *Other Administrative expenditure included in reference amount (XX 01 04/05 – Expenditure on administrative management)*

Not relevant

8.2.5. *Financial cost of human resources and associated costs not included in the reference amount*

EUR million

Type of human resources	2010	2011	2012	2013
Officials and temporary staff (XX 01 01)	0.854	0.854	0.854	0.854
Staff financed by Art XX 01 02 (auxiliary, END, contract staff, etc.) (specify budget line)	-	-	-	-
Total cost of Human Resources and associated costs (NOT in reference amount)	0.854	0.854	0.854	0.854

8.2.6. *Other administrative expenditure not included in reference amount*

Not relevant