

Proposal for a Council Decision granting a Community guarantee to the European Investment Bank against losses under loans for projects outside the Community (Central and Eastern Europe and Western Balkans, Mediterranean countries, Latin America and Asia, and the Republic of South Africa)

(1999/C 145/07)

COM(1999) 142 final — 1999/0080(CNS)

(Submitted by the Commission on 26 April 1999)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the Commission's proposal,

Having regard to the opinion of the European Parliament,

- (1) Whereas the European Council meeting in Madrid on 15 and 16 December 1995 confirmed the importance of the European Investment Bank, hereinafter referred to as 'the EIB', as an instrument of cooperation between the Community and Latin America and called on the EIB to intensify its activities in the region; whereas these projects should be of interest to both the Community and the countries concerned;
- (2) Whereas the European Council meeting in Florence on 21 and 22 June 1996 welcomed the results of the Asia-Europe summit, which marked a turning-point in relations between the two continents;
- (3) Whereas the European Council meeting in Amsterdam on 16 and 17 June welcomed the conclusions adopted at the Second Euro-Mediterranean Conference, which was held at Valletta, Malta, on 15 and 16 April 1997 and reaffirmed the principles and objectives agreed at Barcelona in 1995;
- (4) Whereas the European Council meeting in Luxembourg on 12 and 13 December 1997 launched the enlargement process with the Central and Eastern European countries and Cyprus;
- (5) Whereas the European Council meeting in Cardiff on 15 and 16 June 1998 welcomed the efforts which the Republic of South Africa was making to modernise its economy and integrate it into the world trading system;
- (6) Whereas the EIB is completing the current loan programmes for Central and Eastern Europe, the Mediterranean Region, Asia and Latin America and the Republic of South Africa pursuant to Council Decision 97/256/EC of 14 April 1997 ⁽¹⁾, as well as the lending that is governed by the Protocol on Financial Cooperation with the Former Yugoslav Republic of Macedonia ⁽²⁾;
- (7) Whereas the Council has invited the EIB to start operations in Bosnia and Herzegovina; whereas these operations may be continued, subject to a positive report being drawn up as stipulated in Council Decision 98/729/EC of 14 December 1998 ⁽³⁾;
- (8) Whereas the Cooperation Agreements between the European Community and Nepal, between the European Community and Lao PDR and between the European Community and Yemen entered into force on 1 June 1996, 1 December 1997 and on 1 July 1998 respectively; whereas the Cooperation Agreement between the European Community and South Korea, signed on 28 October 1996, will enter into force during the first half of 1999; whereas Nepal, Yemen, the People's Democratic Republic of Laos and South Korea and should become beneficiaries of EIB funding under the Bank's mandate for Asia and Latin America;
- (9) Whereas it is appropriate to make certain improvements in the programmes of operations in respect of duration and country coverage;
- (10) Whereas the Council is calling on the Bank to continue its operations in support of investment projects carried out in those countries by offering it the guarantee provided for in this Decision;
- (11) Whereas, in June 1996, the Commission, in agreement with the Bank, represented to the Council a proposal for a new guarantee system for EIB lending to third countries ⁽⁴⁾;
- (12) Whereas on 2 December 1996 the Council approved conclusions on new guarantee arrangements for EIB lending to third countries, according to which the approach of a global guarantee, without distinguishing between regions and projects, is approved and a risk-sharing scheme accepted; whereas under the risk-sharing scheme the EIB should secure adequate non-sovereign third-party guarantees for commercial risks, with the budgetary guarantee in that case covering only political risks arising from currency non-transfer, expropriation, war or civil disturbance;
- (13) Whereas the guarantee arrangements will not affect the excellent credit standing of the EIB;
- (14) Whereas EIB financing in eligible third countries should be managed in such a way as to support Community policies and to enhance coordination with the Community's other financial instruments; whereas, in

⁽¹⁾ OJ L 102, 19.4.1997, p. 33.

⁽²⁾ OJ L 155, 19.5.1998, p. 53.

⁽³⁾ OJ L 346, 22.12.1998, p. 54.

⁽⁴⁾ SEC(96) 1131 of 26 June 1996.

particular, EIB financing in the candidate countries should reflect the priorities established in the accession partnership between the Community and those countries;

- (15) Whereas the Bank and the Commission will adopt the procedures for granting the guarantee;
- (16) Whereas, for the purpose of adopting this Decision, the only powers provided for by the Treaty are those set out in Article 235,

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall grant the European Investment Bank a global guarantee in respect of all payments not received by it but due in respect of credits opened, in accordance with its usual criteria, for investment projects carried out in the Central and Eastern European countries and Western Balkans, in the Mediterranean countries, in the Latin American and Asian countries, and in the Republic of South Africa.

This guarantee shall be restricted to 60 % of the aggregate amount of the credits opened, plus all related sums. The overall ceiling of the credits opened shall be equivalent to EUR 9 475 million, broken down as follows:

— Central and Eastern Europe/ Western Balkans:	EUR 4 725 million,
— Mediterranean:	EUR 3 100 million,
— Asia/Latin America:	EUR 1 225 million,
— Republic of South Africa:	EUR 425 million;

and shall cover a period of three and a half years beginning on 31 January 2000 for Central and Eastern Europe and Western Balkans, Mediterranean, Asian and Latin American countries and a period beginning on 1 July 2000 and ending on 31 July 2003 for the Republic of South Africa.

At the end of this period, the guarantee shall be automatically extended to cover an additional overall ceiling of EUR 9 475 million with the same regional distribution until 31 December 2006 unless the Council decides otherwise on a proposal from the Commission before the beginning of the second lending period on 31 July 2003.

If, on expiry of two lending periods mentioned respectively in subparagraphs 2 and 3 of this paragraph, the loans granted by

the Bank have not attained the overall amounts referred to above, each guaranteed lending period shall be automatically extended once by six months.

2. The countries included above are:

- Central and Eastern Europe/Western Balkans: Albania, Bosnia and Herzegovina, Bulgaria, Czech Republic, Estonia, Former Yugoslav Republic of Macedonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia;
- Mediterranean countries: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey, and Gaza-West Bank;
- Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela;
- Asia: Bangladesh, Brunei, China, India, Indonesia, Laos, Macao, Malaysia, Mongolia, Nepal, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Thailand, Vietnam and Yemen;
- Republic of South Africa.

3. The European Investment Bank is invited to aim to cover the commercial risk on 30 % of its lending under this decision from non-sovereign guarantees to be expanded upon whenever possible insofar as the market permits on an individual regional mandate basis.

Article 2

The Commission shall inform the European Parliament and the Council each year of the loan operations and progress made on risk-sharing under Article 1(3) and shall, at the same time, submit an assessment of the operation of the scheme and of coordination between the financial institutions operating in that area. To that end, the Bank shall transmit to the Commission the appropriate information.

Article 3

The Bank and the Commission shall fix the terms on which the guarantee is to be given.

Article 4

This Decision shall take effect on the day of its publication in the *Official Journal of the European Communities*.