COMMISSION OF THE EUROPEAN COMMUNITIES

COM(92) 401 final

Brussels, 23 October 1992

COMMISSION COMMUNICATION

Extending EIB operations

to Estonia, Latvia and Lithuania

Proposal for a

COUNCIL DECISION

extending a Community guarantee

to the European Investment Bank

in case of losses on loans in Estonia, Latvia and Lithuania

I. The Central and East European countries are in the process of transition from centrally-planned economies to ones based on market forces. In addition, this is being accompanied by political reforms tending towards the creation of genuine pluralist societies.

In October 1989 the Council decided that the European Investment Bank should help this process by making loans in Poland and Hungary(1), and on 14 May 1991 the Council extended these loans to the Czech and Slovak Federal Republic, Bulgaria and Rumania(2).

At their meeting on 11 November 1991 Ministers of the Group of 24 countries welcomed the fact that since their last meeting, Albania and the newly independent Baltic countries, Estonia, Latvia and Lithuania, have also committed themselves to respect human rights and to undertake democratic and market-oriented reform. They confirmed the extension of G-24 coordinated economic assistance to these countries and agreed on a common approach to supporting their reform programmes.

II. Given the decisions of the G-24 and the signature on 11 May 1992 by the Community of cooperation agreements with the Baltic States, it would be appropriate for the Council to invite the Board of Governors of the EIB to extend loans to Estonia, Latvia and Lithuania.
These countries will be eligible for EIB finance on a similar basis to other Central and Eastern European countries. The loans should benefit from Community budget guarantees. Furthermore, these guarantees should be treated in accordance with what will be agreed as to the future treatment of Community guarantees. The loans should be destined, in particular, for infrastructure projects and will be coordinated with other financial institutions. Following the same criteria used for Central and Eastern European countries, loans of up to 200 MECU provided over a three-year period seem appropriate.

III. The Commission therefore requests the Council to :

1. decide that, subject to the approval of the EIB's Board of Governors, EIB loans of up to 200 MECU should be made available to Estonia, Latvia and Lithuania, to be guaranteed by the Community budget;

2. adopt the attached Decision;

3. invite the EIB to extend its lending operations to projects in Estonia, Latvia and Lithuania;

4. note that the Commission will, within the framework of the budgetary procedure, propose the appropriate budgetary cover.

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(1) Taken on 3.10.1989 as regards an invitation to the EIB to make finance available for projects in these countries, and on 12.2.1990 (90/62/EEC) regarding a Community budgetary guarantee for such loans.

(2) Council Decision 91/252/EEC of 14 May 1991.

II/337/92-EN

Proposal for a

COUNCIL DECISION

granting a Community guarantee to the European Investment Bank against losses under loans for projects in Estonia, Latvia and Lithuania

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

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

Having regard to the proposal from the Community(1),

Having regard to the opinion of the European Parliament(2),

Whereas the peoples of Estonia, Latvia and Lithuania (hereinafter referred to as "the three countries") have close historic relationships with the peoples of the Community; whereas these relations have been strengthened by the recent trade and cooperation agreements; whereas these three countries are undertaking major political and social reforms;

Whereas the three countries have embarked upon a fundamental economic reform; and whereas the ministers of the Group of 24 welcomed this at their meeting of 11 November 1991 and decided to extend G-24 coordinated economic assistance to them;

Whereas these economic reforms will significantly contribute to a strong development of mutually beneficial economic and commercial relationships between the three countries and the Community;

Whereas there is a great need for capital investment in the three countries; whereas this capital investment requires external finance; whereas the Community has agreed to cooperate with a view to aiding the three countries; whereas the European Investment Bank (hereinafter called "the Bank") could make an important contribution;

Whereas the Council has invited the Bank, and the Bank has agreed, to make loans for capital investment projects carried out in the three countries under the guarantee provided in this Decision;

Whereas the Bank and the Commission should fix the terms on which this guarantee is to be given,

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(1) OJ No .....
(2) OJ No.....

HAS DECIDED AS FOLLOWS:

Sole Article

The Community shall fully guarantee the European Investment Bank in case the Bank does not receive the payments due under any loan granted in accordance with its usual criteria in Estonia, Latvia and Lithuania. An overall limit of ECU 200 million shall be set for a three-year period.

To this end, the Bank and the Commission shall fix the terms on which the guarantee shall be given.

Done at Brussels,

For the Council

The President

FINANCIAL RECORD

1. Budget line concerned

Article 0-212:

Guarantee of the European Economic Comunity to the European Investment Bank for loans in third countries in Central and Eastern Europe.

2. Reference (legal base)

To be extended by the proposed decision, on the basis of Article 235 of the Treaty.

3. Classification of the expenditure

Obligatory

4. Description and justification for the action

The budget entry is intended to provide a budgetary support for guarantees offered by the European Community to the European Investment Bank to cover loans which the Bank has been asked to extend to finance projects in Latvia, Estonia and Lithuania.

5. Nature of the expenditure and method of calculation

a) Nature of the expenditure

A guarantee to the European Investment Bank.

b) Method of calculation

A token entry is proposed, given that the amount and timing of any call on this budget line cannot be calculated in advance and furthermore it is to be hoped that this entry will not be called on.

6. Effect of the action on intervention credits

Only in case of a call upon the guarantee

7. Financing of intervention expenditure

- In case of need the article will be endowed with funds by transfers, by reutilisation of amounts reimbursed (under Article 27 para. 3 of the Financial Regulation) or by a supplementary and/or amending budget.

- In order to meet its obligations, the Commission may undertake debt service provisionally by drawing on its liquid assets. In this case Article 12 of Council Regulation (EEC, Euratom) n° 1552/89 of 29.5.1989 is applicable.

8. Financial impact on staff cost and operations

Not applicable.

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DOCUMENTS

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