



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 13.01.1998

COM(1998) 2 final

98/0006 (CNS)

PROPOSAL FOR A COUNCIL DECISION

granting a Community guarantee to the European Investment Bank against losses under loans
for projects in the former Yugoslav Republic of Macedonia

and amending Council Decision 97/256/EC of 14 April 1997 granting a Community
guarantee to the European Investment Bank against losses under loans for projects outside the
Community (Central and Eastern Europe countries, Mediterranean countries, Latin American
and Asian countries and South Africa)

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. This proposal deals with the granting of a Community guarantee to the European Investment Bank (EIB) for lending in the former Yugoslav Republic of Macedonia by amending Council Decision 97/256/EC of 14 April 1997.
2. On 27 November 1997 the Council adopted two Decisions concerning the conclusion of, respectively, a cooperation agreement between the European Community and the former Yugoslav Republic of Macedonia and a transport agreement between the same parties. These agreements will enter into force on 1 January 1998.

The cooperation agreement includes a Protocol on financial cooperation in which the Community requests the EIB to grant loans from the Bank's own resources up to a ceiling of ECU 150 million until 31 December 2000.

3. However, in order to make the loans provided for in the Protocol the EIB requires a Community guarantee. Furthermore, Bank lending in the former Yugoslav Republic of Macedonia is subject to the arrangements set out in Council Regulation (EC, Euratom) No 2728 of 31 October 1994 establishing a Guarantee Fund for the Community's external lending activities. In this connection, the Commission recalls that the required reserve resources were earmarked at the start of the negotiations with the country. Point 11 of the attached Financial Statement shows the situation of the reserve at 20 November 1997.
4. In view of the above, the Commission proposes that the Council amend Council Decision 97/256/EC, which grants a Community guarantee to the European Investment Bank, so as to extend the guarantee to cover an additional ECU 150 million for lending in the former Yugoslav Republic of Macedonia until 31 December 2000.

The attached proposal amending Decision 97/256/EC would, when adopted, allow the Bank to lend in that country under the Protocol on financial cooperation included in the cooperation agreement adopted by the Council on 27 November 1997.

Proposal for a
COUNCIL DECISION

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Community (Central and Eastern Europe countries, Mediterranean countries, Latin American
and Asian countries and South Africa)

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 proposal of the Commission,¹

Having regard to the opinion of the European Parliament,²

Having regard to Council Decisions of 27 November 1997 concerning the conclusion of a cooperation agreement between the European Community and the former Yugoslav Republic of Macedonia and a transport agreement between the same parties;

Whereas the cooperation agreement includes a Protocol on financial cooperation which provides for the European Investment Bank (EIB) to grant loans from its own resources up to a ceiling of ECU 150 million until 31 December 2000;

Whereas Council Decision 97/256/EC of 14 April 1997 grants the EIB a budget guarantee for lending from its own resources in specified regions outside the Community; whereas the budget guarantee should be extended to cover the Bank loans agreed in the Protocol on financial cooperation with the former Yugoslav Republic of Macedonia;

Whereas the Council is calling on the Bank to finance projects according to the arrangements set out in the Protocol on financial cooperation by offering it the guarantee provided for in this Decision;

Whereas Decision 97/256/EC should therefore be amended;

Whereas, for the purpose of adopting this Decision, the only powers provided for by the Treaty are those set out in Article 235,

¹

²

HAS DECIDED AS FOLLOWS:

Article 1

Council Decision 97/256/EC is hereby amended as follows:

1. in the title of Council Decision 97/256/EC, "... Asian countries and South Africa" is replaced by "... Asian countries, South Africa and the former Yugoslav Republic of Macedonia";
2. in the first paragraph of Article 1(1), "... Asian countries, and in the Republic of South Africa." is replaced by "... Asian countries, in the Republic of South Africa and in the former Yugoslav Republic of Macedonia.";
3. in the second paragraph of Article 1(1), "ECU 7 105 million," is replaced by "ECU 7 255 million,";
4. the following fifth indent is added to Article 1(1):
"- former Yugoslav Republic of Macedonia ECU 150 million,"
5. in the second paragraph of Article 1(1), "... Asian countries, and on 1 July 1997 for the Republic of South Africa." is replaced by "... Asian countries, on 1 July 1997 for the Republic of South Africa, and on 1 January 1998 for the former Yugoslav Republic of Macedonia."
6. the following sixth indent is added to Article 1(2):
"- former Yugoslav Republic of Macedonia."

Article 2

The corresponding amendments shall be made to the agreement concluded between the Commission and the EIB referred to in Article 5 of Council Decision 97/256/EC.

Article 3

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

Done at Brussels,

For the Council

The President

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Guarantee of the European Community in respect of European Investment Bank loans in the former Yugoslav Republic of Macedonia

2. BUDGET HEADING INVOLVED

Art. B0-220: European Community guarantee for loans granted by the European Investment Bank to third countries in the Mediterranean Basin.

3. LEGAL BASIS

To be provided by the proposed Decision, on the basis of Article 235 of the Treaty.

4. DESCRIPTION OF OPERATION

The budget entry is intended to provide budgetary back-up for guarantees offered by the European Community to the European Investment Bank to cover loans of up to ECU 150 million which the Bank has been asked to finance in the former Yugoslav Republic of Macedonia until 31 December 2000. The arrangements for the Bank's intervention are those set out in the Protocol on financial cooperation included in the cooperation agreement concluded on 27 November 1997 between that country and the European Community.

5. CLASSIFICATION OF EXPENDITURE

Compulsory.

6. TYPE OF EXPENDITURE

A guarantee to the European Investment Bank.

7. FINANCIAL IMPACT ON APPROPRIATIONS FOR OPERATIONS

Only if the guarantee is called.

7.1 Method of calculation

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

7.2 Itemised breakdown of cost

Not applicable.

7.3 Operational expenditure relating to studies, expert meetings, etc.

Not applicable.

8. FINANCING OF EXPENDITURE FOR OPERATIONS

In the event of a default, payments would be made direct from the Fund to the creditor.

If there are insufficient resources in the Fund to cover a default, additional resources may be released by drawing on the budget:

- any margin remaining in the reserve would be the first resort;
- any margin available beneath the ceiling of heading 4 of the financial perspective or following redeployment therein would be the second resort;
- in the last resort the financial perspective may be adjusted in accordance with the Interinstitutional Agreement; this may involve redeployment within the other headings.
- In order to honour its obligations, the Commission may draw on its cash resources to service the debt provisionally. In this case, Article 12 of Council Regulation (EEC, Euratom) No 1552/89 of 29 May 1989 will apply.

9. COST-EFFECTIVENESS ANALYSIS

9.1 (i) Quantifiable objectives: See point 4 above.

(ii) Population: former Yugoslav Republic of Macedonia.

9.2 Grounds for the operation:

To support the economic development of the former Yugoslav Republic of Macedonia, to reinforce the relationship between that country and the Community and to contribute to regional cooperation.

9.3 Monitoring and evaluation of the operation

Not applicable.

10. FINANCIAL IMPACT ON STAFF COST AND OPERATIONS

Not applicable.

11. IMPACT ON THE GUARANTEE RESERVE

11.1 Estimated schedule of loans to be signed while the Decision is in force (ECU million)

| <u>1998</u> | <u>1999</u> | <u>2000</u> |
|-------------|-------------|-------------|
| 60 | 50 | 40 |

11.2 Estimated use of the guarantee reserve to provision the Guarantee Fund: rate of provisioning: 15%; guarantee size: 70%.

| <u>1998</u> | <u>1999</u> | <u>2000</u> |
|-------------|-------------|-------------|
| 6.3 | 5.25 | 4.2 |

11.3 Estimated use of the guarantee reserve including the loans already approved by Council and the present proposal (ECU million).¹

| | <u>1998</u> | <u>1999</u> | <u>2000</u> |
|---------------------------|-------------|-------------|-------------------|
| Amount in the reserve | 338 | 345 | n.a. ² |
| Margin within the reserve | 60.55 | 50.82 | --- |

¹ Situation at 20 November 1997.

² To be decided in the financial perspective 2000-2006

ISSN 0254-1475

COM(98) 2 final

DOCUMENTS

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09 01 11

Catalogue number : CB-CO-98-002-EN-C

ISBN 92-78-30015-2

Office for Official Publications of the European Communities

L-2985 Luxembourg