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DRAFT OPINION

of the Committee on International Trade

for the Committee on Budgets

on the proposal for a Council decision on the eligibility of Central Asian countries under Council Decision 2006/1016/EC granting a Community guarantee to the European Investment Bank against losses under loans and guarantees for projects outside the Community
(COM(2008)0172 – C6-XXXX/2008 – 2008/0067(CNS))

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SHORT JUSTIFICATION

Community guarantees to the EIB against losses under loans and guarantees for projects outside the Community are an important instrument to support European economic and trade policy objectives at the global level. A large proportion of EIB loans support European firms' overseas investments, which in turn contribute to increased trade. The European Parliament has been monitoring the overall activities of the EIB since 1999 through Annual Reports drawn up by the ECON Committee which have created an excellent spirit of cooperation with the Bank. On the specific topic of Community Guarantees to the EIB, the European Parliament has expressed a detailed opinion in November 2006 (A6-0394).

The Commission proposal for a Council decision on the eligibility of Central Asian for the Community guarantee scheme to the EIB extends the list of eligible countries in Council Decision 2006/1016/EC to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, making available up to 1 Mrd Euro in EIB loan contracts. This follows a request of the European Parliament in its opinion on the Community Guarantees to the EIB (A6-2006/0394). It is in line with the EU strategy for a new partnership with Central Asia, adopted by the European Council in its meeting of 21/22 June 2007, which states that the "European Investment Bank (EIB) should play an important role in financing projects of interest to the EU in Central Asia."

The fact that EIB loans are largely or even fully guaranteed by the Community's Loan Guarantee Fund (LGF) allows the Bank to offer very attractive conditions, because it does not need to charge the normal risk premium. This subsidisation produces credit costs up to 1-2 percent below the market standard. Accordingly, a high demand for EIB credits in the region of Central Asia can be expected.

The draftsman considers that the Community guarantee to the EIB for lending in Central Asia deserves the support of the European Parliament, as a means of employing public money to advance EU policy goals, on condition that these goals are indeed promoted coherently. At present, this is not assured in the Commission proposal for a Council decision:

- in four out of the five countries of Central Asia, the human rights situation is far below the standards laid down by the Organization for Security and Cooperation in Europe (OSCE). Uzbekistan and Turkmenistan in particular systematically violate fundamental rights and lack any democratic progress. The European Parliament on 20 February 2008 confirmed its support for the sanctions against Uzbekistan imposed by the EU. It further stressed that Turkmenistan must make progress in key human rights and democracy areas in order for the EU to be able to move ahead with the Interim Agreement on Trade and Trade-related matters, such as investment (2007/2102(INI)). Accordingly, it calls for the differentiation in the EU's policy regarding its approach to the countries of the region to be based in particular on the human rights situation in each country. Instead, the Commission proposal does not differentiate criteria for EIB lending among the Central Asia countries;
- the European Parliament on 20 February 2008 also called on both the Council and the Commission "to ensure that human rights issues should carry equal weight with the

EU's robust approach to energy, security and trade." Instead, the Commission proposes a strong focus on energy supply;

- the "gift" of lower interest rates should, in principle, accrue only to EIB loans for projects that have, as a priority, a high and measurable value in advancing EU policy objectives, since the budget of the guarantee fund is limited. The list of objectives for Community guaranteed EIB loans to the Central Asia countries does not consistently feature EU policy objectives and favours large scale projects, especially in the energy supply/transport sector. This is to the detriment of the EU policy objective of diversification of energy sources and the Kyoto requirements and should be rectified. It most probably also undermines the European Parliament's call for the "discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects", and its demand that "the European Investment Bank take account of the climate change implications of the funded projects when making or guaranteeing loans and impose a moratorium on funding until sufficient data are available" (A6-0409/2007)
- in addition, the strong focus on energy supply and transport for EIB lending operations in Central Asia neglects evidence by the World Bank and other financial institutions that, as a rule, extractive industry projects, under the condition of a lack of good governance principles in resource-rich but poor countries, lead to increasing poverty. The energy supply focus therefore undermines the EU Strategy for a new partnership with Central Asia of June 2007, in which poverty eradication is described as the main priority of European Community bilateral assistance for the period 2007-2013. Given that all Central Asia countries qualify for assistance delivered under the DCI, your draftsman is of the opinion that EIB loans must be consistent with the European Consensus on Development and its overarching objectives, i.e. poverty eradication and achievement of the Millennium Development Goals (MDGs);

It must be noted that the Commission proposes Art. 181a of the EU Treaty as the legal basis for the Council decision on the eligibility of Central Asian countries under Council Decision 2006/1016/EC granting a Community guarantee to the EIB against losses under loans and guarantees for projects outside the Community. With regard to this Council Decision 2006/1016/EC the European Parliament contested the presentation of the proposal under article 181a of the Treaty and proposed a double legal base, Art.181a together with Art. 179 (development cooperation, under codecision procedure), since many countries eligible according to Annex 1 are developing countries under the OECD list. The case is pending in the Court of Justice.

Your draftsman is not amending the legal base of the decision, conferring this issue to the rapporteur in the lead committee.

AMENDMENTS

The Committee on International Trade calls on the Committee on Budgets, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission¹

Amendments by Parliament

Amendment 1
Recital 3 a (new)

(3a) EIB financing operations in Central Asia should be consistent with and support EU external policies, including specific regional objectives, and should contribute to the general objective of developing and consolidating democracy and the rule of law, the objective of respecting human rights and fundamental freedoms, and the observance of international environmental agreements to which the European Community or its Member States are parties.

Justification

To align with Article 181a of the Treaty, which provides one of the legal bases for this proposal, and with the pertinent international environmental agreements signed by the EC or its Member States. It is important that the EIB's regional strategy, and individual projects, are assessed against clear criteria reflecting European values.

Amendment 2
Recital 3 b (new)

(3b) All EIB financing operations in Central Asia should be consistent with and support the EU policy objective of contributing to the achievement of the Millennium Development Goals in Central Asia countries

Justification

To align the decision with the poverty eradication policy goals of the EU and declarations signed by the EC or its Member States in the frame of the UN. It is important that the EIB's

¹ Not yet published in OJ.

regional strategy, and individual projects, are assessed against clear criteria reflecting European values and international commitments.

Amendment 3
Recital 3 c (new)

(3c) Regarding energy supply and transport projects, EIB financing operations in Central Asia should be consistent with and support the EU policy objectives of diversification of energy sources and the Kyoto requirements, and of enhancement of environmental protection

Justification

To align the decision with the climate and environmental policy goals of the EU and agreements signed by the EC or its Member States in the frame of the UNFCCC. It is important that the EIB's regional strategy, and individual projects, are assessed against clear criteria reflecting European values and international commitments.

Amendment 4
Recital 3 d (new)

(3d) The EU policy objective of combating climate change requires that the EIB not support projects that generate energy from fossil fuels until a full evaluation of the implications of such projects for the fight against global warming has been undertaken.

Justification

EIB lending should take account of the European Parliament's call (A6-0409/2007) for the "discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects", and its demand that "the European Investment Bank take account of the climate change implications of the funded projects when making or guaranteeing loans and impose a moratorium on funding until sufficient data are available".

Amendment 5
Recital 3 e (new)

(3e) The EIB should ensure that individual projects are subject to a Sustainability Impact Assessment carried out independently of the project sponsors and the EIB, and made available to the public at least 60 days prior to any loan decision by the Bank, and that residents in the area concerned receive adequate and timely information so that they have the possibility of playing a full part in the decision making process,

Justification

Individual projects, especially in a region with high rates and serious environmental problems such as Central Asia, should be subject to independent Sustainability Impact Assessments to identify the economic, social and environmental effects of the project and propose accompanying measures to maximise the positive impacts and minimise any negative effects. Such assessments should provide much greater transparency, including for those most directly affected.

Amendment 6
Recital 3 f (new)

(3f) On the basis of the information received from the EIB, the Commission produces an assessment and reports, on an annual basis, to the European Parliament and the Council on the EIB financing operations carried out under this Decision. This report should include an assessment of the contribution of the EIB financing operations to the achievement of the external policy objectives of the EU,

Justification

An annual report by the Commission should set out clearly how the EIB has contributed to fulfilling the objectives set out in recitals 3 a, b, c, d (as amended).

Amendment 7

Recital 4

(4) The macro-economic conditions prevailing in the Central Asian countries, and in particular the situation of external finances and debt sustainability, have improved in the recent years as a result of strong economic growth and prudent macroeconomic policies, and they should therefore be allowed access to financing from the EIB.

(4) The macro-economic conditions prevailing in the Central Asian countries, and in particular the situation of external finances and debt sustainability, have improved in the recent years as a result of strong economic growth and prudent macroeconomic policies, and they should therefore be allowed access to financing from the EIB, ***under the condition that they are not subject of EU sanctions for human rights violations, which shall exclude access to financing from the EIB.***

Justification

It must be principally stated that EU policy goals with regard to human rights must not be undermined by Community guarantees for loans by the EIB in countries, on which the EU has imposed sanctions.

Amendment 8 Recital 5 a (new)

(7a) Given that an Interim Agreement on Trade and Trade-related matters between the EU and Turkmenistan is still pending, due to systematic violations of fundamental rights in Turkmenistan, the further eligibility of this country shall be assessed by the Commission on an annual base, subject to signs of a sustainable improvement of the human rights situation in the country and consultation of the European Parliament.

Justification

As we have seen in discussion of the interim trade agreement with Turkmenistan, political conditionality can contribute to changes on the ground. While isolation of Turkmenistan would be a wrong strategy, the further eligibility of this country should be subject to annual evaluation and parliamentary scrutiny.

Amendment 9 Article 1

4. Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan **and Uzbekistan** are eligible for EIB financing under Community guarantee in accordance with Council Decision 2006/1016/EC

4. Kazakhstan, Kyrgyzstan, Tajikistan **and** Turkmenistan are eligible for EIB financing under Community guarantee in accordance with Council Decision 2006/1016/EC. ***Uzbekistan will be eligible as soon as the EU sanctions against the country are lifted.***

Justification

It must be principally stated that EU policy goals with regard to human rights must not be undermined by Community guarantees for loans by the EIB to Uzbekistan, until the EU imposed sanctions are lifted.