EIB loans: Community guarantee to the EIB against losses under loans and loan guarantees for projects outside the Community

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In accordance with Decision 633/2009/EC, the Commission presents its report on EIB financing operations carried out under guarantee, based on yearly reports provided by EIB.

It recalls that outside the EU, in the regions covered by the mandate, the Bank provides loans and loan guarantees with the cover of the EU guarantee ("operations under mandate") or at its own risk under the framework of Article 16 of its Statute ("own risk operations"). This report reviews 2010 EIB financing operations under mandate and provides a summary of the own risk operations. In contrast, the EIB operations in Africa, Caribbean and Pacific (ACP) as well as in Overseas Countries and Territories (OCT) are covered in a separate annual report.

The report reveals two major developments in 2010: the **need for sustained crisis-response lending** and the **expansion of climate change related operations**.

Crisis response lending: the global crisis hit the Pre-Accession countries and the Eastern Neighbours and Russia the hardest with a real economic contraction in 2009 of 4.5% and 8.0% respectively. In Pre-Accession countries, the EIB confirmed its key role contributing to more than half a percentage point of aggregate GDP and helping counter the region's credit squeeze. Accordingly, SME lending in this region was doubled in 2009. With crisis recovery, this stimulus has been completely withdrawn and lending to this region is back at pre-crisis level. Addressing the economic crisis was done inter alia in cooperation with other IFIs under a Joint Action Plan in support of lending to the banking sector and the real economy in Central and Eastern Europe. While credit growth to the private sector has fully rebounded in the Pre-Accession countries and ALA, it remains still below pre-crisis levels in Mediterranean region as well as in the Eastern Neighbourhood and South Africa. Hence, there remained an important additional countercyclical role for the EIB to play in these regions.

Significant expansion of the EIB's activities to fight climate change: mainly using EIB's own risk facilities. In total, the EIB invested 1.6 billion in sustainable energy and transport projects, of which more than three quarters in the Asia and Latin America and Eastern Neighbourhood regions, i.e. the less energy efficient regions covered by the mandate. This boost, combined with an increase of energy investments in the Mediterranean region to support European energy security, fully offset the withdrawal of countercyclical investments made in 2009.

In this framework, cooperation between the Commission and the EIB has further intensified over 2010, particularly in the context of the Mid-Term Review of the mandate, as well as in various loan-grant blending mechanisms.

The mid-term review of EIB mandate carried out in the course of 2010 showed that, while EIB operations 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. This is reflected in the new Decision 1080/2011/EU which provides for the development of regional technical operational guidelines by the Commission and the EIB in order to strengthen the link between the implementation of EIB activities, the general high- level objectives set under the mandate and the EU regional strategies and priorities.

In the course of 2011, **several key initiatives were launched at EU level**, in particular as a follow-up to the Arab spring, such as the increase of the EIB lending capacity with the EU guarantee for the Mediterranean region, the G8 Deauville Partnership Initiative and the set-up of an EU Task Force for the Southern Mediterranean. Next year's report will review the EIB contribution to these initiatives.

Overview of EIB financing volume in the regions covered by the Decision

- **Total EIB financing volume in the regions outside the EU** – including both operations under mandate and EIB own risk operations – remained stable at about EUR 8.8bn in 2009 and 2010, some 40% above the pre-crisis level of the earlier years (respectively EUR 6.5bn and 6.1bn in 2007 and 2008). Total volume for the regions covered by the EIB external mandate, which do not include ACP/OCT and EFTA countries, amounted to EUR 7.8bn in 2010 as in 2009, compared to EUR 5.6 billion in 2008. With respect to 2009, an increase of EUR 1.2 billion (by 67%) under EIB own risk facilities was offset by a corresponding decrease in lending volume under the mandate. In terms of number of projects, 46 projects were financed under the mandate in 2010 compared to 55 in 2009.

- At the end of 2010, the overall amount signed under the mandate stood at EUR 16.8 billion, or 65% of the overall ceiling under Decision 633/2009/EC (EUR 25.8bn). The European Parliament and the Council have decided to release additional EUR 2bn for a horizontal climate change mandate and to increase the regional ceilings under the new Decision, in order not to constrain EIB lending activity during the last years of the mandate, notably in Mediterranean and Pre-Accession countries. As a result, under the new Decision, the overall ceiling of the mandate will amount to EUR 29.5bn. The amount signed by the EIB until the end of 2010 represents 57% of the new overall ceiling.

Cooperation with international financing institutions: in 2010 co-financing with other IFIs or European bilateral institutions represented 43% of EIB total financing volume outside the EU (including ACP). Under the mandate, the co-financed volume represented 64% of total signatures (including EU budget funded FEMIP risk capital). This proportion of co-financed operations has steadily increased since the beginning of the mandate period, namely from 42% in 2007, to 55% in 2008 and 60% in 2009. The list of co-financed operations signed in the regions covered by the external mandate in 2010 is included in the SWD.

The mid-term review of the external mandate assessed positively EIB cooperation with other IFIs, acknowledging the increase in co-financing and efforts to ensure, where appropriate, coherent project and sector conditionality among IFIs. The EIB was **encouraged to pursue joint co-financing with increased mutual reliance** when it makes sense in the interest of project beneficiaries and when it improves the efficiency of the financing support given by the IFIs.