EU guarantee to the European Investment Bank (EIB) against losses under loans and loan guarantees for projects outside the Union

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Decision No 1080/2011/EU of the European Parliament and of the Council (the “Decision” or “mandate”) requires the Commission to report annually on European Investment Bank (EIB) financing operations carried out under the EU guarantee.

Outside the EU, in the regions covered by the mandate, the EIB provides loans and loan guarantees with the cover of the EU guarantee ("operations under mandate") or at its own risk ("own risk operations") under the framework of Article 16 of its Statute. This report reviews EIB financing operations under mandate and provides a summary of the own risk operations in 2011.

The main results are as follows:

1) Financing operations:

- The Decision increased the overall General Mandate ceiling by EUR 1 684 million and released **an additional EUR 2 000 million Climate Change Mandate** to provide the EIB with a guarantee of up to EUR 29 484 million for its operations under mandate.

- In 2011, the EIB continued to support economic activity in the mandate regions as well as significantly increased its lending to climate action related projects. Total EIB financing volume outside the EU equalled EUR 7.3 billion in 2011, some 17% less than the EUR 8.7 billion reached in 2010, but still on average above pre-crisis levels. **In the regions covered by the mandate, EIB activity amounted to EUR 6.5 billion in 2011 compared to EUR 7.8 billion in 2010**.

- The EIB has adopted a set of **sector-specific eligibility criteria** for projects to qualify under the climate action objective. For instance not all projects that improve energy consumption are automatically eligible, but only those which can demonstrate energy efficiency gains of 20% or more from the baseline. In addition, only the share of lending that responds to the climate objective is taken into account. The majority of Climate Action lending is related to projects in the following two broad areas: Renewable Energy and Energy Efficiency, and Sustainable Transport.

- **In the Pre-Accession countries**, which accounted for around 52% of total lending in mandate regions, although economic growth stabilised at 7.5% in 2011, credit growth remained substantially below pre-crisis levels. The EIB, as the key multilateral lender in the region, continued to support economic activity through **substantial lending to SMEs** (31% of total volume) and by committing substantial resources to investments in the transport and energy sectors.

- At the same time, **EIB lending to climate action projects increased by EUR 500 million to EUR 2.1 billion in 2011**, representing 32% of total signatures (from 21% in 2010). Many of the least CO_2 efficient countries were targeted, e.g. Russia, South Africa and India. A particular effort was made in Asia and Latin America where such lending accounted for 78% of total signatures. Climate action further accounted for 29% of lending to Pre-Accession countries and 30% of lending to South Africa in 2011.

- In the course of 2011, **several key initiatives were launched at EU level, in particular as a reaction to the Arab spring**. In particular, the EIB lending ceiling under EU guarantee for the Mediterranean region was increased by EUR 1 billion. The Commission and the EIB, alongside relevant Member States, actively participated in the G8 Deauville Partnership Initiative and set up an EU Task Force for various countries in the Southern Mediterranean.

While lending volumes were largely stable for most of the regions covered by the mandate, **lending volumes in the Mediterranean region sharply fell to EUR 965 million** from a historically high level of EUR 2.5 bn in 2010. This was due to project preparation delays experienced following the Arab spring events and consequent uncertainty and challenging business environment. Moreover, **as part of the EU sanctions towards Syria, the EIB activity in the country was suspended**. In this context, it should be noted that the EIB experienced defaults on interest and loan repayments from the Syrian Government and a first call on the EU Guarantee was made in May 2012 for an approximate amount of EUR 15.4 million.

According to the latest Corporate Operational Plan 2012-2014 endorsed by the EIB at the end of 2011, **EIB lending volumes in the external area are expected to decline further to reach pre-crisis levels of EUR 6.5 billion in 2012, EUR 5.9 billion in 2013 and EUR 5.2 billion in 2014.** In particular, the EIB external financing on own resources (i.e. without considering the ACP Investment Facility and the risk capital activity in Mediterranean countries) would amount to EUR 6.0 billion in 2012, EUR 5.3 billion in 2013 and EUR 4.6 billion in 2014.

2) Contribution to EU policy objectives: the objective of EIB operations under the Decision is to support relevant external policy objectives of the Union. The Decision replaces the previously established region-specific objectives for operations under EU guarantee with the following horizontal high-level objectives for all regions covered by the mandate:

- climate change mitigation and adaptation;
- development of social and economic infrastructure;
- local private sector development, in particular support to SMEs.

Additional underlying objectives include the contribution to the general principles guiding external action and regional integration among partner countries, including economic integration between pre-accession countries, neighbourhood countries and the Union. The EIB may consider increasing its activity in support of health and education when there is clear value added.

The revised objectives indicated above will form the basis of reporting for new operations from 2012 onwards.