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

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In accordance with Decision 1080/2011/EU granting an EU guarantee to the European Investment Bank (EIB) against losses under loans and loan guarantees for projects outside the Union, the Commission presents its annual report on EIB financing operations carried out under the EU guarantee. The report also provides a summary of the own risk operations carried out by the EIB in 2012 in the regions covered by the Decision.

Key results: the Decision sets an overall General Mandate ceiling to EUR 27,484 million and an additional EUR 2,000 million Climate Change Mandate. Despite a challenging business environment, in 2012 **the EIB maintained signatures** in the regions covered by the Decision at the same level as in 2011 at **EUR 6.5 billion.**

Financing under the EU guarantee increased by around EUR 900 million to EUR 4.0 billion, while financing at EIB own-risk decreased by around EUR 900 million to EUR 2.5 billion.

Activity under the EU guarantee grew by 30% to reach EUR 3.96 billion or 61% of total 2012 financing in the regions covered by the Decision. The bulk (89.8%) of operations financed at EIB own risk was signed in Pre-Accession.

In terms of number of projects, 39 projects were financed under the Decision in 2012 compared to 29 in 2011.

- **The Pre-Accession countries** remained the main beneficiary region of EIB financing outside the EU in 2012 with EUR 3.1 billion signed, representing 48% of total financing in the regions concerned. EIB prioritised credit lines to SMEs (55% of signatures) and trans-European infrastructure projects.

- **Mediterranean countries**: despite the continued instability after the Arab Spring and the suspension of activity in Syria, EIB financing in the Mediterranean countries bounced back to EUR 1.7 billion signed in 2012, a 73% increase over the previous year. As in previous years, energy and transport sectors were the largest beneficiaries of EIB financing. The region was also the main beneficiary of the additional mandate envelope released in October 2011 for climate action.

- **Eastern Neighbourhood and Russia**: financing activity grew to a new record high of EUR 934 million in 2012, up from EUR 776 million in 2011. Credit lines for SMEs accounted for around 50% of signatures.

- **Asia and Latin America**: total lending declined to EUR 700 million (compared to EUR 1.17 billion in 2011) due to postponement of two large operations. Climate action remained the main focus of lending in the region, representing 86% of signatures in the year (100% in Asia and 67% in Latin America).

- **South Africa**: two new loans in support of renewable energy and municipal infrastructure totalling EUR 100 million were signed in 2012, down from EUR 165 million in 2011.

Contribution to EU policy objectives: the revised Decision emphasised a stronger alignment of EIB external activity and EU external policies, programmes and instruments. It provides for **three horizontal high-level objectives for all regions** covered by the EU budgetary guarantee:

(1) Climate change mitigation and adaptation: the EIB has continued to strengthen its climate action lending during the period covered by the Decision. The additional Climate Change Mandate envelope of EUR 2 billion has helped to widen, beyond the emerging market economies, the spread of developing countries in which investments in climate action are being made.

(2) Development of social and economic infrastructure: over the years 2007-2012, the EIB has provided more than EUR 23.2 billion for the financing of social and economic infrastructure, including transport, energy, environmental infrastructure and information and communication technology. EIB support for social and economic infrastructure accounted for 51% of the overall EIB activity in the regions covered by the Decision in 2012 (73% for operations under guarantee).

(3) Local private sector development, in particular support to SMEs: support to the private sector also accounted for 51% of the overall EIB activity in the regions covered by the decision in 2012 (37% for operations under guarantee). In 2012, intermediated lending to SMEs in the regions covered by the Decision reached EUR 2.1 billion representing more than twice the volume signed in the previous year. The EIB also supports local private sector development through direct loans to larger private enterprises, mainly in the industrial and services sectors.

In line with Article 12 of the Decision and with the EIB Policy towards weakly regulated, non-transparent and uncooperative jurisdictions adopted in 2010, **no cross-border EIB financing operations under the EU guarantee were carried out** with counterparts based in non-compliant jurisdictions.

Impact and value added of EIB operations: to strengthen its assessment, measurement and reporting on the results and impacts of its operations outside the EU, the EIB launched a new framework to replace the existing Economic and Social Impact Assessment Framework. The **REM (Results Measurement) framework**, which was introduced as a pilot in 2012, improves the ex-ante assessment of expected project results and enhances the Bank's ability to monitor and report on actual results achieved. In this context, the EIB takes into account, in a systematic manner, the economic, financial, environmental and social sustainability in its financing.

The report provides more detailed information on expected results based on EIB financing operations approved in 2012. As of 2013, the report will be based on signatures and not approvals, in order to align it better with other Bank reporting requirements.