

EU guarantee to the European Investment Bank (EIB) against losses under financing operations supporting investment projects outside the Union (2014-2020)

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The Commission presents a report on the mid-term review of the application of the Decision N° 466/2014 /EU as regards the EU guarantee to the European Investment Bank (EIB) against losses under financing operations supporting investment projects outside the Union

This report draws on an independent external evaluation carried out by an external consultant and a contribution from the EIB. It describes the Commission's assessment of the results of the external evaluation and summarises the findings forming the basis for a proposed amendment of the Decision.

The main conclusions of the report are as follows:

Situation of the external lending mandate: the external lending mandate has supported the Union's external policy agenda, showing sufficient **flexibility and reactivity to the geopolitical challenges** as demonstrated through the cases of Ukraine (the Ukrainian crisis), Egypt and Morocco (“Arab spring”) and Jordan (the refugee crisis). The mandate has played a role in the economic and therefore political stabilisation of those countries hit by a political crisis.

By the end of 2015, a year and a half of financing activities under the mandate 2014-2020, cumulative signatures under the mandate reached **EUR 6.9 billion, corresponding to an utilisation rate of 26%**. The utilisation rate in the Eastern Neighbourhood already exceeds 50%, followed by Asia and Latin America and South Africa with 41% and 36% respectively.

The ceiling for the EIB external lending mandate is EUR 27 billion. In March 2014, the Union pledged a financial package in support of Ukraine and asked the EIB to contribute with investments in the order of EUR 3 billion for the period 2014-2016.

One can see that in contributing to such a proportion of lending in Ukraine, the EIB is exhausting the Eastern Neighbourhood region ceiling more rapidly than expected when the ceilings were originally prepared. The ceiling in the Eastern Neighbourhood will be reached as of mid-2017 and the EIB would not be able to continue lending in the region for the entire period of the mandate.

Current policy context: the report notes that clear policy drivers for the Union's external actions have emerged and evolved recently, to be considered for the mid-term review of the EIB's external lending mandate, notably:

- the urgent work on the **external dimension of EU migration crisis**, and the potential role of the EIB;
- wider work on **sustainable development goals** and financing for development (the Addis Ababa Action Agenda reaffirming the need to go beyond ODA to support investments);
- the **climate change agenda**, in particular after Paris COP 21;
- the work on **economic diplomacy** supporting the internationalisation of EU businesses.

As requested by the European Council request on 18 March 2016, the EIB proposed **an initiative mobilising additional financing** in support of sustainable growth, vital infrastructure and social cohesion in Southern neighbourhood and Western Balkans countries which are hit by the migration crisis.

The **EIB's proposal (the "Resilience initiative")** is based on three building blocks:

- Building block 1: Stepping up of activities that are possible under existing frameworks.
- Building block 2: Enhancing the range of products offered in the regions to support mainly the public sector.
- Building block 3: Enhancing the range of products offered in the regions to support mainly the private sector.

Legislative proposal: with regard to the ceiling on the mandate, based on the Commission's assessment of the findings of the mid-term review and bearing in mind the EIB's Resilience initiative, the Commission presents, in parallel to the report, a [proposal to revise Decision No 466/2014/EC](#), which aims to:

- **release the optional EUR 3 billion** with the regional ceiling distribution as before;
- create an additional maximum ceiling for EIB's **private sector mandate amounting to EUR 2.3 billion** (Building Block 3 under the EIB's Resilience initiative), while introducing a comprehensive guarantee for the private sector operations directly linked to the refugees and host communities, thus extending the coverage of the EU guarantee to commercial risks;
- **allow an increased flexibility for the EIB to switch amounts under the regional ceiling allocations** (from current 10% between regions to a level of 20%), but only in the direction of high priority regions for the Union, in particular Ukraine and migration response related regions or any forthcoming challenges within the remaining part of the mandate 2014- 2020. The increased flexibility does not apply to the new EIB private sector mandate of the EIB's Resilience initiative, nor to the amount of EUR 1.4 billion for private sector projects to deal with the migration crisis;
- **strengthen the climate change dimension of the mandate.** The volume of EIB operations for climate change mitigation and adaptation should contribute to stepping up the proportion of EIB lending in support of climate related investment in developing countries from 25% to 35% by 2020.

These amendments involve **an increase of EUR 5.3 billion for the provisioning of the Guarantee Fund regarding the external lending mandate**, including the optional additional amount of EUR 3 billion:

- within the optional amount, the Commission proposes to maintain the proportions for the Asia Latin America and South Africa regions ;
- within that amount, the Commission proposes to split the increase of the EUR 1.4 billion under the Resilience initiative between the Pre-accession (EUR 500 million, only Western Balkan countries) and Mediterranean countries (EUR 900 million) ;
- the remaining part of the optional amount will be allocated to the East Neighbourhood (EUR 1 177 million), thus more than doubling their proportion and allowing for at least part continuation of increased business levels in the region, in particular in the Ukraine;
- lastly, the amount of EUR 2,3 billion for EIB operations in the private sector for refugees is split between Pre-Accession (EUR 440 million, also only Western Balkan countries) and Mediterranean regions (EUR 1 860 million).