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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This Commission report provides an overview of the EIB's activities under the EU guarantee in 2017 and the main results and impacts achieved.

Under the External Lending Mandate (EPM), the EU provides its budgetary guarantee to enable the EIB to strengthen its lending activity in support of EU policies outside the EU.

The ELM supports EIB activity in Pre-Accession countries, the Eastern and Southern Neighbourhood, Asia, Latin America and South Africa. In the current ELM period (20142020), the EU budget guarantees up to EUR 32.3 billion of EIB operations, with ceilings fixed for the various geographic regions and sub-regions.

Following the adoption of Decision (EU) 2018/412 amending Decision No 466/2014/EU, the new ceiling of EUR 32.3 billion includes a guarantee mandate of EUR 3.7 billion for the new objective of long-term economic resilience of refugees, migrants, host and transit communities and communities of origin as a strategic response to address the root causes of migration.

Main conclusions for 2017

- the EIB signed a total of EUR 5.5 billion of financing operations in the regions covered by the External Lending Mandate, which is lower by 19% compared to the previous year (EUR 6.8 billion). Of this total, 57% of EIB operations was carried out under the EU's guarantee (i.e., under the ELM), with 45 loan contracts signed totalling EUR 3.2 billion ;

- the EIB signed EUR 2.2 billion of loans in the ELM regions in support of climate action. At the end of 2017, the cumulative climate action ratio under the mandate period of 2014-2020 stood at over 32% of signatures. Climate-related lending in Asia is a major contributor to that target;

- EIB’s support to the objective of regional integration was significantly lower in 2017 than in 2016 (down by EUR 1.5 billion to EUR 261 million), largely due to the lower lending volumes in Turkey;

- in 2017 the EIB signed 29 new projects contributing to the development of social and economic infrastructure in the ELM regions, amounting to EUR 2.81 billion, of which 8 new projects in the transport sector and 7 new projects in the energy sector. 5 Five out of seven new energy sector projects will develop new generation capacity from renewable sources, mostly in Asia and Latin America, and with one project – the Gulf of Suez Wind Farm project – in the Southern Neighbourhood. Together, these projects will produce enough clean energy to supply 4.35 million households in the countries where they are located;

- by end-2017, the EIB approved EUR 1.5 billion of projects foreseen to respond to this new objective of the ELM, which corresponds to 25% of the EUR 6 billion target by end-2020. 60% of the approved projects are in the form of credit lines to the private sector and 15% are in the transport sector. The EIB

expects these investments to sustain 54 000 jobs in SMEs and mid-caps and 2.4 million people to benefit from improved sanitation services.

The level of disbursements under the ELM 2014-2020 reached 25% of net signatures at the end of 2017, up from 18% in 2016.

Impact and value added of EIB operations

Projects are rated by the EIB according to three 'Pillars':

- Pillar 1 rates the expected contribution to EU and partner countries' priorities and eligibility under EIB mandate objectives: in 2017, all 62 new projects were rated by the EIB at least 'good' under Pillar 1. 28 projects were rated 'excellent' by the EIB for making a high contribution to both EU priorities and national development objectives.

- Pillar 2 rates the quality and soundness of the operation, based on the expected results: 3 projects were rated 'excellent' by the EIB and 54 projects were rated 'good' under Pillar 2, with an average economic rate of return of 10% to 15% in the case of infrastructure projects. 5 projects received an 'acceptable' rating by the EIB, often because of high risk environments that impact on the probability of achieving planned results. These include microfinance credit lines in Georgia and Palestine.

- Pillar 3 rates expected EIB financial and non-financial additionality: the EIB rated 52 projects as 'high' or 'significant' for the length of tenor provided, exceeding what is available in local markets. 10 projects were rated by the EIB as 'moderate'.

In 2017, the EIB proceeded to make new calls under the EU Guarantee as a consequence of overdue amounts on Syrian sovereign loans. From 2012 to 2017 the EIB called overall EUR 365.3 million, of which EUR 56.3 million in 2017, while the residual principal amount potentially callable stood at EUR 261.7 million at end 2017. Efforts to recover the overdue amounts have not been successful to date.