# 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 2018 and the main results and impacts achieved.

Under the External Lending Mandate (ELM), 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, with a total of 64 countries currently eligible.

In the current ELM period (2014-2020), the EU budget guarantees up to EUR 32.3 billion of EIB financing operations with a commitment to cover the first 65% of losses that may arise in the guaranteed portfolio.

***Key findings from 2018***

In 2018, the EIB signed a total of EUR 5.8 billion of financing operations in the regions covered by the External Lending Mandate. Of this total, over EUR 4.46 billion of EIB operations are covered by the EU guarantee (i.e., they fall under the ELM), involving nearly 50 loan contracts.

Compared to 2017, when only EUR 3.2 billion of operations were signed under the ELM, the 2018 volumes are visibly higher. By contrast, the volume of the EIB’s own-risk operations in ELM countries declined from EUR 2.3 billion in 2017 to EUR 1.4 billion in 2018.

***Differing nature of the EU guarantee***

The nature of the EU guarantee differs depending on the EIB’s financing operation in question:

- A comprehensive guarantee, covering both operational and political risks, is provided for financing operations with public sector counterparts (typically for infrastructure development) as well as for EIB loans to banks or companies that benefit from a state guarantee and for financing operations under the Economic Resilience Initiative private mandate, created following the mid-term review of the ELM in 2018. EUR 4.2 billion or nearly 95% of financing operations signed under the ELM in 2018 benefitted from the EU’s comprehensive guarantee.

- A political risk guarantee with a more limited coverage is provided for other private sector operations. In 2018, it covered financing operations in the volume of EUR 242 million.

The cumulative level of disbursements under the ELM 2014-2020 reached 33% of net signatures at the end of 2018 (EUR 5.8 billion), up from 18% in 2016 and 25% in 2017. Especially in the case of infrastructure projects, disbursements of EIB financing take place gradually and over a number of years.

***Financing operations***

The report noted that:

- the total volume of EIB investments signed under the ELM in 2018 amounted to EUR 4.46 billion. Two-thirds (EUR 3 billion) will contribute to the development of social and economic infrastructure. The remaining one-third will support local private sector development, principally through improving access to finance for SMEs;

- from the same total volume signed under the ELM in 2018, 35% will contribute to the climate action objective, 17% will support regional integration, and 19% will contribute to the objective of long-term economic resilience;

- the EIB signed EUR 1.72 billion of operations supporting local private sector development in 2018, of which EUR 1.46 billion under the ELM. The vast majority of this financing was provided in the form of credit lines to local financial intermediaries (mainly banks) for onlending to SMEs and mid-caps. Four of these credit lines aim to reach out to second-tier banks, namely in Armenia, Lebanon, Montenegro and South Africa. The EIB also signed one new credit line for microfinance in Jordan at its own risk;

- financing operations contributing to the development of social and economic infrastructure in the ELM regions amounted to EUR 4.12 billion of volumes signed by the EIB in 2018, of which nearly EUR 3 billion under the EU guarantee. The main sectors concerned were energy, transport and water/sewerage;

- EUR 2.5 billion of loans in the ELM regions signed in 2018 will support climate change mitigation and adaptation, of which EUR nearly 1.6 billion under the EU guarantee. The largest contributions to the climate action objective will come from lower carbon transport and renewable energy investments. Adaptation to climate change continues to account for less than 10% of the EIB’s climate-related financing in the ELM regions;

- the EIB signed 12 new projects in 2018 that contribute to the cross-cutting objective of regional integration. The largest of these is the Trans-Anatolian Natural Gas Pipeline;

- the Economic Resilience Initiative was launched by the EIB in 2016 as a contribution to Europe's response to the migration and refugee challenge. In the context of the mid-term review of the ELM completed in 2018, an additional objective of long-term economic resilience was introduced in the ELM Decision. Moreover, EUR 1.4 billion was earmarked for public sector investments contributing to the resilience objective, and a specific ‘ERI Private Mandate’ of EUR 2.3 billion was created in order to guarantee private sector investments supporting long-term economic resilience. By end-2018, the EIB approved EUR 4.1 billion of operations foreseen to respond to this new objective of the ELM.

***EIB financing by region and sector***

The EIB signed EUR 5.8 billion of loans in the ELM regions in 2018 out of EUR 7.7 billion of operations outside the EU (including the ACP countries, Overseas Countries and Territories as well the EFTA states). Approximately EUR 4.1 billion is the volume of operations signed in the Pre-Accession and in the Neighbourhood regions (both South and East). EUR 1.7 billion was signed in Asia, Central Asia, Latin America and South Africa.18 Compared to 2017, the total volume of EIB financing in ELM regions somewhat increased in 2018, mainly due to a ramp-up of activity in the Western Balkans.

The lowest rate of utilisation of the EU guarantee is observed in the Pre-Accession region. This is explained mainly by the scaling back of EIB operations in Turkey in view of political and economic developments since 2016. The highest utilisation rate, at least in terms of signatures, is recorded in Central Asia and in the Eastern Neighbourhood.

***Additional calls on the EU Guarantee***

In 2018, the EIB proceeded to make new calls under the EU Guarantee as a consequence of overdue amounts on Syrian sovereign loans. From 2012 to 2018 the EIB called overall EUR 421.2 million, of which EUR 55.6 million in 2018, while the residual principal amount potentially callable stood at EUR 211.5 million at end-2018. Efforts to recover the overdue amounts have not been successful to date. The EIB has followed up in relevant courts in order to preserve the EU's claims on the amounts owed by Syria.