Basic information

2010/0101(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Decision	Procedure completed
EU guarantee to the European Investment Bank (EIB) against losses under loans and loan guarantees for projects outside the Union Repealing Decision 633/2009/EC 2008/0268(COD) **Subject** 6.30.04 Loans to third-countries, Guarantee Fund 8.40.07 European Investment Bank (EIB) 8.70 Budget of the Union	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	KALFIN Ivailo (S&D)	08/09/2011

Former committee responsible	Former rapporteur	Appointed
BUDG Budgets	KALFIN Ivailo (S&D)	10/05/2010

Former committee for opinion	Former rapporteur for opinion	Appointed
AFET Foreign Affairs	PEILLON Vincent (S&D)	17/03/2010
DEVE Development	BERMAN Thijs (S&D)	05/05/2010
INTA International Trade	(THE EARL OF) DARTMOUTH William (EFD)	01/06/2010
CONT Budgetary Control	DEUTSCH Tamás (PPE)	22/06/2010
ECON Economic and Monetary Affairs	CUTAȘ George Sabin (S&D)	15/06/2010

Council of the European Union

Council configuration	Meetings	Date
Agriculture and Fisheries	3110	2011-09-20

European Commission	Commission DG	Commissioner
	Economic and Financial Affairs	REHN Olli

Key events

Date	Event	Reference	Summary
21/04/2010	Legislative proposal published	COM(2010)0174	Summary
19/05/2010	Committee referral announced in Parliament, 1st reading		
26/01/2011	Vote in committee, 1st reading		Summary
02/02/2011	Committee report tabled for plenary, 1st reading	A7-0019/2011	
17/02/2011	Decision by Parliament, 1st reading	T7-0062/2011	Summary
17/02/2011	Results of vote in Parliament		
17/02/2011	Debate in Parliament		
23/09/2011	Council position published	12443/1/2011	Summary
29/09/2011	Committee referral announced in Parliament, 2nd reading		
05/10/2011	Vote in committee, 2nd reading		Summary
05/10/2011	Committee recommendation tabled for plenary, 2nd reading	A7-0327/2011	
13/10/2011	Decision by Parliament, 2nd reading	T7-0438/2011	Summary
25/10/2011	Final act signed		
25/10/2011	End of procedure in Parliament		
27/10/2011	Final act published in Official Journal		

Technical information

Procedure reference	2010/0101(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Decision
Amendments and repeals	Repealing Decision 633/2009/EC 2008/0268(COD)
Legal basis	Treaty on the Functioning of the European Union TFEU 209-p1 Treaty on the Functioning of the European Union TFEU 212
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/7/06761

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE450.852	15/10/2010	
Committee opinion	CONT	PE445.886	27/10/2010	
Committee opinion	AFET	PE445.923	28/10/2010	
Committee opinion	ECON	PE448.659	28/10/2010	
Amendments tabled in committee		PE452.617	03/11/2010	
Committee opinion	DEVE	PE450.631	10/11/2010	
Committee opinion	INTA	PE448.767	12/11/2010	
Committee report tabled for plenary, 1st reading/single reading		A7-0019/2011	02/02/2011	
Text adopted by Parliament, 1st reading/single reading		T7-0062/2011	17/02/2011	Summary
Committee draft report		PE472.361	26/09/2011	
Committee recommendation tabled for plenary, 2nd reading		A7-0327/2011	05/10/2011	
Text adopted by Parliament, 2nd reading		T7-0438/2011	13/10/2011	Summary

Council of the EU

Document type	Reference	Date	Summary
Council statement on its position	13936/2011	09/09/2011	
Council position	12443/1/2011	23/09/2011	Summary
Draft final act	00060/2011/LEX	26/10/2011	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2010)0174	21/04/2010	Summary
Document attached to the procedure	SEC(2010)0443	21/04/2010	Summary
Commission response to text adopted in plenary	SP(2011)2217	16/03/2011	
Commission communication on Council's position	COM(2011)0597	23/09/2011	Summary
Follow-up document	COM(2012)0637	07/11/2012	Summary
Follow-up document	SWD(2012)0357	07/11/2012	
Follow-up document	SWD(2012)0358	07/11/2012	
	COM(2013)0834		

Follow-up document		28/11/2013	Summary
Follow-up document	SWD(2013)0484	28/11/2013	
Follow-up document	COM(2014)0674	30/10/2014	Summary
Follow-up document	SWD(2014)0333	30/10/2014	
Follow-up document	COM(2014)0733	15/12/2014	Summary
Follow-up document	COM(2016)0600	19/09/2016	Summary

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	
European Commission	EUR-Lex	

Final act

Decision 2011/1080
OJ L 280 27.10.2011, p. 0001 Summary

Delegated acts

Reference	Subject
2013/2800(DEA)	Examination of delegated act

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

2010/0101(COD) - 23/09/2011 - Council position

The Council's Position at first reading reflects the compromise reached in negotiations between the Council and the European Parliament, facilitated by the Commission.

The main amendments are as follows:

(1) Development orientation: the Council's first reading position integrates the European Parliament's emphasis on the **EIB's indirect contribution to general guiding principles and policy objectives of the European Union**, including the development of third countries, whilst preserving the EIB's distinctiveness as an investment bank.

The EIB is therefore invited to better frame the development impact of its external operations.

With a view to the new requirements introduced, a gradual adjustment of EIB resources is to be ensured whilst opportunity to further enhance efficiency and effectiveness should be exploited. **Enhanced cooperation** with other International Finance Institutions (IFIs) and European bilateral finance institutions (EBFIs) is foreseen. The possibility envisaged by the Parliament to create a **group of experts** to study the development of an EU platform for cooperation and development is taken into account in a modified recital.

The Council position also follows the European Parliament approach emphasising the **role of SMEs** and the need to foster their access to financial services.

(2) Mandate Ceilings: the Council position at first reading takes into account the European Parliament proposal to increase the mandate ceilings as compared to the Commission proposal in light of temporary and exceptional circumstances, and without pre-judging the ceilings under the next multi-annual financial framework.

On the one hand, the Council accepts the European Parliament amendment to **increase by EUR 1 billion the sub-ceiling for Mediterranean countries** in order to provide appropriate support to the region in the context of the unrest in the Southern Mediterranean in 2011.

On the other hand, the Council accepts partly the increase across all other regions proposed by the European Parliament, in particular in the light of the frontloading of EIB external lending activities in 2009 and 2010 in the context of the global economic crisis. Unlike the European Parliament, the Council position at first reading foresees however an equal increase of 4% across regions and sub-regions (excluding Mediterranean countries).

The Council position at first reading also takes into account the European Parliament approach to **flexibility**, by accepting to give the governing bodies of the EIB the possibility to reallocate up to 10% (the amendment foresees 20%) of the regional ceilings within and between regions.

(**3) Technical regional operational guidelines**: the European Parliament's position required the regional operational guidelines to be adopted by means of delegated acts. Because of the technical nature of the guidelines, the Council's first reading position **considers their adoption by delegated acts inappropriate** and maintains the Commission proposal. This allows for a drafting of the guidelines by the Commission together with the EIB as envisaged by the Commission proposal, which would not be possible if the guidelines were to be adopted by means of delegated acts.

(4) Country eligibility: the Council first reading position foresees a different approach to country eligibility: annex II lists potentially eligible regions and countries. This list of potentially eligible regions and countries is established in accordance with the ordinary legislative procedure. **A new Annex III** is introduced and lists eligible regions and countries, which shall include no countries other than those listed in Annex II. The Commission is empowered to adopt delegated acts concerning amendments to Annex III. This allows for a much faster update of the list of eligible countries in light of significant policy developments.

(5) Climate change mandate: the Council's first reading position accepts the European Parliament's approach conferring to the Council the power to **restrict the eligibility** to receive EIB financing for climate-change mitigation under the EU guarantee for countries that are deemed not to have committed to meeting appropriate climate change-related targets. However, in the Council's first reading position, this should be done on a proposal from the Commission.

(6) Reporting: the Council's first reading position follows the European Parliament approach calling for additional reporting requirements.

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

2010/0101(COD) - 17/02/2011 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 538 votes to 37, with 37 abstentions, a legislative resolution on the proposal for a decision of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under loans and guarantees for projects outside the European Union.

The European Parliament adopted its position at first reading under the ordinary legislative procedure. The amendments adopted in plenary amend the Commission’s proposal as follows:

EU guarantee: the amended text stipulates that EIB financing activities shall comply with the general guiding principles, and contribute to the achievement of the objectives and policies of the external action of the Union. Eligible for EU guarantee shall be EIB loans and loan guarantees for investment projects carried out in countries covered by this Decision, granted in accordance with the EIB's own rules and procedures, including the **EIB's statement on social and environmental standards**, and in support of the relevant external policy objectives of the Union, where EIB financing has been granted according to a signed agreement which has neither expired nor been cancelled (EIB financing operations).

General Mandate objectives: the EU guarantee shall be granted for EIB financing operations which support any of the following general objectives: (i) **local private sector development**, in particular support to small- and medium-sized enterprises; (ii) **climate change** mitigation and adaptation.

The text states that indirectly contributing to reducing poverty through inclusive growth and sustainable economic and social development shall be an objective for EIB financing in developing countries.

In line with EU and international climate change objectives, the EIB shall, in cooperation with the Commission, present **by 2012a strategy on how to gradually and steadily increase the percentage of projects promoting the reduction of CO2 emissions** and phase out projects detrimental to the achievement of the EU climate objectives.

More generally, EIB financing operations shall **contribute to the general principles guiding the Union's external action**, of consolidating and supporting democracy and the rule of law, human rights and fundamental freedoms, and shall contribute to the implementation of international environmental agreements to which the Union is a party. The EIB shall develop performance indicators in relation to development, environmental and human rights aspects of projects funded.

In relation to developing countries in particular, attention shall be paid to **sustainable management of global natural resources**, their smooth and gradual integration into the world economy, the campaign against poverty, as well as compliance with objectives approved by the Union in the context of the United Nations and other competent international organisations. The EIB shall promote **equal access to financial services**, in particular for disadvantaged groups such as minorities, farmers and women.

Mandate ceilings: the maximum ceiling of the EIB financing operations under EU guarantee throughout the period 2007-2013, less amounts cancelled, shall not exceed **EUR 29 567 000 000** , broken down into two parts: (i) a General Mandate of EUR 27 567 000 000; (ii) a Climate Change Mandate of EUR 2 000 000 000.

The eligibility of countries in which the EIB finances climate-change mitigation under the EU guarantee could be restricted before the EIB dedicates funds for countries that are deemed by the Council not to have committed to meeting appropriate climate change-related targets. Prior to such a decision, the Council shall consult the EEAS and the Commission.

EIB assessment of development related aspects of projects: the Commission shall include on an aggregate basis in the annual report to the European Parliament and the Council an assessment of the development dimension of the activities of the EIB, based on the due diligence carried out for the projects.

The EIB shall assess the information provided by the project promoters. The EIB monitoring shall include, where possible, the performance of financial intermediaries in support of SMEs. The results of monitoring shall, where possible, be disclosed.

The Commission shall present the development reports of EIB to the European Parliament and the Council in the framework of the annual reporting exercise and make them publicly available so that interested stakeholders, including civil society and recipient countries, are also able to express their views on the matter. The European Parliament shall discuss the annual reports, taking into consideration the views of all interested parties.

Annual reporting and accounting: the text lays down that the report shall in particular include a detailed breakdown of all Union financial resources used in combination with EIB financing and other donors, thus giving a detailed overview of the financial exposure of financing operations carried out under this Decision. The EIB shall continue to provide to the European Parliament, the Council and the Commission all their independent evaluation reports which assess the practical results achieved by the specific activities of the EIB under the external mandates.

Cooperation with other public financing institutions: EIB financing operations shall increasingly be carried out, in cooperation with other international financial institutions or European bilateral finance institutions, in order to maximize synergies, cooperation and efficiency and to ensure prudent and reasonable sharing of risks and coherent project and sector conditionality, in order to minimise possible duplication of costs and unnecessary overlap.

The Commission shall propose **by mid-2012**, on the basis of the existing positive experience, the **establishment of an 'EU platform for cooperation and development'** with a view to optimising and rationalising the functioning of mechanisms for increased blending of grants and loans in the external regions. In its reflections the Commission shall consult the EIB, the EBRD as well as the other European multilateral and bilateral finance institutions. For this purpose the Commission shall create a working group composed of Member State representatives, Members of the European Parliament, EIB and, if necessary, other institutions.

Non cooperative jurisdictions: in its financing operations, **the EIB shall not tolerate any activities carried out for illegal purposes**, including money laundering, financing of terrorism, tax fraud and tax evasion. In particular the EIB shall not participate in any operation implemented in an eligible country through a foreign non-cooperative jurisdiction identified as such by the Organisation for Economic Cooperation and Development (OECD), the Financial Action Task Force (FATF) and other relevant international organisations.

Perspectives for cooperation and development financing:the Commission shall, together with the EIB, create a **working party** to discuss the perspectives of the cooperation and development financing originating from the Union to review the existing practices and suggest changes in the organisation and coordination of development aid and the increase in its efficiency and effectiveness. The working party shall present its report with recommendations by 31 December 2012.

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

2010/0101(COD) - 23/09/2011 - Commission communication on Council's position

The Commission **fully supports** the results of the inter-institutional negotiations and can therefore accept the Council's position at first reading.

Following the trilogue negotiations on 27 June 2011, the Chairman of the BUDG Committee of the European Parliament sent a letter to the Hungarian Presidency confirming that should the Council adopt as its position at first reading the text approved by the ECOFIN (subject to legal-linguistic verification), he would recommend to the BUDG Committee and then to the Parliament as a whole in plenary session, that the Council's position be accepted without amendment at Parliament's second reading. The General Affairs Council reached a political agreement on this basis on 18 July 2011.

The main points which were negotiated and agreed upon by the three institutions are the following:

(1) The amount of the regional ceilings:

- EUR 1billion increase of the ceiling for the Southern Neighbourhood region. An increase of 4% of all other regional and sub-regional ceilings of the general mandate; the overall increase would be of around EUR 1.7 bn (on top of the EUR 2bn additional climate change mandate);
- the above increases would be flagged to be of a temporary nature and with soft conditionality (increases dedicated to countries undertaking political reform as assessed by the Commission with the involvement of the EEAS);
- in terms of flexibility, the EIB governing bodies may decide to reallocate an amount of up to 10% of the regional ceilings of the general mandate *within and between* regions (it used to be only *between* regions).

(2) Development aspects:

- some amendments were introduced at the request of the EP focussing on the need for EIB to better report and assess the development, social, environmental and human rights impact of its activities (e.g. by defining specific performance indicators and thoroughly monitoring those aspects throughout the lifecycle of a project);
- the text has been clarified further to reflect that the EIB's support to poverty reduction and the achievement of Millennium Development Goals would mainly be indirect by fostering inclusive growth and sustainable economic and social development through the financing of operations following the general objectives set out in the Decision.

(3) Country eligibility:

- Belarus will not be declared eligible (while it will remain 'potentially' eligible);
- the Commission will be empowered to activate the mandate for potentially eligible country or also to deactivate/suspend it through delegated acts (under the previous Decision, this would have required an ordinary legislative procedure). This will allow the Commission to more rapidly activate/suspend the mandate in certain countries if political circumstances change;
- from a technical point of view, two lists have been set up in Annexes to the Decision: the list of all potentially eligible regions and countries and the list of actually eligible regions and countries (the second one only comprising country from the first one). The Commission would be empowered to modify the second list by delegated acts.

(4) EU Platform on Cooperation and Development: it has been agreed that the Commission will set up and chair a Group of Experts (GoE) to study the concept of an EU Platform for Cooperation and Development. The GoE will be composed by the Commission, EEAS, Member States and EIB. Other financial institutions will be consulted but not be permanent members of the GoE.

(5) Regional policy framework: Recitals 15 – 20 in the Commission proposal were moved to a new Annex IV "regional policy framework", after appropriate redrafting.

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

2010/0101(COD) - 13/10/2011 - Text adopted by Parliament, 2nd reading

The European Parliament approved the Council position at first reading with a view to the adoption of a decision of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC.

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

2010/0101(COD) - 25/10/2011 - Final act

PURPOSE: to grant an EU guarantee to the European Investment Bank (EIB) against losses under loans and guarantees for projects outside the European Union.

LEGISLATIVE ACT: Decision No 1080/2011/EU of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC.

CONTENT: following an agreement with the European Parliament in second reading, the Council adopted a decision extending the EU guarantee to the EIB against losses under loans and guarantees for the remainder of the current financial framework (2007-2013).

Union guarantee: the EY provides to the EIB a budgetary guarantee that covers risks of a political or sovereign nature relating to its loans and guarantees for projects outside the EU that support the objectives of the EU’s external policy. The Union’s guarantee is provided

shall be granted for EIB financing operations which support any of the following general objectives:

- local private sector development, in particular support to SMEs;
- development of social and economic infrastructure, including transport, energy, environmental infrastructure, and information and communication technology;
- climate change mitigation and adaptation.

This decision, which replaces the EIB's current mandate for external loan activities, stipulates a maximum ceiling for EIB funding operations covered by the Union's guarantee for the period 2007-2013, less amounts cancelled, shall not exceed **EUR 29 484 000 000**. The decision includes **several new features**, in particular:

- **an optional mandate of EUR 2 000 000 000 to support financing operations in the field of climate change and mitigation**. The Council may, however, if appropriate and on the proposal of the Commission, decide to limit the eligibility of a country to EIB financing for actions in the field of climate change mitigation;
- **loans to countries that are not currently covered by the EIB's mandate**. The list of countries potentially eligible for EIB financing under EU guarantee is set out in Annex II. The list of countries eligible for EIB financing under EU guarantee is set out in Annex III and shall include no countries other than those listed in Annex II. For countries not listed in Annex II, eligibility for EIB financing under EU guarantee shall be decided on a case-by-case basis in accordance with the ordinary legislative procedure ;
- **the increase by EUR 1 billion of the ceiling applicable to EIB operations in favour of Mediterranean countries** covered by the European neighbourhood and partnership countries instrument that are undergoing political reforms.

The regional ceilings of the general mandate are as follows:

Pre-accession countries: EUR 9 048 000 000

Neighbourhood and Partnership countries: EUR 13 548 000 000, broken down into the following indicative sub-ceilings:

- Mediterranean countries: EUR 9 700 000 000;
- Eastern Europe, Southern Caucasus and Russia: EUR 3 848 000 000;

Asia and Latin America: EUR 3 952 000 000, broken down into the following indicative sub-ceilings:

- Latin America: EUR 2 912 000 000;
- Asia (including central Asia): EUR 1 040 000 000;

Republic of South Africa: EUR 936 000 000.

Within the overall ceiling of the General Mandate, the EIB governing bodies may decide to reallocate an amount of up to 10 % of the regional ceilings within and between regions.

Review and reporting: the Commission shall present to the European Parliament and to the Council a proposal, as appropriate, for establishing the EU guarantee under the next multiannual financial framework. By 31 October 2014, the Commission shall present to the European Parliament and to the Council a final report on the application of this Decision.

ENTRY INTO FORCE: 30/10/2011.

DELEGATED ACTS: the Commission shall be empowered to adopt delegated acts concerning amendments to Annex III (eligible regions and countries) in order to reflect significant policy developments. The power to adopt delegated acts shall be conferred on the Commission for an indeterminate period of time from 30 October 2011. The delegation of power may be revoked at any time by the European Parliament or by the Council. The European Parliament and the Council may issue objections to a delegated act within a period of two months from its date of notification (this period may be further extended by two months). If the Parliament or Council issue objections, the delegated act does not enter into force.

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

2010/0101(COD) - 21/04/2010 - Legislative proposal

PURPOSE: to grant an EU guarantee to the European Investment Bank (EIB) against losses under loans and guarantees for projects outside the European Union.

PROPOSED ACT: Decision of the European Parliament and of the Council.

BACKGROUND: the EU provides a budgetary guarantee to the EIB covering risks of a sovereign and political nature in connection with its loan and loan guarantee operations carried out outside the EU in support of EU external policy objectives.

The overall scope and general conditions of the EU guarantee coverage for EIB external operations have been set out in previous Council decisions, the EIB external mandates. Most recently, the EIB external mandate for the period 2007-2011 was established by Decision No 633/2009/EC of 13 July 2009, which requires the Commission to present a mid-term report on its application accompanied by a proposal for its amendment, drawing on an external evaluation. On the basis of findings of the mid-term review, this proposal aims to ensure the continuation of the EU guarantee for EIB external financing for the remainder of the current financial perspectives 2007-2013, whilst **introducing a number of new elements** in the mandate. The introduction of these new elements necessitated a number of modifications to the current mandate Decision. For the sake of clarity, it was therefore chosen to replace the mandate Decision with a new decision rather than presenting a proposal for amendments.

LEGAL BASES: Articles 209 and 212 of the Treaty on the Functioning of the European Union. The proposal falls under the exclusive competence of the EU.

CONTENT : the proposed decision will cover EIB financing operations signed during the period beginning on 1 February 2007 and ending on 31 December 2013.The new elements to be introduced in the new decision are the following:

- activation of the **EUR 2 billion "optional mandate"**, which was placed in reserve by the Decision. This optional mandate will be activated not as an increase of individual regional ceilings, but as a mandate dedicated to projects which contribute to the fight against climate change across all regions covered by the decision;
- replacing the current system of regional objectives for operations under EU guarantee with horizontal high-level objectives covering all regions under the external mandate. These high-level objectives will be included in the Articles of the proposed decision and will cover the areas of climate change, social and economic infrastructure and local private sector development;
- development by the Commission, together with the EIB, and in consultation with the European External Action Service (EEAS), of **operational guidelines for each region** under the external mandate, reflecting EU regional strategies in order to strengthen the link between the implementation of EIB activities in line with the general high-level objectives under the external mandate and EU regional priorities;
- **strengthening of the capacity of the EIB** to support EU development objectives through (i) enhancing the EIB's appraisal and monitoring of social and development aspects of projects; (ii)increasing the focus of EIB intervention in sectors which will further the development of third countries, such as environmental infrastructure including water and sanitation, sustainable transportation and climate change mitigation and adaptation. The EIB should also progressively increase its activity in support of health and education;
- activation of the EIB external mandate for **Iceland, Belarus, Libya, Iraq and, Cambodia**.

BUDGETARY IMPLICATIONS: the Guarantee Fund for external actions set up by Council Regulation (EC, Euratom) No 480/2009, provisioned by yearly transfers from the general EU budget, provides a buffer for the EU budget against shocks due to losses on EIB external financing operations.

The forecasts take into account the impact of the EUR 2 billion "optional mandate" on the provisioning of the Guarantee Fund. On the basis of the 9% provisioning rate, the financial impact of the allocation of the EUR 2 billion on the provisioning of the Fund will amount to a maximum of EUR 180 million over the period 2012-2020, on the assumption that the corresponding loans are fully disbursed.

The budgetary implications as regards the provisioning of the Guarantee Fund as well as the human and administrative resources involved in the administration of the EU guarantee for 2011-2013 is as follows:

- 2011: EUR 138.9 million;
- 2012: EUR 326 million;
- 2013: EUR 271 million.

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

2010/0101(COD) - 21/04/2010 - Document attached to the procedure

This Staff Working Document accompanies the proposal on granting an EU guarantee to the European Investment Bank against losses under loans and guarantees for projects outside the EU. It aims at providing further details on two new elements introduced in the proposal, namely:

- the EIB activity in support of climate change under the EUR 2 billion optional mandate;
- the rationale to support the proposal to activate the EIB external mandate for Iceland, Belarus, Libya, Iraq and Cambodia.

The document takes into account the political situation in these countries and the bilateral relations with the EU, the democracy, human rights and fundamental freedoms situation as well as the macro-economic situation and investment needs at country level.

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

2010/0101(COD) - 07/11/2012 - Follow-up document

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 CO2 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.

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

2010/0101(COD) - 28/11/2013 - Follow-up document

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.

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

2010/0101(COD) - 15/12/2014 - Follow-up document

The Commission has presented its first report on the work carried out by the **"EU Platform for External Cooperation and Development"** of 14 December 2012 - date of its implementation - up to 14 December 2012. Blending is recognised as an important vehicle for leveraging additional resources and increasing the impact of EU aid.

The platform is made up of: i) a **Policy Group** consisting of EU Member States representatives, EEAS and the Commission, with the EP invited, while other participants may be invited as observers and ii) the **Technical Groups** (TGs) consisting of the Commission, EEAS, FIs and a number of Member States representatives. Representatives of the EP also participate in the technical work of the Platform.

Up to date, five specific TGs were established, complemented by several cross-cutting TG meetings. These were focused on the following objectives:

- **TG 1**: "Review of existing blending mechanisms" - **TG 2**: "Enhancement of blending activities"- Results Measurement Framework (RFM) - **TG 3**: "Improvement of Processes" - **TG 4**: "Promotion of Financial Instruments" - **TG 5**: "Contracting, monitoring and reporting".

- This technical work was complemented with **four workshops**: (a) on the issue of "Climate Change mainstreaming in blending facilities" (b) on "Debt sustainability" (c) on Blending and ODA, and (d) a roundtable with European Export Credit Agencies (ECAs).

The report's main conclusions are as follows:

1) The existing EU blending facilities show **positive signs** regarding performance in support of EU external policies

2) Technical work already carried out has resulted in an improved and harmonised Grant Application Form to be used by the various EU blending facilities. Detailed **Guidelines** have been developed to accompany the Application Form. The issue of debt sustainability was explicitly introduced and the on-going revision of the IMF framework will be followed up.

3) A **new results framework** has been developed and incorporated into the new Application Form and Guidelines. The Commission welcomes the Platform's efforts to keep ensuring a well-structured, transparent and effective project selection process, with efficient contractual processes and proper results-oriented monitoring and reporting procedures, adequately based on relevant and up-to-date legal requirements, and aligned with EU external cooperation policies priorities and objectives.

4) The Platform identified **key areas** where the increased use of specific financial instruments should be further explored:

- guarantees, equity and other risk sharing instruments for infrastructure projects and micro-SMEs;
- new sectors: Guarantees and risk sharing mechanisms for agriculture, social and other sectors.

5) The Platform agreed to **the organisation of four blending "frameworks" according to the financing instruments** (European Development Fund (EDF) – European Neighbourhood Instrument (ENI) – Development and Cooperation Instrument (DCI) – Instrument for Pre-Accession Assistance (IPA). The Commission supports the further streamlining of blending facilities into four blending frameworks.

6) **Coordination and co-operation** among European and non-European FIs remains of critical significance and for this reason, non-European FIs should be invited to attend relevant meetings as observers.

7) The EU Platform has clearly demonstrated its value in bringing together **a wide range of stakeholders** to exchange expertise on all aspects of blending in external cooperation.

Finally, the following issues have been identified and are already being addressed during 2014: i) Mobilisation of Private Sector Resources; ii) Best Practices and Opportunities in Climate Change Financing.

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

2010/0101(COD) - 30/10/2014 - Follow-up document

In accordance with Decision No 1080/2011/EU, this final report from the Commission covers **the EIB financing operations signed during the period from 2007 to 30 June 2014**.

The present report also provides a summary of the own risk operations carried out by the EIB in 2013 in the regions covered by the Decision.

The Decision sets an overall General Mandate ceiling to EUR 27 484 million and an additional EUR 2 000 million Climate Change Mandate which was activated.

Key results (2007-2013): at the end of 2013, the overall amount signed under the Decision (less cancellations) stood at **EUR 27 billion, or 92% of the overall ceiling under the Mandate**. An overall amount of EUR 2.46 billion was available for new EIB operations under the Mandate. The period of the Decision was automatically extended by six months at the end of 2013 because the European Parliament and the Council had not adopted a new Decision.

EIB total signatures and disbursements under the Mandate (2007-2013) is as follows:

- Pre-Accession countries: EUR 5 648 million (63%);
- Mediterranean countries: EUR 4 145 million (49%);
- Eastern Neighbours, Russia: EUR 898 million (23%);
- Asia and Latin America: EUR 2 322 million (71%);
- South Africa: EUR 558 million (61%).

Contribution to EU policy objectives in 2013:

(1) The EIB continued to demonstrate its strong commitment to **supporting the EU's climate action agenda**. Overall, climate action signatures in the External Mandate regions as defined in the Decision amounted to EUR 2.1 billion in 2013, or 31% of total signatures.

The energy sector accounted for the largest part in terms of climate financing volume (EUR 1.3 billion) and number of projects (16), reflecting especially the strong demand for investments in energy efficiency and renewable energy. Other projects which contributed to the EIB's climate action objective were in the sustainable transport (EUR 357 million) and urban development (EUR177 million) or "natural resources" (EUR 120 million) sectors.

(2) The EIB signed a total of 46 external operations worth EUR 3.6 billion in order to help **developing social and economic infrastructure** in various sectors. This includes 9 intermediated operations where the actual sector distribution is not known in advance. As in previous years, the largest share was in the energy (18 projects) and transport (10 projects) sectors.

(3) Overall, of the 51 external operations that contributed to **local private sector development**, 36 were loans to intermediaries providing EUR 3.3 billion worth of financing for on-lending to SMEs or mid-caps.

(4) Of the 17 projects (EUR 1.1 billion) contributing to **regional integration**, 6 are direct operations in the transport sector. These are mainly cross-border roads and regional air navigation networks.

Impact and value added of EIB operations: in January 2012, the EIB launched the results measurement (**REM**) framework, which strengthens measurement and reporting on the results and impact of its operations as requested in the Decision. Projects are rated according to three "Pillars":

- **Pillar 1** rates the expected contribution to the EU and the countries' priorities and eligibility under EIB mandate objectives: more than half of the operations signed in 2013 are expected to make an excellent contribution to mandate objectives;
- **Pillar 2** rates the quality and soundness of the operation, based on the expected results: 2.9% of operations signed are expected to make an excellent rating. More than 86% of operations are expected to be "good";
- **Pillar 3** rates expected EIB financial and non-financial additionality: about 21% of operations signed in 2013 are expected to have high additionality. Another 62% are expected to make good contribution.

Cooperation and alignment on EU external action: the Decision emphasised a stronger alignment of EIB external activity and EU external policies, programmes and instruments.

In 2013, the EIB continued to cooperate closely with the Commission and the EEAS to strengthen the consistency and coherence of EIB actions with external EU policies. In this context, the Memorandum of Understanding between EC and EIB was updated and extended to EEAS and signed by the parties on 12 September 2013.

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

2010/0101(COD) - 19/09/2016 - Follow-up document

The Commission presents a report on the activities of the EU Platform for Blending in External Cooperation (EUBEC) from August 2014 until end of 2015.

The objective of the EUBEC is to **improve the quality and efficiency of EU development and external cooperation blending mechanisms**, taking due account of the policy frameworks that govern the EU relations with the different partner countries, notably EU development, neighbourhood and enlargement policies.

The EUBEC works through the Policy Group that is chaired by the EC and composed of representatives of the EU Member States and the European External Action Service (EEAS), with the European Parliament and the Financial Institutions involved in the technical work as observers.

The report:

- provides an update on the **structural issues** pertaining to the blending facilities: their governance; the measures addressing recommendations by the Court of Auditors, and the involvement of other stakeholders ;
- recaps **discussions at technical level** and at policy group level during the reporting period on the blending facilities' contribution to mobilising private sector resources, the fight against climate change and Financing for Development.

The main conclusions in the report are as follows:

Blending as aid delivery mechanism: the report notes that EU blending facilities have continued to **perform adequately in support** of EU external policies. Blending is a relatively new instrument that is considered innovative and an independent external evaluation on its effectiveness is taking place.

- **At the Addis Ababa Summit** from 13 - 16 July 2015, the Addis Ababa Action Agenda was adopted, establishing the move to a new sustainable development paradigm, including aspects of governance, gender, partnerships, and working with the private sector.
- As the **flows of refugees and migrants** intensified in the course of the year 2015, the EUBEC group identified the importance of the potential contribution of blending to addressing this challenge as an urgent priority, in particular with a view to addressing the root causes of migration.

Governance: clear and consistent governance have now been put in practice. EU Blending operations are organised in four blending frameworks for each relevant financing instrument: the Development Cooperation Instrument (DCI), the European Neighbourhood Instrument (ENI), the European Development Funds (EDF) and the Instrument for Pre-Accession (IPA), with a single governance structure for each framework.

It was agreed that it should be possible to **group several "facilities" under a blending framework** in order to be able to better address the different regional and thematic strategic priorities, to increase policy leverage, to increase the impact, efficiency and visibility of the EU aid.

It is also possible to create **dedicated Facility Trust Funds** to enable EU Member States or other

donors which are interested to provide additional contributions to blending operations under the

Facilities.

Regarding the **strategic discussions**, in the DCI and ENI blending frameworks, the Commission services, the EEAS and the EU Member States hold a regular dialogue on strategic orientations for each Facility with partner countries and relevant regional organisations.

The Commission, in the framework of the EUBEC, has dealt with **most of the recommendations made by the Court of Auditors,** and the Commission will continue to monitor the process and all the concerns raised.

Civil society: the EC continued its exchange on blending with CSOs and private sector. Four meetings were held during 2014: three in the context of the Policy Forum on Development (PFD) during the sessions organised in Lima (Peru), Bangkok (Thailand) and Brussels.

Private sector involvement: technical discussions were held on the work undertaken by EUBEC, on ideas presented by financial institutions, where the latter were asked to submit more concrete concepts for further discussion.

A Technical Meeting was held on 16 October 2015, focused on the main constraints preventing institutional and other private investors from participating in the financing of projects in the emerging countries. Inadequate risk/return profiles, rating, liquidity, currency and transaction size were identified as some of the aspects that should be considered. Possible solutions included loan syndication, participation of private investors in the loan market, participation in equity funds, and donor support to reduce expected loss and increase attractiveness for the private sector.

Climate change action: the regional blending facilities need to continue to integrate climate action in the EU blending operations and s**upport the implementation of the Paris Climate Agreement**. The EUBEC discussions should support the implementation and provide further horizontal guidance as needed.