



EUROPEAN COMMISSION  
REGULATORY SCRUTINY BOARD

Brussels, 19/07/2019  
SG.A2/IC

## Opinion

**Title: Evaluation of the External Lending Mandate of the European Investment Bank**

**Overall opinion: POSITIVE**

### (A) Context

The European Investment Bank (EIB) is the European Union's financing institution. Part of its activities support the Union's external policies by financing projects in non-EU countries. To enable more and possibly riskier lending at lower costs to borrowers, the EU guarantees certain EIB loans. Such EU guarantees shift risk exposure from the EIB to the EU, which helps to protect the EIB's strong credit rating. The EU can in turn set lending objectives, e.g. in support of climate change or migration policy. Since 1977, the legal framework for this arrangement has been the External Lending Mandate (ELM).

The European Parliament has called for more external lending with greater transparency and accountability. It has called for targeted, efficient and results-oriented support that matches local needs. Guarantee ceilings for third country lending rose to EUR 32.3 bn in 2018. The Commission has also proposed a post-2020 'open financial architecture.' Under a new instrument, the EU could provide guarantees to international financial and development institutions, and not only to the EIB. In 2019, the Council established a high-level group to reconsider the European financial architecture for development.

This evaluation examines how the ELM has worked during the period 2014-2018. It responds to a 2018 requirement from the co-legislators. During the review period, the EIB signed operations for EUR 17.6 bn in 38 countries, out of 64 eligible countries. A separate review is looking at how well EIB operations align with EU policy priorities.

### (B) Main considerations

**The Board acknowledges the overall quality of the report. It takes note of plans to make the report clearer on data limitations.**

**The Board gives a positive opinion. The Board also considers that the report could further improve with respect to the following aspects:**

- (1) The evaluation does not clearly present to what extent the EU guarantee has met its objectives. This includes explaining the extent to which the EIB has used the EU guarantee to invest in riskier markets and has passed on lower interest rates to borrowers.**
- (2) The evaluation does not make clear how EIB co-funding has improved project quality.**
- (3) The report does not explain how information more recent to the support study has informed the analysis on coherence with other EU policies.**

**(C) Further considerations and recommendations**

(1) The report could be clearer on the general context in which the EU guarantee functions. It could explain better how the external lending mandate allows investment in third countries for local private sector development, development of public infrastructure, climate change mitigation, regional integration, long term economic resilience, and support to migration policy. The report should point out where and why there are not enough data to assess progress on these objectives.

(2) The report could better present the range of intended and unintended effects of the EU guarantee. It could present more clearly to what extent the attractiveness of the comprehensive risk coverage and the high leverage ratio reflect crowding out of alternative projects. It could discuss how the EU guarantee has facilitated EIB lending in third countries and the impact of its expertise on the projects supported.

(3) The report could be more clear that the evidence it brings on coherence is new and complements the findings of the support study.

(4) The report should better present the opinions of different stakeholder groups regarding how the EU guarantee has delivered on objectives.

*Some more technical comments have been transmitted directly to the author DG.*

**(D) RSB scrutiny process**

**The Board advises the lead DG to take these recommendations into account before launching the interservice consultation.**

Full title	Evaluation of the External Lending Mandate of the European Investment Bank
Reference number	PLAN/2018/2468
Date of RSB meeting	17.07.2019