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EVALUATION

of

Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union

{SWD(2019) 334 final}

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Glossary

<i>Term or acronym</i>	<i>Meaning or definition</i>
Apex loan	Loans to public sector counterparts, such as central banks or state agencies, for on-lending (often in local currency) to the private sector
DAC	Development Assistance Committee of the OECD
DFI	Development Finance Institution
EFSD	European Fund for Sustainable Development 2017-20
EFSD+	European Fund for Sustainable Development Plus, proposed to be established under the NDICI Regulation
EIB	European Investment Bank
ELM	External Lending Mandate
ERI	Economic Resilience Initiative
IFI	International Financial Institution
LDCs	Least Developed Countries
LMICs	Lower Middle Income Countries
MFJ	Multi-annual Financial Framework
NDICI	Neighbourhood, Development and International Cooperation Instrument
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OJ	Official Journal of the European Union
ReM	EIB Results Measurement Framework
RTOGs	Regional Technical Operational Guidelines
SMEs	Small and medium-sized enterprises
UMICs	Upper Middle Income Countries

1. INTRODUCTION

Purpose and scope

The purpose of this evaluation is to assess the application in 2014-2018 of Decision No 466/2014/EU adopted on 16 April 2014 by the European Parliament and the Council, granting an EU guarantee to the European Investment Bank ('EIB') against losses under financing operations supporting investment projects outside the Union over the period 2014-2020 ('the ELM Decision' or the 'legal basis').¹ In accordance with Article 20 of the ELM Decision, this evaluation should provide 'input for a possible new decision on the coverage of the EIB financing operations within the EIB External Lending Mandate by the EU guarantee.'²

The evaluation is carried out against a backdrop of change in the implementation of EU funds and budgetary guarantees in the field of external action. For over four decades, the Union has provided large-scale budgetary guarantees to the EIB through the External Lending Mandate ('ELM').³ By extension, the approach proposed for post-2020 foresees an 'open financial architecture' whereby EU budgetary guarantees could be provided to a number of International Financial Institutions ('IFIs') and Development Finance Institutions ('DFIs'), seeking to draw on their respective strengths and comparative advantages in order to leverage maximum financial capacity in support of EU external policy objectives.⁴

This new approach was launched in 2017 with the creation of the European Fund for Sustainable Development ('EFSD')⁵ and aims to reinforce the alignment of financial institutions' activities with EU external policies and with other actions supported by the EU budget. The Commission's proposal for a Regulation establishing the Neighbourhood, Development and International Cooperation Instrument ('NDICI')⁶ envisages the streamlining of most existing EU external financing instruments into one broad instrument. Negotiations have been taking place in the European Parliament and in the Council, *inter alia* on the possible contributions by the EIB and other partners to the

1 Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union, OJ L 135, 8.5.2014, p. 1.

2 This provision was inserted into the ELM Decision through the amending Decision (EU) 2018/412 of 14 March 2018, OJ L 76, 19.3.2018, p. 30.

3 In parallel, the Commission has implemented, in indirect management, a number of EU financial instruments and blending facilities in external policies, such as the Neighbourhood Investment Programme (NIP), the Latin America Investment Facility (LAIF), the Investment Facility for Central Asia (IFCA) and the Asian Investment Facility (AIF), with a range of partner institutions including the EIB Group.

4 See also Commission Communication of 12 September 2018 "Towards a more efficient financial architecture for investment outside the European Union", COM(2018) 644 final.

5 Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund, OJ L 249, 27.9.2017, p. 1.

6 COM(2018) 460 final.

implementation of the NDICI and on the establishment of a ‘European Fund for Sustainable Development Plus’ replacing the ELM and the EFSD and supported by a single External Action Guarantee.

The NDICI proposal foresees that ‘given its role under the Treaties and its experience over the last decades in supporting Union policies, the European Investment Bank should remain a natural partner for the Commission for the implementation of operations under the External Action Guarantee’ post-2020.⁷ However, the Commission proposed that the External Lending Mandate would not continue in its present form. The exact scope and conditions of possible post-2020 EU budgetary guarantees for EIB operations outside the EU are under discussion and remain to be fully defined at the time this evaluation is being written.

This evaluation identifies lessons learned from the implementation of the ELM 2014-20, examining the criteria of effectiveness, efficiency, relevance, coherence and EU added value in light of the expectations expressed by the European Parliament and Council in the ELM Decision (see section 2 – Baseline and points of comparison). The evaluation formulates several recommendations that may help improve the implementation of the current ELM in the remainder of its duration, within the limits established by the legal basis and the guarantee agreement signed between the EIB and the Commission. The recommendations can also be relevant for similar future EU interventions with other implementing partners. As such, the Commission evaluation may contribute to the finalisation of the NDICI legislative process and provide input to the work of the High-level Group of Wise Persons on the European financial architecture for development.⁸

The evaluation does not replace the impact assessment accompanying the NDICI proposal published in June 2018 but complements it.⁹ It has the character of an ex-post evaluation, assessing the implementation of the ELM from mid-2014 until the end of 2018, the last year for which complete data is available. It is also important to keep in mind that the ELM is complemented by the EIB’s own-risk facilities in the ELM-eligible countries.¹⁰ The guarantee agreement, through the allocation policy, requires an efficient use of the ELM Guarantee (see section 5 - EU added value). In terms of geographical scope, in accordance with the ELM Decision, 64 countries outside the EU are currently eligible for EIB financing operations under the EU budgetary guarantee.¹¹

7 COM(2018) 460 final, recital 33.

8 Council Decision (EU) 2019/597 of 9 April 2019 on the establishment of a High-level Group of Wise Persons on the European financial architecture for development, OJ L 103, 12.4.2019, p. 26.

9 SWD(2018) 337 final.

10 Article 16 of the EIB Statute stipulates that ‘by decision of the Board of Governors ... the Bank may grant financing for investment to be carried out, in whole or in part, outside the territories of Member States.’ It adds that ‘When granting a loan to an undertaking or to a body other than a Member State, the Bank shall make the loan conditional either on a guarantee from the Member State in whose territory the investment will be carried out or on other adequate guarantees, or on the financial strength of the debtor.’

11 The EIB also undertakes sizeable investment activities outside the EU without the coverage of the ELM. In particular, it undertakes financing operations in African, Caribbean and Pacific (ACP) countries with guarantees provided bilaterally by EU Member States (mainly public sector investments)

Countries currently eligible for EIB financing under the External Lending Mandate (as per Annex III to the ELM Decision, reflecting amendments introduced in 2018)

A. Pre-accession countries and beneficiaries

Albania, Bosnia and Herzegovina, North Macedonia,¹² Kosovo,¹³ Montenegro, Serbia, Turkey

B. Neighbourhood and Partnership countries

Mediterranean countries

Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Palestine,¹⁴ Tunisia

Eastern Europe, Southern Caucasus and Russia

Belarus, Republic of Moldova, Ukraine, Armenia, Azerbaijan, Georgia, Russia

C. Asia and Latin America

Latin America

Argentina, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela

Asia

Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Iran, Iraq, Laos, Malaysia, Maldives, Mongolia, Myanmar/Burma, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam, Yemen

Central Asia

Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan

D. South Africa

South Africa

NB: Most African, Caribbean and Pacific countries are **not** covered by the current ELM.

The EIB has entered into Framework Agreements with – and is thus currently able to undertake financing operations in – 57 of those countries.¹⁵ In the period under

and through the ACP Investment Facility established under the Cotonou agreement (mainly private sector financing but with a recent trend towards an increasing share of public sector infrastructure projects), and it pursues a limited volume of own-risk investments outside the EU under its four own-risk facilities.

12 The new name of the country, effective as from 12 February 2019, is used here, although the ELM Decision (last amended in 2018) refers to the country under its former name.

13 This designation is without prejudice to positions on status, and is in line with UNSCR 1244(1999) and the ICJ Opinion on the Kosovo declaration of independence.

14 This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

15 The EIB currently does not have Framework Agreements with Iran, Iraq, Libya, Malaysia, Turkmenistan and Yemen. The EIB has suspended signature of new financing operations in Russia

evaluation, the EIB signed financing operations under the ELM in 38 countries and under its own-risk facilities in six additional countries.¹⁶

2. BACKGROUND TO THE INTERVENTION

Description of the intervention and its objectives

The External Lending Mandate of the European Investment Bank has been a feature of external policy of the European Economic Community and subsequently the European Union since 1977.¹⁷ The basic rationale of the EU budgetary guarantee is that it enhances the risk-bearing capacity of the EIB by significantly limiting the EIB's risk exposure to a profile commensurate with the rules laid down by EIB's governing bodies. In other words, the EU guarantee helps the EIB to undertake investment operations in riskier environments outside the EU based on the EIB's existing level of capital and reserves, while helping it maintain its AAA credit rating. In turn, the financing operations undertaken by the EIB thanks to the EU guarantee are expected to address objectives and fulfil conditions established by the EU legislator, i.e. the European Parliament and Council (see below).

The ELM 2014-20 is based on a budgetary guarantee with a maximum ceiling of EUR 32.3 billion, broken down into regional and sub-regional ceilings¹⁸. The guarantee covers the first 65% of the EIB's outstanding exposure under EIB financing operations at portfolio level. This means that when a borrower defaults on an EIB loan and the event of default is covered by the EU Guarantee,¹⁹ if the EIB calls on the EU guarantee to make

upon request from the European Council on 16 July 2014 in view of the illegal annexation of Crimea and the military conflict in Eastern Ukraine.

16 No financing operations have been signed under the ELM between mid-2014 and end-2018 in Albania, Algeria, Bhutan, Costa Rica, El Salvador, Guatemala, Indonesia, Malaysia, Mongolia, Philippines, Thailand, and Venezuela. In line with the allocation policy specified in the ELM guarantee agreement and in view of good country ratings, only own risk operations were signed in Albania, China, Colombia, Israel, Kazakhstan, Mexico, Mongolia, Peru, and Uzbekistan. Framework agreements were concluded during the ELM period 2014-2020 for Bhutan (2014), Myanmar (2015), and Uzbekistan (2017). Brunei, Chile, Iceland, Israel, Korea, Singapore, Hong Kong and Macao are no longer eligible for operations under the ELM.

17 An overview of the relevant legislative acts and corresponding guarantee agreements between the Commission and the European Investment Bank is available in remarks explaining annual EU budgets, section 3 – Commission, line *01 03 05 European Union guarantee for European Investment Bank loans and loan guarantees for operations in third countries*, see e.g. <https://eur-lex.europa.eu/budget/data/General/2019/en/SEC03.pdf>, OJ EU L 67, 7.3.2019, pp. 439 – 444.

18 Based on the ELM Decision adopted by the European Parliament and the Council, the ELM is provided to the EIB under conditions laid down in a guarantee agreement and a recovery agreement between the Commission and the EIB. Following the mid-term review of the ELM completed in March 2018, revised guarantee and recovery agreements were concluded on 3 October 2018.

19 As explained further in this section, the EU guarantee provides either a comprehensive cover or political risk cover.

up for the missing repayment, the EU is obliged to honour fully each guarantee call up to the ceiling of 65% of the guaranteed portfolio.²⁰

The provision of an EU budgetary guarantee for the EIB's external operations is not a legal entitlement stemming from the EU Treaties, but it is a policy choice that has repeatedly been made by the EU. While the EIB's main focus has always been on investments inside the EU, the EIB's governing bodies have for years allocated about 10% of the annual business volume to operations outside the EU, including operations under the ELM, operations in ACP countries – currently under the Cotonou Agreement – and operations under the EIB's own-risk facilities.²¹

The EU budgetary guarantee underpinning the ELM and provided for a period of several years has had a 'backbone' function: the EIB has been able to develop a significant core volume of activities outside the EU under the EU guarantee and in turn carry out additional operations under its own-risk facilities, relying on efficiency gains. In a number of countries with a higher risk profile, the EIB undertakes almost all of its operations with the EU guarantee (see details in section 5). The Steering Committee of 'wise persons' that undertook the mid-term review of the EIB's external mandate 2007-13 (also known as the 'Camdessus Group') concluded that 'the Community Guarantee instrument had high value added and leverage.' It recommended 'maintaining and optimising it both for the rest of the current mandate and for the following ones after 2014.'²²

The EIB is 100% owned by Member States of the EU. Their voting weights correspond to their shares in the Bank's subscribed capital. Although the Union is not as such a shareholder of the EIB, the Commission designates (for appointment by the EIB's Board of Governors) one voting member (and one alternate member) of the EIB's Board of Directors.

The Commission also issues opinions – under a consultation procedure established in Article 19 of the EIB Statute – on the conformity of planned EIB operations with relevant Union legislation and policies before these operations are presented to the EIB Board for approval. Article 5(2) of the ELM Decision provides that 'where the Commission delivers an unfavourable opinion, that operation shall not be covered by the EU guarantee.' This provision is specific to the ELM and comes on top of the rule established in the EIB Statute that 'where the Commission delivers an unfavourable

20 As set out in Article 1(4) of the ELM Decision, 'The EU guarantee shall be restricted to 65% of the aggregate amount disbursed and guaranteed under EIB financing operations, less amounts reimbursed, plus all related amounts.'

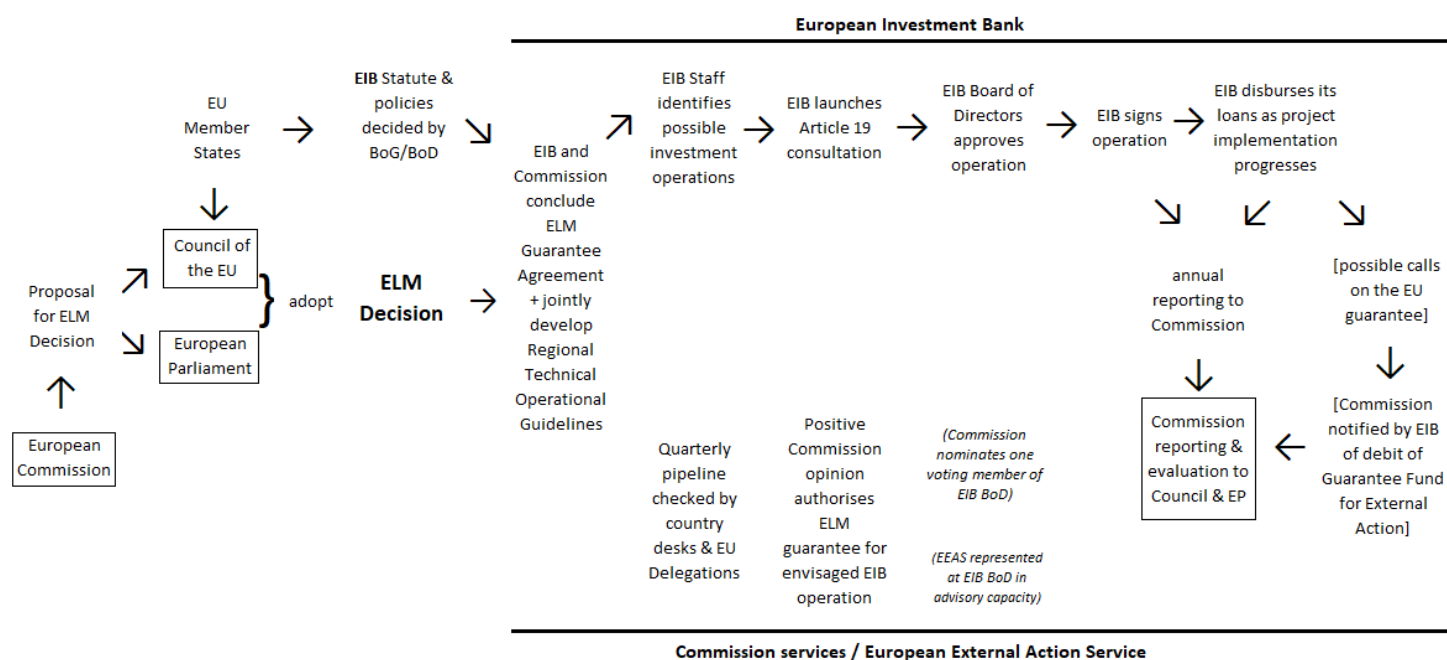
21 The EIB currently has four Own Risk Facilities in the ELM regions, namely the Pre-Accession Facility (PAF), the Neighbourhood Financing Facility (NFF), the Climate Action and Environment Facility (CAEF) and the Strategic Projects Facility (SPF). The latter two facilities also cover African, Caribbean and Pacific countries and Overseas Countries and Territories of EU Member States.

22 https://www.eib.org/attachments/documents/eib_external_mandate_2007-2013_mid-term_review.pdf, p.4.

opinion, the Board of Directors may not grant the finance concerned unless its decision is unanimous, the director nominated by the Commission abstaining.²³

The basic decision-making process in the context of the ELM is summarised in Figure 1. It illustrates that the main responsibility for the design and implementation of these operations rests with the EIB and its decision-making bodies, while the Commission exercises an oversight function through the abovementioned ‘Article 19 procedure’, checking the compatibility with EU law and policies of the envisaged ELM financing operations at a relatively early stage, on the basis of the information provided by the EIB at that time²⁴.

Figure 1: Simplified process flow – establishment, implementation and evaluation of the EIB’s External Lending Mandate



The intervention logic underpinning the EU budgetary guarantee for the EIB’s External Lending Mandate is illustrated in Chart 1. In a nutshell, the EU has developed a range of strategic external policy priorities. Different instruments are needed to implement these priorities. The ELM is one of the instruments used. The 2014 ELM Decision formulates this *need* in broad terms, referring to the ‘general EU interest’ and to principles guiding the Union’s external action as defined in the Treaty. It also spells out that ‘in developing countries [...], the EIB financing operations shall contribute [...] to the objectives of the Union's development cooperation policy, in particular towards reducing poverty through inclusive growth and sustainable economic, environmental and social development’.²⁵ At

23 Article 19(6) of the EIB Statute.

24 Typically, the Commission opinions on investment projects under preparation by the EIB are issued before the EIB proceeds to the stage of due diligence and detailed technical preparation. The consultation is usually based on fiches of approximately two pages provided by the EIB, which may be complemented by follow-up questions from the Commission and answers by the EIB.

25 This wording stems from the 2018 amending decision. In the initial version of the ELM Decision (2014), EIB financing operations were under the ELM only required to contribute ‘indirectly’ to the

the same time, the ELM Decision makes clear references to the EIB's distinct character as an investment bank (Article 3(2)), to historical continuity with previous guarantee mandates and to the 'primary importance' of the EIB's creditworthiness towards financial markets (Recital 3 of the ELM Decision).

Chart 1: EU Guarantee for EIB External Lending Mandate - intervention logic according to ELM Decision 466/2014/EU as amended

objectives of the Union development cooperation. The ELM has gradually evolved towards a greater emphasis on the pursuit of external development goals (see also Article 209(3) TFEU, according to which the EIB shall contribute to the implementation of the measures necessary for the implementation of development cooperation policy).

Needs*	EU intervention				Results**	Impacts	
	Objectives*	Inputs	Activities	Outputs			
<p>Use the EIB's capacity to support the Union's external action and contribute to the implementation of EU external policies (Article 2(2) and recital 3 of the ELM Decision, guided by Article 21 TEU)</p>	Local private-sector development, esp. SMEs	EU guarantee for EIB financing operations outside EU, (€32.3 billion)	<p>EIB develops, signs, disburses and monitors investment operations outside the EU, in line with the ELM Decision and the Regional Technical Operational Guidelines. This involves many sub-activities, inter alia: project origination, upstream coordination with the Commission and EEAS, due diligence, environmental and social assessment, application of allocation policy, risk assessment, ex ante assessment of GHG emissions, Article 19 consultation with the Commission, negotiation and conclusion of financial contracts, provision of technical assistance, pre-disbursement checks, transaction follow-up and monitoring, etc. EIB technical and financial contribution to the project is rated under the EIB Results Measurement Framework (ReM).</p>	Volume of EIB signatures (total; per region; per objective)	<p>E.g. job creation, GHG emission reduction, infrastructure built, quality and soundness of projects (estimated under EIB Results Measurement Framework)</p>	Positive impact on local private sector development, esp. SMEs	<p>} Contribution to the achievement of EU policy objectives (estimated under EIB Results Measurement Framework)</p>
	Development of social and economic infrastructure			EU conditions defined in ELM Decision		Volume of EIB disbursements (total; per region; per objective)	
<p>Maintain the EIB's creditworthiness towards financial markets as it engages in financing operations outside the EU (the EIB's AAA rating is understood as a means to fulfil the need to support EU external policy)</p>	Climate change mitigation and adaptation	EIB financial capacity and technical expertise	<p>Public and private-sector beneficiaries of ELM financing (sometimes received via financial intermediaries) implement investment projects, applying EIB standards (including as regards consultations of local communities)</p>	Coherence of EIB operations with EU policy and RTOGs	<p>Positive impact on long-term economic resilience of refugees, migrants, host and transit communities, and communities of origin</p>	Positive impact on climate change mitigation and adaptation	
	Long-term economic resilience of refugees, migrants, host and transit communities, and communities of origin	<p><u>Flanking intervention</u>: Grants and other concessional finance contributions from the EU budget, Member States and EIB own resources (provided separately from the EU Guarantee)</p>		Consistency of EIB operations with strategies of beneficiary countries		<p>Positive impact on regional integration</p>	
				Consistency of EIB operations with targets for climate-related investments set by the ELM Decision			
Regional integration (cross-cutting objective)		Reporting					
<p>Flanking intervention: Implementation of technical assistance and capacity-building in support of ELM financing operations</p>							
<p>External factors:</p> <ul style="list-style-type: none"> - Global / regional economic environment - Domestic political situation and institutional capacity - Interventions of other international actors, etc. 							
<p>* Needs and objectives as defined in the ELM Decision ** Results materialise only during and after the implementation of ELM financing operations.</p>							

Given the importance accorded by the ELM Decision to protecting the EIB's credit rating, the ELM Decision could at first sight be read as addressing also the needs of the

EIB itself, not only of the EU. The question could arise whether protecting the EIB's credit rating through the EU guarantee is an end in itself or rather a means to an end. This question has been however settled in the judgment of the Court of Justice in case C-155/07, which interpreted the legal basis of an earlier external mandate: 'the guarantee does not constitute the objective [...] but the means chosen in order to attain that objective, which consists of supporting the external policy of the Community by facilitating and strengthening financial cooperation with third countries, through the EIB.'²⁶

This understanding of the logic of the EU budgetary guarantee underpins also the Commission's NDICI proposal. The latter emphasises the 'policy first' approach whereby EU budgetary guarantees should be clearly deployed at the service of EU external policies, not as tools addressing the needs of implementing partners.

The current ELM Decision defines the general *objectives* to be supported by the EU budgetary guarantee, namely local private sector development and development of socio-economic infrastructure, both of which can go hand in hand with promoting the objectives of climate change mitigation and adaptation, regional integration, or long-term economic resilience.²⁷

Key *inputs* into the intervention include the provision of the EU guarantee, the various conditions and guidelines attached to the guarantee,²⁸ and the EIB's financial and technical capacity and expertise.

The scope of the EU guarantee differs depending on the nature of the operation: EIB financing operations with public sector counterparts (typically for infrastructure development) benefit from a **comprehensive guarantee**, covering operational as well as political risks. EIB loans to banks or corporations benefitting from a state guarantee are also covered by the EU comprehensive guarantee (see section 3 for further explanations).

26 Judgment of the Court of Justice of 6 November 2008 in Case C-155/07, European Parliament v. Council of the European Union, para 62. The Court further explained the intervention logic of the external mandate as follows: 'In view of the heightened risks connected with the grant of financing in certain third countries, the EIB's credit rating might be affected by carrying out such operations in those countries, with the result that, in order to prevent damage to its credit rating, the EIB would be deterred from going ahead with those operations or at least be obliged to impose in their respect appreciably less favourable terms for borrowers. Thus, EIB investment in third countries is fostered or made possible as a result of the Community guarantee, through its favourable effect on the EIB's credit rating. Accordingly, maintaining that credit rating is necessary in order to fulfil the fundamental objective [...], which is to contribute to the external policy of the Community.'

27 The objective of long-term economic resilience was included in the ELM Decision during its mid-term review in 2016-18 (reflected in amending Decision (EU) 2018/412) in the context of EU efforts to deal with migration-related challenges and building on the Economic Resilience Initiative launched by the EIB in 2016. For more detailed background, see e.g. the Commission's mid-term report on the application of the ELM Decision, COM(2016) 584 final and the accompanying Staff Working Documents, SWD(2016) 294 final and SWD(2016) 295 final. Further information on the Economic Resilience Initiative is available on the EIB website, <https://www.eib.org/en/projects/initiatives/resilience-initiative/index.htm>.

28 In addition to conditions established in the ELM Decision itself, the Commission develops together with the EIB so-called Regional Technical Operational Guidelines for the implementation of the ELM, most recently adopted by the Commission in April 2019 (C(2019) 2747 final).

The EU comprehensive guarantee enables the EIB to waive the risk premium it would otherwise need to include in its interest rate. Consequently, partner countries or their institutions/companies can borrow from the EIB at a significantly lower cost thanks to the EU comprehensive guarantee.

By contrast, the EIB's private sector operations without a state guarantee benefit only from a **political risk guarantee** from the EU, covering non-payment due to non-transfer of currency, expropriation, war or civil disturbance or denial of justice upon breach of contract.²⁹ The political risk guarantee provided by the EU does not translate in a reduction of the EIB's interest rate. However, the pricing of EIB loans typically remains attractive for the clients due to the EIB's low costs of borrowing from the financial markets. The commercial risk involved in EIB operations with EU political risk guarantee cover is often reduced by third-party guarantees.

The EIB does not pay any fees to the EU for the provision of the budgetary guarantee under the ELM.³⁰ At the same time, the EIB does not receive any direct remuneration from the EU on implementing the mandate.³¹ The EIB's administrative costs in the context of the ELM are covered from the mark-up included in the EIB's interest rate, in line with its standard loan pricing policy.

By way of exception from the above rules, private sector projects falling under the **Economic Resilience Initiative private mandate**, created upon the ELM's mid-term review in 2018, benefit from the EU's comprehensive guarantee. This means that the EU takes on not only the political, but also the commercial risk of EIB's private sector operations that support the 'long-term economic resilience of refugees, migrants, host and transit communities, and communities of origin as a strategic response to addressing root causes of migration'.

In return for the increased risk taken by the EU budget, the EIB passes on to the EU budget the risk-related revenues received from projects under the ERI private mandate.³²

29 The coverage and terms of the EU guarantee are set out in Article 8 of the ELM Decision and further specified in the guarantee agreement concluded between the Commission and the EIB..

30 Since August 2018, the EU's Financial Regulation establishes a principle that budgetary guarantees shall 'provide for remuneration of the Union that is consistent with the sharing of risk among financial participants and the policy objectives of the ... budgetary guarantee' (Article 209(f)). However, this provision is set to apply only under the post-2020 multiannual financial framework (Article 282(3)(d)). Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012, OJ L 193, 30.7.2018, p. 1.

31 See also Ecorys and CEPS, 2018, 'Evaluation of the application of the 2014-2020 External Lending Mandate: Final Report', published alongside the present Commission Staff Working Document., p. 93 and Annex 5.

32 For background on the Economic Resilience Initiative, see the box at the end of this sub-section and sections 3 and 5 of this evaluation. The ERI private mandate is established in Article 2(1)(b) of the ELM Decision. Several private sector projects contributing to the resilience objective and approved by the EIB in 2017-18 were transferred under the ERI private mandate by Commission Decision of 17 April 2019 in accordance with Article 20a of Decision No 466/2014/EU of the European Parliament

The financial advantage for the borrowers under these operations does not arise from a reduction in the risk premium, but mainly from improved access to financing and the EIB's low cost of borrowing from the financial markets.

Under both types of the EU guarantee, the EIB is usually able to offer financing with longer time for repayment (maturity/tenor) than what its borrowers could obtain directly from the market.

The EIB's *activities* under the ELM essentially consist of developing, concluding and implementing relevant investment operations outside the EU, involving a number of steps, typically undertaken over several years. These activities include inter alia identification of suitable projects in dialogue with partner country authorities, upstream coordination with the Commission and the EEAS, due diligence, environmental and social assessment, risk assessment, ex-ante assessment of greenhouse gas emissions, negotiation and conclusion of financial contracts, pre-disbursement checks, transaction follow-up and monitoring.

Outputs of the intervention can be assessed quantitatively (e.g. in terms of financing volumes signed and disbursed) as well as qualitatively (e.g. in terms of alignment and coherence with EU policy).

Provision of accompanying grant financing from the EU budget – such as for technical assistance and capacity-building – represents an important supportive input, which is governed by the rules of the budgetary instruments concerned rather than by the ELM Decision. EIB also mobilises own and other sources of grant funding to support ELM operations. Technical assistance or capacity building organised by the EIB is an associated output. These can be considered flanking interventions, not part of the core intervention logic of the ELM as such, but helping the ELM to accomplish its objectives more efficiently and effectively.

The *results* achieved by the EU budgetary guarantee underpinning the ELM can in principle be analysed e.g. in terms of jobs created or greenhouse gas emissions reduction achieved. However, measurement of actual results or outcomes is challenging both in administrative terms (data collection and processing) and because actual results come with a time lag and are also influenced by factors external to the intervention.

Similar limitations apply to the analysis of the *impact* achieved by EIB's operations, i.e. their contribution to the ELM's or any general objectives. The difficulty to measure the actual impact of operations applies to all types of investment and is not specific to the ELM.

The EIB Results Measurement Framework was introduced in 2012 and has so far been mainly tested with regard to ex-ante impact assessment (see section 4 below for an explanation of the EIB Results Measurement Framework).

and of the Council, as regards certain projects benefiting from EU guarantee coverage, C(2019) 2901 final.

Main changes in the ELM's design, introduced in the amending Decision (EU) 2018/412, adopted in March 2018

- Activation of the optional additional amount of EUR 3 billion on top of the initially fixed guarantee ceiling of EUR 27 billion. Reframing of the EUR 30 billion ceiling as the 'general mandate'.
- Economic Resilience Initiative (ERI) for the Western Balkans and Southern Neighbourhood:
 - ERI Public Mandate: earmarking of EUR 1.4 billion within the ELM general mandate for 'projects in the public sector directed towards the long-term economic resilience of refugees, migrants, host and transit communities, and communities of origin as a strategic response to addressing root causes of migration'
 - ERI Private Mandate: increase of the overall ELM 2014-20 ceiling to EUR 32.3 billion through the creation of a new specific EUR 2.3 billion mandate under which the EIB obtains comprehensive guarantee cover for private sector projects contributing to the long-term resilience objective. As a novelty, the EIB remunerates the EU for the budgetary guarantee under the ERI Private Mandate, by passing on to the EU the risk-related revenues on these operations
- References to the 2030 Agenda for Sustainable Development, the Paris Agreement and complementarity between the ELM/ERI and the EU External Investment Plan
- Increasing from 10% to 20% the possibility for reallocating regional guarantee ceilings between regions
- Updated requirements in relation to the fight against tax avoidance
- Excluding several high-income regions and countries with high credit ratings from eligibility under the ELM

Baseline and points of comparison

A relevant baseline for evaluating the implementation of the ELM 2014-20 is the Commission's 2013 impact assessment³³ that accompanied the proposal for the ELM Decision adopted by the European Parliament and Council in 2014. The impact assessment explored several policy options and compared them to a baseline scenario in which the previous mandate would have continued without any changes.

The 2013 impact assessment identified shortcomings under the baseline scenario regarding the ELM's contribution to the external policy objectives of the EU, especially regarding the differentiation principle of the European Neighbourhood Policy.³⁴ It also

33 Impact Assessment – EIB external mandate 2014-2020, accompanying the Proposal for a Decision of the European Parliament and of the Council on granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union, SWD(2013)179. An executive summary of the impact assessment was presented in SWD(2013)178.

34 The review of the European Neighbourhood Policy in 2015 marked a further step towards 'more tailor-made, more differentiated partnerships between the EU and each of its neighbouring partners to reflect

pointed out that it would become increasingly difficult for the mandate to target less developed countries, if the EIB were to continue to support a similar volume of riskier projects, notably in the local private sector. The greatest difficulties were expected as regards operations aiming to make the local financial sector more inclusive, such as microfinance.

Moreover, the 2013 impact assessment spoke in favour of enhancing climate action under the ELM. Traditional infrastructure investments outside the EU would likely continue but incentives to raise the number and volume of operations targeting the reduction of greenhouse gas emissions were missing. While 7% or EUR 2 billion of the external mandate for 2007-13 had been devoted to climate action projects, this was seen as inadequate going forward.

The preferred option identified in the 2013 impact assessment was the one named 'FOCUS'. It envisaged adapting the ELM to enable increased focus on less creditworthy beneficiaries (countries and sectors), though in a dynamic way and without a pre-defined envelope for microfinance operations. It envisaged an overall target for climate action lending volumes and tracking of the reduction of emissions of greenhouse gases. In order to increase the impact and policy coherence of the ELM, the preferred option envisaged an update of the Regional Technical Operational Guidelines (RTOGs) in line with the multi-annual indicative planning of EU external financial instruments. The option to provide EU budgetary guarantees to financial institutions other than the EIB was not explored in detail in the 2013 impact assessment.

These features were subsequently reflected by the co-legislators in the ELM Decision adopted in April 2014. In particular, climate-related targets and conditions were established. The ELM Decision indeed states that:

- the EIB shall endeavour to sustain a high level of climate-relevant operations, the volume of which shall represent at least 25 % of the total EIB financing operations outside the Union;
- EIB financing under the ELM shall be consistent with reaching the target of at least 35 % of total EIB financing operations in emerging economies and developing countries outside the Union by 2020; and
- EIB financing operations shall, *inter alia*, integrate concrete actions to phase out financing projects detrimental to the achievement of Union's climate objectives and step up efforts to support renewable energy sources and energy efficiency.³⁵

The 2014 ELM Decision also reflects a number of other expectations from the co-legislators as to *what success would look like* regarding the EIB's use of the EU budgetary guarantee. This guidance is notably set out in the 31 recitals of the ELM

different ambitions, abilities and interests', see JOIN(2015) 50 final. In the context of the ELM, the challenge is to achieve targeting of EIB operations in a way reflecting these differentiated partnerships.

³⁵ ELM Decision as amended in 2018, Article 3(7). The EIB's activity in the energy sector are based on the 'Energy Lending Criteria' adopted in 2013. In January-March 2019, the EIB undertook a public consultation on the revision of its energy lending policy – a process foreseen to lead to the adoption of a new policy later in 2019. <https://www.eib.org/en/about/partners/cso/consultations/item/public-consultation-energy-lending-policy.htm>

Decision and covers the five criteria that will be also addressed in this evaluation. The following elements of co-legislators' guidance can be highlighted:

- **Effectiveness:** recital 11 of the 2014 ELM Decision points out that 'the amounts covered by the EU guarantee in each region should continue to represent ceilings for the EIB financing under the EU guarantee and not targets that the EIB is required to meet.'

As regards geographical distribution of investments under the ELM, Article 2(2) of the ELM Decision as amended in 2018 stipulates that 'within the regional [guarantee] ceilings, the EIB shall ensure a country distribution within the regions covered by the EU guarantee, balanced in line with Union external policy priorities, which shall be reflected in the regional technical operational guidelines.'

Recital 13 of the 2014 ELM Decision asks the EIB to ensure, in financing small and medium-sized enterprises (SMEs), 'that part of the financial benefits is passed on to their clients and that added value is provided compared to other sources of finance'. Recital 15 of the 2014 ELM Decision states that the EIB 'should continue to finance investment projects in the areas of social, environmental, and economic infrastructure, including transport and energy, and should consider increasing its activity in support of health and education infrastructure when there is clear added value in doing so.'

As regards qualitative effects, the ELM Decision establishes the abovementioned climate-related targets and spells out requirements for ELM operations to comply with applicable international and EU standards on the prevention of money laundering, the fight against the financing of terrorism, taxation and non-cooperative jurisdictions.³⁶ In 2018, the ELM Decision was reinforced with a reference to the fight against tax avoidance, going beyond earlier references to tax evasion and tax fraud. Article 5 requires ELM operations to be consistent with the strategies of the beneficiary countries, and Article 7 formulates requirements regarding EIB cooperation with other international or EU Member States' financial institutions.³⁷

36 The European Parliament's annual report on the EIB's financial activities in 2017, adopted in January 2019, further details this point by reminding the EIB that it 'needs to act in coherence with its development mandate under the External Lending Mandate in order to ensure that investments in developing countries are bringing the due revenues to local tax authorities' (2018/2161(INI), P8_TA(2019)0043). In March 2019, the European Parliament adopted a report on financial crimes, tax evasion and tax avoidance (2018/2121(INI), P8_TA-PROV(2019)0240), calling on the European financial institutions to 'consider applying reinforced and enhanced due diligence on a project-by-project basis to jurisdictions listed in Annex II of the EU list in order to avoid EU funds being invested in or channelled through entities in third countries which do not comply with EU tax standards.' This report noted the EIB's approval of its revised Group Policy Towards Weakly Regulated, Non-Transparent and Non-Cooperative Jurisdictions and Tax Good Governance and called for this policy to be 'regularly updated and to include increased transparency requirements in line with EU standards.' It further called for a 'level playing field and for the same level of standards to be applied across the European financial institutions.' The EIB Group NCJ policy is available at <https://www.eib.org/en/infocentre/publications/all/eib-policy-towards-weakly-regulated-non-transparent-and-uncooperative-jurisdictions.htm>.

37 Cooperation with other financial institutions should aim 'to maximise synergies, cooperation and efficiency, to develop jointly innovative financial instruments, to ensure prudent and reasonable sharing

Recital 18 of the 2014 ELM Decision states that the EIB ‘should regularly conduct *ex post* or mid-term evaluations of supported activities [...] with a view to assessing their relevance, performance and development effects and to identify aspects that could improve future activities.’

- **Efficiency:** recital 29 of the 2014 ELM Decision provides a broad mandate to the EIB according to which its financing operations under the ELM ‘should continue to be conducted in accordance with the principles of sound banking practice [and] managed in accordance with the EIB's own rules and procedures, which should reflect those principles, including appropriate control measures [...]’
- **Relevance:** recital 1 of the 2014 ELM Decision states that in undertaking financing operations outside the EU, ‘the EIB indirectly contributes to the general principles and policy objectives of the Union, which include reducing poverty through inclusive growth and sustainable economy, environmental and social development and the prosperity of the Union in changing global economic circumstances.’ Recital 21 notes that ‘in relation to developing countries, EIB financing operations should foster their sustainable economic, social and environmental development, particularly in the most disadvantaged amongst them, their smooth and gradual integration into the world economy, as well as compliance with objectives approved by the Union in the context of the United Nations and other relevant international organisations.’
- **Coherence** with EU policies is addressed especially in recitals 21-25 of the 2014 ELM Decision. EIB financing operations should contribute to ‘the general principles guiding Union external action, as referred to in Article 21 TEU, of consolidating and supporting democracy and the rule of law, human rights and fundamental freedoms, and to the implementation of international commitments and agreements.’ EIB activity under the ELM should support the implementation of the European Consensus on Development, of the Agenda for Change and of the principles of aid effectiveness outlined in the Paris Declaration of 2005, the Accra Agenda for Action of 2008 and the Busan Partnership Agreement of 2011.

According to recital 22 of the 2014 ELM Decision, the EIB should reinforce its ‘capacity to appraise environmental, social, development aspects of investment projects, including human rights, fundamental freedoms and conflict-related risks’, also by further developing its Results Measurement Framework. It should promote local consultation primarily with affected communities and people and, where relevant, with public authorities and civil society and disclose the results of local consultations to the public in order to take account of the impact of projects on the relevant stakeholders. It should remain in communication with the project promoters and beneficiaries of the projects throughout the project programming process.

Recital 22 of the 2014 ELM Decision also provides that ‘finance contracts signed during the period covered by this Decision for EIB financing operations involving public counterparties should explicitly include the possibility to suspend

of risks and coherent investment project and sector conditionality, and to minimise possible duplication of costs and unnecessary overlap’.

disbursements in case of revocation of eligibility [...] of the country in which the investment project takes place.’ No such explicit requirement is formulated in the ELM Decision for possible cases where environmental, social or human rights standards would be breached, but EIB financing contracts include provisions for this aspects as well.

Recital 17 of the 2014 ELM Decision makes a specific point about regional integration: ‘the EIB should be able to support partner countries [...] through foreign direct investments by companies from the Union that promote economic integration with the Union and that contribute to promoting technology and knowledge transfer, provided that appropriate consideration has been given during the investment projects’ due diligence to minimise the risks that EIB financing operations lead to negative repercussions on employment in the Union.’

- ***EU added value***: recital 26 notes that ‘the EIB should be encouraged to continue to finance operations outside the Union also at its own risk [...] in countries and in favour of investment projects having a sufficient creditworthiness according to the assessment of the EIB and taking into account its own risk absorption capacity, so that the use of the EU guarantee can be focused on countries and investment projects where the EU guarantee provides added value on the basis of EIB own assessment, including in terms of sustainable economic, social and environmental development.’

The EIB thus has a considerable degree of autonomy in the implementation of the ELM in line with the legal framework of the ELM Decision and the ELM guarantee agreement. Recital 21 of the 2014 ELM Decision refers to ‘its distinctive model as a publicly owned investment bank whose remit is that of providing long-term lending so as to meet the policy goals set by its shareholders.’ Article 3 and recital 26 leave to the EIB the task of assessing the added value of ELM operations.

According to Article 16(1) of its Statute, the Bank shall grant finance ‘to the extent that funds are not available from other sources on reasonable terms’. In addition, as of 2021, the requirement of achieving ‘additionality by preventing the replacement of potential support and investment from other public or private sources’, set out in Article 209(2)(b) of the EU Financial Regulation, will be applicable to all EU financial instruments and budgetary guarantees, including those implemented by the EIB. While the Regulation establishing the European Fund for Sustainable Development (EFSD) as from 2017 explicitly mentions the additionality requirement, the ELM Decision does not explicitly empower the Commission to formulate requirements concerning the financial or qualitative additionality of ELM operations in the 2014-20 period. Additionality is therefore analysed in this evaluation mainly with a view to improve the design and implementation of post-2020 interventions.

The ELM Decision further stipulates that the ‘regional technical operational guidelines shall ensure that EIB financing under this Decision is complementary to corresponding Union assistance policies, programmes and instruments in the different regions.’ It does

not establish specific mechanisms of coordination³⁸ between the EIB and the Commission/EEAS apart from the standard ‘Article 19’ consultation procedure.

Certain arrangements for early dialogue on policies, strategies and project pipelines were set out in the Memorandum of Understanding between the Commission and the EIB in consultation with the EEAS, signed on 12 September 2013 and implemented since. In line with the ELM Decision, these arrangements do not envisage that the EIB would be bound by any specific investment guidance given to it by the EU institutions. In 2018, DG NEAR and EIB agreed in a joint note a set of measures strengthening cooperation, including through strategic and operational meetings and joint communication efforts (see below under section 3).

3. IMPLEMENTATION / STATE OF PLAY

Description of the current situation

During the ELM’s mid-term review, concluded in March 2018, the co-legislators agreed to increase the guarantee ceilings originally established in the 2014 ELM Decision. Starting from a fixed ceiling of EUR 27 billion and an optional additional amount of EUR 3 billion, the revised overall ceiling was set at EUR 32.3 billion, of which EUR 2.3 billion is the ERI private mandate. Within the EUR 30 billion of the general mandate, EUR 1.4 billion was earmarked for projects in the public sector directed towards long-term economic resilience.³⁹ The introduction of the resilience objective in 2018 represented an important qualitative change in the ELM’s *design* compared to the original 2014 ELM Decision.

In terms of the ELM’s *implementation*, the EIB, EEAS and Commission services have sought to reinforce upstream coordination through additional non-binding mechanisms of information exchange to improve further the alignment of EIB operations with EU needs and objectives. For this purpose, in November 2018, the EIB and the Commission’s Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) signed a joint note expressing mutual commitment to enhance information exchange on potential EIB operations under the ELM. This non-binding agreement foresees better upstream consultation, aims to improve the efficiency of blending EIB operations with EU grants and seeks to enhance EU communication and visibility in the context of the ELM. In addition to regular senior management meetings, (bi-)annual coordination meetings also take place at operational level between the EIB, Commission and EEAS services by country and by region. Moreover, the Commission and the EEAS

38 Recital 23 of the ELM Decision formulates the ambition that ‘at all levels, from upstream strategic planning to downstream investment project development, it should be ensured that EIB financing operations comply with and support Union external policies [...]. With a view to increasing the coherence of Union external action, dialogue on policy and strategy should be further strengthened between the Commission and the EIB, including the European External Action Service [...] the EIB should be encouraged to cooperate with Union delegations during the EIB project cycle.’

39 See the amending decision (EU) 2018/412. The main changes introduced in this amending decision are summarised above in section 2 – Description of the intervention and its objectives.

increasingly provide early feedback on indicative overviews of newly identified potential operations that the EIB submits to the Commission on a quarterly basis.

The Commission has also initiated an overall review of the ‘Article 19 procedure’ with a view to strengthening the oversight of the alignment of EIB operations with EU policy priorities, including operations outside the EU.⁴⁰

At the end of 2018, cumulative net signatures of EIB financing operations under the ELM 2014-20 amounted to EUR 17.6 billion, i.e. approximately 54% of the overall guarantee ceiling as revised during the mid-term review. The yearly evolution of the mandate’s implementation is summarised in Table 1.⁴¹ A portfolio analysis for 2014H2 – end 2017, covering inter alia sector distribution and project timelines, is available in the report of external consultants published together with this evaluation.⁴²

Table 1: Net signatures per year and cumulative net signatures under the ELM 2014-2020 until end-2018, compared with the revised guarantee ceilings (Decision No 466/2014/EU as amended by Decision (EU) 2018/412)

Regions/Years EUR million	2014 (H2)	2015	2016	2017	2018	Total 2014 -2018	Ceiling	Utilisation rate
Pre-Accession	200	906	582	170	1,242	3,099	8,075	41%
Mediterranean	379	726	1,299	1,780	2,114	6,297	13,030	48%
Eastern Neighbourhood, Russia	975	1,401	1,493	657	632	5,158	6,650	78%
Asia	45	433	45	118	205	846	1,165	73%
Central Asia	70	70	20	22	-	182	224	81%
Latin America	219	468	319	371	347	1,725	2,694	64%
South Africa	-	150	-	50	70	270	462	58%
Total	1,888	4,154	3,758	3,168	4,610	17,577	32,300	54%

Source: EIB annual reporting to the Commission

The above data on net signatures demonstrates a variable state of ELM implementation in the various regions. While the utilisation of the regional ceilings is high in Asia, Central Asia, Latin America, South Africa and the Eastern Neighbourhood,⁴³ substantial headroom remains under the regional ceilings for Pre-Accession and Mediterranean (Southern Neighbourhood) countries.

All operations signed by the EIB under the ELM address one or more of the objectives established in the ELM Decision (local private sector development, development of social and economic infrastructure, climate change mitigation and adaptation, regional

40 This review process is on-going at the time of writing.

41 ‘Net signatures’ refer to financing volumes committed through contracts, minus cancellations. Net signatures for 2018 include two operations transferred under the ELM 2014-20 from earlier mandates upon EIB request, with the Commission’s agreement. The two operations, originally signed in 2005-6, had incurred implementation delays and their transfer under the ELM 2014-20 was necessary in order to enable the EIB to resume loan disbursements.

42 Ecorys and CEPS, 2018, chapter 4.

43 The EIB has suspended signature of new financing operations in Russia upon request from the European Council on 16 July 2014 in view of the illegal annexation of Crimea and the military conflict in Eastern Ukraine.

integration, long-term economic resilience). As noted above, the guarantee ceilings set out in the ELM Decision are not policy targets and the EIB is not requested to reach these ceilings at all cost. This being said, the gap between the current level of utilisation and the respective guarantee ceiling is one of several factors this evaluation has considered when assessing the extent to which the EU guarantee is meeting its objectives. An initial overview of the use of the EU guarantee per region, objective, sector and type of operation is provided below, and further analysis is undertaken in the evaluation of the EU guarantee's effectiveness (section 5).

EIB investment volumes in the Pre-Accession region have been affected notably by the economic slowdown in Turkey since 2016. The EIB also needed to reduce its exposure to Turkey that it had built through loans granted in previous years.

The EIB has been stepping up its activities in the Southern Neighbourhood, making use *inter alia* of the availability of the comprehensive EU guarantee under the ERI private mandate. At the same time, some operations signed have been cancelled.⁴⁴

In the Eastern Neighbourhood, EIB investment activity peaked in 2015-16, notably in the context of the Special Action Plan for Ukraine,⁴⁵ which formed part of the EU's support package following the outbreak of military conflict in the Donbass and Russia's annexation of Crimea. However, as shown in Table 2, the rate of EIB disbursements in the Eastern Neighbourhood is markedly below the average 33%, with the implementation of several large operations delayed, also because of lengthy ratification procedures of EIB financing contracts by the Ukrainian parliament. Other IFIs face similar problems. By the end of 2018, total disbursements under the ELM 2014-20 stood at EUR 5.8 billion, representing 33% of cumulative net signatures.

Table 2: Disbursement levels for the ELM 2014-20 and previous mandates at end-2018

Regions/Years (EUR million)	ELM 2000-07 and 2007-13		ELM 2014-20	
	Disbursed	% of net signed	Disbursed	% of net signed
Pre-Accession	15,301	95%	1,267	41%
Mediterranean	12,706	88%	2,368	38%
Eastern Neighbourhood, Russia	1,856	63%	1,180	23%
Asia	1,505	77%	204	24%
Central Asia	7	100%	9	5%
Latin America	3,783	99%	611	35%
South Africa	1,648	100%	127	47%
Total	36,807	90%	5,767	33%

Source: EIB annual reporting to the Commission

⁴⁴ See section 5 for more detail.

⁴⁵ https://www.eib.org/attachments/country/eib_in_ukraine_en.pdf

A majority of ELM operations consists of loans to the public sector for infrastructure development. As of end-2018, these accounted for nearly EUR 11 billion of operations signed. However, the comprehensive guarantee also covers some private sector financing operations, namely:

- Loans extended by the EIB to local banks for on-lending to the private sector, benefitting from a State guarantee or covered under the ERI private mandate. These operations represented EUR 3.3 billion signed under the ELM as of end-2018. They represent the fastest-disbursing type of operation under the ELM due to the nature of the product.⁴⁶
- Loans to state institutions for on-lending to the private sector, also called ‘apex loans’. As of end-2018, they accounted for EUR 1.1 billion of signatures (of which EUR 0.8bn in Ukraine). They are analysed in greater detail in section 5.

Taken together, operations financing private sector development but benefitting from the comprehensive guarantee have represented approximately one-quarter of signatures under the ELM in 2014-18.

Operations under the political risk guarantee complete the picture, representing about one-tenth of volumes signed under the ELM in 2014-18. They provide financing to commercial banks or corporates and demonstrate relatively fast disbursement rates.

In terms of sectoral distribution of ELM operations, the key categories are (i) credit lines for on-lending to the private sector; (ii) transport; (iii) energy; and (iv) water/sewerage. A detailed overview based on 2014-17 signatures is provided in section 4.2 of the external consultants’ report.⁴⁷ Available data for 2018 confirm the predominance of the abovementioned four sectors, which account together for well over 80% of ELM operations signed in 2014-18.

4. METHOD

Short description of methodology

This evaluation seeks to answer five questions concerning the implementation of the EU budgetary guarantee underpinning the External Lending Mandate (hereinafter also ‘the intervention’):

- **Effectiveness:** What have been the quantitative and qualitative effects of the intervention and to what extent can they be credited to the intervention?
- **Efficiency:** To what extent are the costs associated with the intervention proportionate to the benefits it has generated?

⁴⁶ The largest operations in this category have been undertaken by the EIB with the National Bank of Egypt (EGYPT PRIVATE SECTOR SUPPORT, signed in 2016 for EUR 500 million; NBE LOAN FOR SMES AND MIDCAPS – two operations signed in July 2018 and April 2019 for a combined amount of EUR 750 million) and Banque Misr in Egypt (two operations signed in 2017 and 2018 for a combined amount of EUR 500 million).

⁴⁷ Ecorys and CEPS, 2018, pp. 54 – 57.

- **Relevance:** To what extent have the objectives proven to be appropriate for the intervention? How well does the design of the intervention correspond to the EU's needs post-2020?
- **Coherence:** To what extent is the intervention coherent with wider EU policy and Member States' interventions?
- **EU added value:** What additional value results from the EU intervention, compared to what could reasonably be expected from Member States acting at national or regional levels?

The evaluation draws on several sources of information, in particular:

- The report prepared for the Commission by external consultants in mid-2018 on the portfolio signed between July 2014 and end-2017, drawing on a targeted multi-stakeholder consultation and conducted under the supervision of a steering committee involving Commission and EIB representatives;⁴⁸
- Annual reports on EIB activities in ELM regions for the years 2014-18, submitted by the EIB to the Commission in accordance with Article 11 of the ELM Decision;
- Relevant recommendations of the EIB Audit Committee, addressed to the EIB Board of Governors and published on the EIB website;
- Relevant reports by the European Parliament;
- Findings of the peer review on EU development cooperation, undertaken in the Development Assistance Committee of the Organisation for Economic Cooperation and Development;
- ELM-relevant publications by civil society organisations;
- Observations expressed by civil society organisations at a workshop organised by the Commission in March 2019 (without EIB participation);
- Commission services' day-to-day experience of cooperation with the EIB on the implementation of the ELM, including Article 19 consultations, preparation of EIB Board meetings, updating of the ELM RTOGs, and cooperation between Commission services and the EIB in the implementation of investment operations under the ELM.

This evaluation has been performed in accordance with the Better Regulation Guidelines, reflecting methodological guidance from the Commission's Regulatory Scrutiny Board. The preparation of this Staff Working Document was overseen by a steering group comprising representatives of several Commission services and the EEAS. The EIB did not participate in the steering group, but EIB services provided replies to questions extracted by the Commission from the March 2019 stakeholder workshop and commented on a draft of this Staff Working Document in May 2019. The EIB participated in the steering committee overseeing the preparation of the external consultants' report in 2018.

⁴⁸ Ecorys and CEPS, 2018. The design and main findings of the multi-stakeholder consultation are summarised in Annex 2 of this Staff Working Document.

Limitations and robustness of findings

In overseeing the implementation of the ELM, the Commission works with data provided by the EIB, such as descriptions of ELM operations under preparation, volumes disbursed or their geographic or thematic breakdown. All such information is obtained from documents provided to the Commission by the EIB, as foreseen in the ELM Decision and the ELM guarantee agreement. Some of the information provided by the EIB is market-sensitive and the Commission is under an obligation to maintain its confidentiality, also in the context of the present evaluation. For the same reason, certain details have been redacted from the external study published alongside this evaluation, even if the information in question was used by Commission as input for the analysis undertaken.

A key limitation for this evaluation is linked to the fact that the implementation of investment operations under the ELM takes a number of years, especially as regards infrastructure projects. Limited information is therefore available at the time of writing about the actual results and impacts of the operations financed. In addition to the findings from ten case studies included in the external consultants' report,⁴⁹ the EIB has been able to share project completion reports on only two operations falling under the ELM 2014-20 (the rest of operations in the portfolio have not reached completion).⁵⁰

The EIB Results Measurement Framework (ReM) is used in the preparation of EIB Board approvals to estimate the expected results of proposed projects. At project appraisal stage, the EIB identifies results indicators with baselines and targets that forecast expected economic, social, and environmental outcomes of the operation. Achievement against those specified performance benchmarks is reported at various milestones: project completion and three years after project completion ('post completion') for direct operations; the end of the allocation period for intermediated lending. Summaries of the EIB's estimations under the ReM have been presented in the Commission's consecutive annual reports on ELM implementation and EIB publishes in addition annual ReM Reports. However, given that these milestones have not yet been reached for most ELM projects at the time of writing, information available from the ReM is limited to *ex-ante* estimations.⁵¹

49 Ecorys and CEPS 2018, Table 3-4, p. 47.

50 Project completion reports: EUROPAC INDUSTRIAL PACKAGING PLANT IN TANGIER (Morocco), <http://www.eib.org/attachments/pipeline/20130514-pcr-en.pdf>; and MHP AGRIFOOD (Ukraine), <http://www.eib.org/attachments/pipeline/20120184-pcr-en.pdf>.

51 In the current ELM period, the Commission's annual reports to the European Parliament and Council on the EIB's external activity with EU budgetary guarantee have been: COM(2015) 649 and SWD(2015) 285 as regards the year 2014; COM(2016) 585 and SWD(2016) 296 as regards 2015; COM(2017) 767 and SWD(2017) 460 concerning the year 2016; and COM(2019) 188 as regards the year 2017. These reports include overviews of the expected contributions of EIB operations in ELM regions to the EU and partner countries' priorities; the quality and soundness of the operations, based on expected results; and the expected financial and non-financial added value of the EIB's involvement. Given that these ratings have already been reported, that they are based on *ex-ante* estimations and that

Commission services have sought to mitigate these shortcomings by drawing on a diverse range of available sources of information. The external consultants' report produced in mid-2018 drew upon interviews with ten borrowers/beneficiaries of ELM projects selected as case studies and on three interviews with representatives of other IFIs/DFIs, civil society organisations and associations representing EU SMEs. It also built on views gathered through an online survey fully completed by 24 respondents and on interviews conducted at EIB premises. In addition to the workshop organised by the consultants to discuss their draft final report in mid-2018, the Commission provided civil society organisations and a number of IFIs/DFIs with an opportunity (in March 2019) to share further evidence and written comments for the purpose of this evaluation.

A more detailed overview of the limitations of the external consultants' report is set out in Annex 1.

5. ANALYSIS AND ANSWERS TO THE EVALUATION QUESTIONS

The external consultants' report completed in mid-2018 addressed 28 evaluation questions, falling under the five evaluation criteria (effectiveness, efficiency, relevance, coherence and EU added value). Its main overall conclusions are summarised in Table 3 below, together with Commission staff's comment on each of them, further elaborated in the subsequent analysis.

Table 3: Main findings of the supporting report and related observations of Commission staff

<i>Main conclusions of the external consultants' report (mid-2018)</i>	<i>Commission staff remarks</i>
The ELM and its high-level objectives continue to be relevant to the changing geopolitical context and strategic objectives at global and EU level.	This finding is qualified in the Commission staff's analysis, notably as regards the strength of existing mechanisms to ensure policy alignment (coherence), and in terms of the risks of market distortion in the financing of private sector development (effectiveness and EU added value).
The ELM operations are overall effective in contributing to the achievement of the objectives defined in the ELM Decision.	The Commission staff's analysis qualifies this finding through a clearer distinction between operations signed and the level of disbursements (more indicative of the actual state of implementation).
The EU guarantee has allowed the EIB to	This finding is qualified in the

not enough information on actual results is available at the time of this evaluation, they are not further analysed in this Staff Working Document.

<i>Main conclusions of the external consultants' report (mid-2018)</i>	<i>Commission staff remarks</i>
pass financial advantages to beneficiaries.	Commission staff's analysis by a stronger consideration of the risks of market distortion in the financing of private sector development.
The appraisal tools used by the EIB are effective in selecting appropriate projects.	This finding is qualified in the Commission staff's analysis, notably in terms of the importance of reinforced coordination with the Commission/EEAS throughout the project cycle.
The monitoring of ELM projects and the overall management and implementation procedures of both the EIB and the Commission have been performed in an efficient manner.	This finding is qualified in the Commission staff's analysis, pointing to possible improvements in the sharing of information concerning difficulties arising in the implementation of operations signed.
The selected ELM operations are in line with other EU policy and/or instrument objectives and they are usually performed in co-financing with other European and International Financial Institutions, other national/bilateral agencies, and/or blending with other sources of EU funding.	<p>This finding is qualified in the Commission staff's analysis in the sense that the Commission's scrutiny of envisaged investment operations (under the procedure set out in Article 19 of the EIB Statute) would benefit from more detailed information from the EIB.</p> <p>The Commission's evaluation of the ELM's coherence with wider EU policy draws also on information gathered in 2018-19, notably concerning trade policy, procurement and compliance with human rights.⁵² Commission staff analysis of the new information adds to and complements the findings of the external study.</p>

The external consultants' report identified the following main areas for possible improvement in the ELM for the 2014-20 period or the next MFF:

- The ELM could provide more consideration for the concepts of economic diplomacy and EU SME internationalisation;⁵³

⁵² Relevant new information has been gathered from operational experience of Commission services, submissions of civil society organisations as well as EIB replies to the Commission's questions in the context of this evaluation.

⁵³ Commission staff concurs with this recommendation, which pertains to the design of the ELM. In the context of preparations for the multiannual programming that should provide the basis for the allocation of EU budgetary guarantees for financing operations outside the EU in the 2021-27 period, the need for full alignment between EU-supported investment and EU external policy objectives is in clear focus.

- The ELM will need to adjust to the new high-level objective on addressing root causes of migration and building long-term economic resilience of host and transit communities;
- The EIB's Results Measurement Framework (ReM) and its indicators should be fine-tuned;
- The pipeline of investments in climate action adaptation could be increased;⁵⁴
- ELM implementation could be improved as regards joint EU visibility and use of technical assistance.⁵⁵

Commission staff broadly concurs with the above suggestions for improvement, but its analysis points also to a number of others, as detailed below and summarised in section 6.

Following the finalisation of the external consultants' report, the EIB has made a proposal for a new mandate/window for the promotion of European FDI, trade and internationalisation of European companies in the next MFF. This is part of broader discussions – in the context of the NDICI legislative process – on possible guarantee windows that could be dedicated to the EIB post-2020. Exchanges are ongoing between the EIB, the Commission and the EEAS on how to improve cooperation, coordination, and the visibility of investments implemented by the EIB under EU budgetary guarantees.

The Commission staff's evaluation of the EU guarantee underpinning the ELM 2014-20 is presented in the remainder of this section. The evaluation questions are re-stated at the beginning of each sub-section.

Effectiveness

What have been the quantitative and qualitative effects of the EU guarantee underpinning the External Lending Mandate, and to what extent can they be credited to the EU guarantee?

As described in section 3, the EIB started to implement the current ELM in mid-2014, following the adoption of Decision 466/2014 in April 2014. By the end of 2018, it had utilised approximately 54% of the overall guarantee ceiling of EUR 32.3 billion. Nearly EUR 14 billion of headroom remain available, notably in Pre-Accession countries and

However, as such alignment is not an explicit requirement under the current ELM Decision, this Staff Working Document does not analyse in detail the contribution of the current ELM in this regard (Ecorys and CEPS, 2018, pp. 81 – 86). Relevant guidance has been addressed by the Commission to the EIB in the updated RTOGs in April 2019, C(2019) 2747 final.

54 The EIB has pointed out that it would like to increase stand-alone climate adaptation projects but they are often not bankable, and that all multilateral development banks are facing the same constraints.

55 Ecorys and CEPS, 2018, section 6, pp. 137 – 144. In the joint note on cooperation signed between the EIB and DG NEAR in 2018, it was agreed that joint efforts would be made to enhance visibility.

the Mediterranean.⁵⁶ The EIB has so far not proposed to use the possibility to reallocate up to 20% of the ELM's regional guarantee ceilings between regions.

By way of comparison (albeit only approximate due to a different market environment, geopolitical and regulatory context), at the end of 2011, i.e. at a similar time point of the previous external mandate, the utilisation rate was 66% and there remained some EUR 10 billion under the guarantee ceiling.⁵⁷ When the mandate period ended in June 2014, 98.5% of the overall ceiling of EUR 29.5 billion was used.⁵⁸

However, as explained in the ELM Decision and noted above, ELM guarantee ceilings are not policy targets. As mentioned in section 3, the EIB's relatively limited utilisation of the ELM 2014-20 guarantee ceilings can be partly attributed to developments in Turkey since 2016 and the war in Eastern Ukraine since 2014. Moreover, the guarantee ceilings allocated by the current ELM Decision to the EU Neighbourhood (Eastern and Southern) are EUR 6 billion higher when compared to the ceilings of the previous mandate, while absorption capacity has been reduced by the war in Syria and political volatility in several other countries. The EIB considers that these external factors largely explain why the EIB used the available guarantee ceilings by end-2018 to a lesser extent than at the same stage of the previous external mandate.

In terms of addressing the objectives established by the ELM Decision, the quantitative balance between the ELM's contribution to the development of socio-economic infrastructure and its contribution to local private sector development differs in time, at least in terms of financing volumes signed. For example, in 2017, half of the signatures under the ELM concerned infrastructure development and the other half private sector development. By contrast, in 2018, this ratio was 2:1 in favour of infrastructure.⁵⁹ Each operation under the ELM contributes to one of these two 'vertical' objectives. In addition, the same operations can also contribute (partly or fully) to the 'horizontal' objectives of climate action, regional integration and long-term economic resilience. In 2017, 25% of all volumes signed under the ELM were reported by the EIB as contributing to the objective of climate change mitigation and adaptation; in 2018, this figure increased to 35%. The objective of regional integration was supported by 5% of investment volumes signed under the ELM in 2017 and 17% in 2018.⁶⁰ Finally, 10% of 2018 signatures under the ELM contributed to the objective of long-term economic resilience.

56 Article 1(6) of the ELM Decision provides that if, by the end of 2020, the European Parliament and the Council have not adopted a decision granting a new EU guarantee to the EIB against losses under its financing operations outside the Union, the mandate shall be automatically extended once by six months.

57 Report from the Commission to the Council and the European Parliament on 2011 activity under the EIB external mandate. COM(2012) 0637 final, 7.11.2012.

58 Final report on the application of Decision No 1080/2011/EU of 25 October 2011, covering the EIB financing operations signed during the period from 2007 to 30 June 2014, COM(2014) 674 final, Annex 1.

59 EIB reports for earlier years contain such breakdowns per objective only in relation to total EIB signatures in ELM regions, not only signatures covered by the EU guarantee.

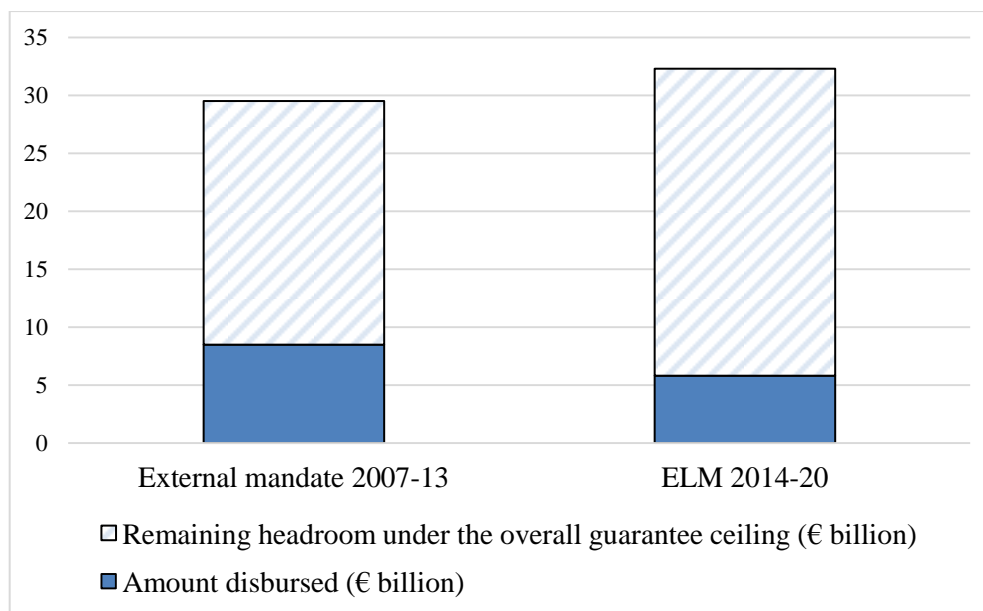
60 The difference between 2017 and 2018 is largely explained by the signature of EIB financing for the construction of the Trans Anatolian Natural Gas Pipeline (TANAP) in 2018.

Another relevant quantitative indication of the effectiveness of the EU guarantee can be obtained from an analysis of **disbursement rates** under the ELM, i.e. the ratio between financing actually paid out by the EIB compared to amounts signed in the EIB's financing contracts with its counterparts (net of amounts subsequently cancelled). As with the analysis of guarantee utilisation rates, the analysis of disbursements needs to take into account intertemporal differences in the market environment and geopolitical and regulatory contexts.

At the end of 2011, the EIB had disbursed EUR 8.5 billion or 44% of the net amounts signed under its external mandate for 2007-13. By June 2014, the disbursement rate under that mandate increased to EUR 14.4 billion or 50% of net signatures at that point in time. Geographically, the fastest disbursements were observed by June 2014 in the Pre-Accession region (65%), but disbursements in the Eastern Neighbourhood and Russia lagged behind significantly (25%).

The disbursement rate as of end-2011 represents a relevant benchmark for the assessment of the pace of disbursements under the ELM 2014-20 as of end-2018. As mentioned in section 3, the EIB disbursed EUR 5.8 billion under the ELM 2014-20 by the end of 2018, representing 33% of net signatures. Disbursements under the ELM 2014-20 are thus lower in both absolute and relative terms than under the previous external mandate, as illustrated in Chart 2. The disbursement rate continues to be particularly low in the Eastern Neighbourhood (23%) and is very low in Central Asia (5%).⁶¹

Chart 2: EIB external mandate disbursement rates at end-2011 and end-2018, i.e. after 4 and 1/2 years of mandate implementation



Source: Commission staff calculation based on EIB annual reporting.

61 In every ELM region, there are signed operations under the 2014-20 mandate that have not started disbursing yet. They are mostly infrastructure loans, but in some cases also education projects and apex loans for on-lending to private sector beneficiaries. These projects may start to be realised in the coming years.

The slower pace of disbursements under the ELM 2014-20 compared to the previous mandate raises a concern about the current ELM's effectiveness. However, the comparison of these two mandates needs to be qualified by taking into account all relevant factors.

In general, relevant external factors weighing on disbursements include limited regulatory frameworks⁶², fragmented legislation, government instability, low institutional capacity, staff turnover and slow and inefficient procedures in recipient countries. Sovereign and municipal loans are particularly vulnerable to such factors given that a number of conditions need to be satisfied prior to disbursement of infrastructure loans, e.g. in terms of technical preparation and procurement.⁶³ Moreover, in many countries, state borrowing from the EIB is subject to parliamentary ratification, which lengthens the timeline of project implementation.⁶⁴

According to the EIB, the relatively lower disbursement rate under the ELM 2014-20 compared to the previous external mandate is mainly explained by external factors, such as developments in Turkey, political instability in the Southern Neighbourhood and low institutional capacity and long procedures in the Eastern Neighbourhood. As regards Latin America, the trend can be explained by a recent shift under the ELM towards public sector infrastructure investments to support climate action, which tend to disburse more slowly than loans for private sector development. The very low disbursement rate in Central Asia is attributed to delays in parliamentary ratification of financial contracts after signature, prior to the first disbursement.

As for factors internal to the ELM's design or the EIB's implementation, high signature volumes are easier to communicate and typically receive more attention than disbursements.⁶⁵ However, the ELM Decision clearly states that guarantee ceilings are not targets that the EIB is required to meet (recital 11). This means that the EU intervention is not designed to put undue emphasis on volumes of financing operations signed.

A discussion is ongoing within the EIB's governing bodies about the appropriateness of the incentive system within the EIB, including as regards staff remuneration and the relative focus on volumes of commitments as opposed to disbursements and qualitative aspects. The annual report of the EIB's Audit Committee for 2017 noted that the EIB needed to address gaps against prevailing best banking practices in this area 'as a matter of priority'.⁶⁶ The annual report of the Audit Committee of the EIB for the year 2018

62 The Commission services and the EEAS are supporting reforms aimed at improving regulatory frameworks in partner countries, including through budget support and policy dialogue. Such assistance is particularly relevant in countries where underdeveloped regulatory frameworks may act as an obstacle to timely disbursements.

63 Further detail concerning disbursements (as of end-2017) is available in section 4.6.3 of the Ecorys and CEPS report, pp. 66 – 67.

64 According to the EIB, parliamentary ratification of certain ELM projects in Ukraine took over a year.

65 For example, the EIB's report on 2017 financing activity outside the European Union does not refer to disbursements: https://www.eib.org/attachments/country/eib_rem_annual_report_2017_en.pdf.

66 https://www.eib.org/attachments/general/ac_annual_reports_2017_en.pdf, p. 25.

speaks about ‘significant gaps’ in this regard.⁶⁷ It recommends to ‘ensure that remuneration practices are better balanced to reflect not only volume-based [Key Performance Indicators] as a driver of objectives setting.’⁶⁸

It is difficult to measure the exact impact of external factors on the relatively low disbursement rate under the ELM 2014-20 compared to the impact of incentive structures internal to the EIB. However, the range of external factors capable of delaying disbursements is broad and a number of relevant unfavourable external events have objectively occurred since 2014, notably in Turkey, Ukraine and the Mediterranean.

In addition to tackling some of the issues mentioned above, other possible ways to accelerate disbursements under the ELM could include strengthened cooperation between the EIB and the Commission/EEAS, including more detailed and/or frequent monitoring and reporting by the EIB to the Commission on signed operations, their disbursement rates and obstacles encountered. The slow pace of disbursements is sometimes also related to the lengthy procedures and weak implementation capacity of the promoters and the host countries – some constraints which the EU typically tries to address through technical assistance.

The effectiveness of the ELM 2014-20 in achieving its objectives across the ELM regions is thus currently held back by the relatively low disbursement rates (see Table 2 above), but it is too early to draw final conclusions from the snapshot available as of end-2018. It would be important that the EIB and the Commission follow the further evolution of disbursement rates under the ELM closely in order to take relevant measures as described above. The disbursement rates will also be subject to analysis in the end-term evaluation of the ELM to be undertaken by the Commission in 2021.

Besides low disbursement rates in some ELM regions, the **geographical distribution/concentration** of ELM operations within the respective regional ceilings could give rise to concern. As noted in section 2, the ELM Decision requires the EIB to ‘progressively ensure a balanced country distribution within the regions covered by the EU guarantee’. However, as mentioned in the introduction, the EIB signed operations in only 44 of the ELM’s 64 eligible countries between mid-2014 and end-2018, leaving out 20 countries (14 countries with which the EIB has signed a Framework Agreement and 6 countries where it has not).

The non-coverage of eligible countries is less of a concern in the Pre-Accession region and in the Neighbourhood/Russia region, where only Albania, Algeria, Libya and Russia were without new ELM operations signed in the period under examination. Taken

67 <https://www.eib.org/en/publications/audit-committee-annual-reports-2018.htm>, p. 7.

68 Ibid., pp. 13 – 14. In its response to the findings of the Audit Committee for the year 2018, the EIB Management Committee states that ‘conclusions on the final assessment on the current remuneration practices against relevant regulatory [best banking practice] requirements are subject to ongoing discussion with the Audit Committee’. It also states that ‘the Bank is elaborating a comprehensive plan that will illustrate how it intends to address the administration of staff benefits. This plan will include concrete measures, a timetable and ownership for all action identified’ (p. 48).

together, the Pre-Accession, Southern Neighbourhood and Eastern Neighbourhood/Russia regions account for 85% of the ELM's overall ceiling.

In Asia, ELM operations were signed in nine countries out of 20 eligible (of which 16 have signed a framework agreement with the EIB), with Bangladesh and India accounting together for more than half of the regional volume. In addition, operations were signed in China and Mongolia under the EIB's own risk facilities. In Latin America, eight out of 16 eligible countries had new ELM operations signed, of which more than three quarters in Ecuador, Brazil, Nicaragua and Argentina. In addition, operations under EIB own risk facilities were signed in Mexico, Colombia and Peru. In Central Asia, ELM operations were signed in Kyrgyzstan and Tajikistan, and operations under own risk facilities in Kazakhstan and Uzbekistan. The EIB has not signed any framework agreement with Turkmenistan.

The lower number of operations in certain regions can be partly explained by the relatively low regional ceilings and a relatively large list of eligible countries, which reduces the scope for economies of scale and synergies. Therefore, the EIB undertakes a limited number of operations with larger volumes compared to other IFIs/DFIs which have a higher capital ratio and/or receive budgetary support in order to execute smaller operations.⁶⁹

The ELM enables the EIB to undertake financing operations in higher-risk countries than it could otherwise reach with its own-risk facilities. The overview of ELM operations signed as of mid-2019 tends to confirm that the risk profile of ELM operations (covered by the EU guarantee) is generally higher than the risk profile of operations financed by the EIB through its own-risk facilities. This is consistent with the intervention logic of the ELM as defined in the ELM Decision and in the guarantee agreement.⁷⁰

However, in several eligible countries, including least developed, low-income and lower-middle income countries⁷¹, the EIB has not signed any operations under the current ELM. One and half years remain under the ELM 2014-20, giving the EIB an opportunity to develop possible operations in these additional countries, in cooperation with the Commission and the EEAS.

In any event, the contribution of the EU guarantee to the achievement of the objectives of the ELM Decision needs to be assessed not only in terms of financial volumes and their distribution, but also in terms of quality. To this end, the remainder of this section will

69 As described already in the Camdessus report of 2010, the EIB has by far the highest ratio of financing volumes outside the EU against the number of staff involved when compared with IFIs such as the European Bank for Reconstruction and Development (EBRD) and the World Bank Group or national development finance institutions such as the KfW Entwicklungsbank or the Agence Française de Développement. Report and recommendations of the Steering Committee of 'wise persons' – Mid-Term Review of the European Investment Bank's external mandate 2007-2013, Table 4, p. 60.

70 Detailed information on the risk profile of the ELM portfolio and of the EIB's own-risk portfolio in ELM countries is confidential.

71 The EIB is working on possible future operations in some of these countries, including Bhutan and Myanmar (least developed countries) as well as El Salvador, Mongolia and Uzbekistan (lower middle-income countries).

examine the following aspects: performance vis-à-vis the ELM's climate targets; transfer of financial advantage to the beneficiaries; experience with the launch of the Economic Resilience Initiative; consistency with strategies of beneficiary countries; and cooperation with other financial institutions. Further related analysis is available in the external consultants' report, notably section 5.2.

As underlined earlier, the EIB's Results Measurement Framework, introduced in 2012, currently mainly provides estimates of results expected to be achieved over the lifetime of projects financed, given that very few ELM 2014-20 operations have been completed yet. The co-legislators' guidance has been that the EIB 'should regularly conduct ex post or mid-term evaluations of supported activities.' The EIB monitors projects and produces Project Progress Reports for all projects, but these are not published. Ex-post assessments are done through *project completion reports* and *environmental and social completion sheets*. In addition, the EIB's Operations Evaluation service conducts a number of evaluations of EIB activities mainly at the thematic level, on the basis of the annual work programme adopted by the EIB's Board of Directors.⁷²

Taking into account that the mandate is still under implementation, actual results for most operations cannot yet be reported. Moreover, given that disbursements take place only gradually and at varying rates, qualitative analysis of ELM implementation in 2014-20 is at present limited to operations signed (but not necessarily fully implemented yet) and relevant policy-level interactions between the Commission and the EIB.

As regards the **climate action targets** established by the ELM Decision, the EIB is more than on track, at least in terms of net signatures. In December 2015, the EIB adopted a specific climate strategy for the implementation of the ELM.⁷³ At end-2018, the cumulative climate action ratio under the ELM 2014-20 stood at 34% of signatures, well above the ELM target of 25%.⁷⁴ The highest ratios of climate-related investment commitments compared to overall ELM volumes have been undertaken in Asia (except Central Asia), Latin America and the Pre-Accession region.⁷⁵

For example, in 2018, the EIB signed nearly EUR 1.6 billion of financial commitments under the ELM contributing to climate change mitigation or adaptation, representing 35% of total ELM signatures for the year. The majority of these climate-related investments were signed in the Southern Neighbourhood, followed by the Pre-Accession region and Latin America.⁷⁶ This recent increase in climate-related investments in the Southern Neighbourhood is reassuring in view of the concern expressed during the

72 <https://www.eib.org/en/projects/evaluation/index.htm>

73 https://www.eib.org/attachments/thematic/elm_climate_strategy_en.pdf

74 The EIB's ELM Climate Strategy relies on methodologies agreed in the context of the 2015 Joint Report on Multilateral Development Banks' Climate Finance, https://www.eib.org/attachments/documents/joint_mdb_report_on_climate_finance_2015.pdf.

75 A more detailed overview covering the period 2014-17 is provided in section 4.8 of the Ecorys and CEPS report.

76 An additional EUR 0.9 billion of climate-related investments were signed in 2018 under the EIB's own-risk facilities, representing 66% of total activity under those facilities and concentrated mainly in Asia and Latin America.

stakeholder consultation in 2018 that there would be trade-offs between the EIB's focus on economic resilience and its climate action in the Southern neighbourhood (see Annex 2). Investment categories making the greatest contribution to the EIB's climate-related financing in the ELM regions in 2018 were renewable energy, lower greenhouse gas emitting transport and waste and wastewater mitigation. Investments in energy efficiency, climate change adaptation and forest management were relatively lower due to the smaller average project size.

According to the ELM Decision, the EIB is requested to work to ensure that part of **the financial advantage obtained through the EU guarantee is transferred to beneficiaries** and added value is provided compared to other sources of finance. Examining how this requirement is met plays a role in gauging the *additionality* of ELM operations. As explained above, the currently applicable regulatory framework does not formulate an additionality requirement for the ELM 2014-20 but only for post-2020 budgetary guarantees. Nonetheless, it is useful to examine the principle of additionality in the implementation of the ELM 2014-20 with a view to improving the design of post-2020 budgetary guarantees. A key consideration in that regard is to prevent the replacement of potential support and investment from other public or private sources, including by avoiding pricing that would result in crowding out other financiers.

The external consultants' report on ELM operations signed in 2014-17 finds that borrowing terms offered by ELM loans are considerably better than market alternatives, both in terms of maturities and interest rates. This enables the EIB to pass on financial advantages resulting from the EU guarantee to beneficiaries.⁷⁷ In several stakeholder interviews, the financial advantage was identified as the decisive factor for requesting financing from the EIB compared to other sources (see Annex 2). In addition, EIB financing provides diversification of financing sources and contributes to attracting other investors, including from the private sector. The EIB conducts regular country assessments and financial sector reviews in order to underpin its selection of financing operations.

The financial advantage under the ELM is particularly pronounced for operations covered by the comprehensive guarantee. Risk pricing without the EU guarantee would have been substantially higher for many infrastructure loans to public sector counterparts, depending also on the country in question. The 'theoretical spread' between the interest rate the EIB would need to apply in absence of the EU guarantee and the one actually charged reaches even higher levels in several cases of loans to the private sector that qualify for the ELM comprehensive guarantee because they benefit from a state guarantee.⁷⁸ The EU's comprehensive guarantee enables the EIB to waive the entire risk premium that would otherwise be included in the EIB's interest rate for the loan in question.⁷⁹

77 Ecorys and CEPs 2018, p. 93 and Annex 5.

78 Source: EIB reporting to the Commission.

79 As explained in section 2, the EUR 2.3 billion private sector mandate under the Economic Resilience Initiative represents an exception: the EU provides a comprehensive guarantee, but the EIB does not

The financial advantage implied by the political risk guarantee for private sector projects is naturally smaller, as the political risk guarantee has a more limited scope than the comprehensive guarantee. The EIB does not reduce the risk premium for operations covered by the political risk guarantee. However, borrowers still obtain financial advantage resulting from the EIB's low cost of borrowing on the financial markets (thanks to the EIB's AAA rating).

Figure 2 below provides a simplified, illustrative overview of the EIB's pricing model, visualising the various components of the interest rates charged by the EIB to its borrowers. The actual interest rates vary from one operation to another, depending also on the time at which the loan is drawn, the length of the repayment period and many other parameters.⁸⁰

Figure 2: Composition of the EIB's interest rate under the External Lending Mandate – illustrative overview

Total interest rate	
<i>(Modulation)</i>	Optional, varies case-by-case, depending on mandate objectives, market conditions and other transaction specific factors
Risk premium (specific to each operation)	Varies from one operation to another, reflecting its specific risk characteristics (and the need for the EIB to build up reserves) <ul style="list-style-type: none"> • Included for operations with EU political risk guarantee • Included and transferred to the EU for operations with EU comprehensive guarantee under the ERI Private Mandate • Fully waived for all other operations with EU comprehensive guarantee
Mark-up covering on average the EIB's standard operating costs	Fixed mark-up applied to each operation type
EIB funding cost	Included in interest rate for each operation; varies in time depending on prevailing market conditions; low thanks to the EIB's AAA rating

reduce the risk premium. Instead, the EIB calculates the risk premium in accordance with its standard risk pricing policy and it transfers the risk-related revenue from the operation to the EU guarantee fund. This mechanism helps to reduce the risks of market distortion, while still enabling the EIB to provide attractively priced private sector financing in higher-risk environments and remunerating the EU budget in line with the risk covered.

⁸⁰ The basic features of the EIB's loan pricing framework follow directly from the EIB Statute, Article 17: 'Interest rates on loans to be granted by the Bank and commission and other charges shall be adjusted to conditions prevailing on the capital market and shall be calculated in such a way that the income therefrom shall enable the Bank to meet its obligations, to cover its expenses and risks and to build up a reserve fund'. Article 307 TFEU specifies that the EIB shall operate 'on a non-profit making basis'.

The external consultants' report identifies two potential unintended effects linked to the financial advantages of the loans under the ELM or other concessional sources of funding: first, the risk of crowding out of other sources of financing (IFIs/DFIs) and second, potential distortion effects of private sector operations on financial markets. In particular, local banks or public financial institutions benefitting from a sovereign guarantee (and therefore from the lower rates available through ELM financing) can channel loans to private beneficiaries at significantly better conditions than their competitors. This concern was raised by several stakeholders interviewed in 2018 by the Commission's consultants and reiterated in a March 2019 submission by one national DFI (see Annex 2).⁸¹

The external consultants' report identified several mitigating measures taken by the EIB in such cases, including the general co-financing limit of 50%, assessment of non-rival positioning on the local credit market and upward modulation of the interest rate in cases of strong distortion risk. Nonetheless, it recommended that the EIB should provide more information to the Commission services on such mitigating measures via the annual ELM reports, the Article 19 procedure or informal communication.⁸²

The updated ELM RTOGs issued by the Commission in April 2019 state that 'in order to avoid as much as possible the risk of market distortion that could be potentially caused by EIB intervention covered by EU budgetary guarantee, the added value of the EIB's intervention should receive the EIB's careful attention. This is particularly important when studying possible operations in sectors and countries where there is strong competition and/or market or close-to-market conditions.'⁸³ Moreover, as mentioned above, the EU comprehensive guarantee for private sector operations under the Economic Resilience Initiative is priced, with the EIB passing on to the EU budget the risk-related revenues.

Nonetheless, the attractive interest rates and financing volumes the EIB is able to offer may still create risks of market distortion through certain operations financing private sector development, often through public financial institutions operating with sovereign guarantees. Besides the design of the EU guarantee, these risks are also related to the EIB's AAA rating and focus on larger operations (offering economies of scale). This risk could be addressed notably through a more frequent increase by the EIB of its interest rates ("upward modulation") where appropriate in view of market conditions. However, such decisions fall within the competence of the EIB's governing bodies, not of the Commission.

The EU comprehensive guarantee enables the EIB to lower the interest rates applied on ELM operations and provide loans with longer maturities. However, it would not protect

81 According to the DFI in question, 'if we are to deliver on our commitment to the Paris Accord and the [2030 Sustainable Development Goals], we will need to design a delivery mechanism that is more coherent and less market distorting. The mobilization of the private sector in challenging markets can only be done if there is a level playing field in terms of pricing.'

82 Ibid., pp. 95 – 98.

83 C(2019) 2747 final, pp. 14, 24, 35 and 38.

the EIB against depreciation risk in case the EIB would lend in local currency.⁸⁴ The EIB's risk policy implies limitations in terms of the foreign exchange risk the EIB is able to take with its own resources.⁸⁵ This shortcoming was identified in the 2016 evaluation of the ELM and raised again by stakeholders interviewed in 2018 (see annex 2). The external consultants' report explains, by way of comparison, that 'under the [Africa, Caribbean and Pacific] mandate, the EIB can lend in synthetic local currency.'⁸⁶ The disbursement is done in EUR or USD and the funds are converted by the borrowers in local currency at the applicable exchange rate at the time of disbursement. Repayments are done in EUR or USD equivalent of the local currency converted back at the time of repayment. Hence the ACP Investment Facility assumes the foreign exchange risk, not the borrower.⁸⁷

The EIB has tried to overcome the limitations on local currency lending in several ways, including arrangements where the foreign exchange risk is taken over by the beneficiary country's central bank. In 2015, the EIB also became a member of the TCX fund, established by several Development Finance Institutions in 2007 in order to help them hedge against currency risks.⁸⁸ However, the external consultants' report points out that 'in order to maximise the availability and cost-effectiveness of local currency options for ELM countries, new EU financial support for lending in foreign currency may be necessary.'⁸⁹ This observation dovetails with the fact that the Commission supports local currency lending through blending operations implemented by various financial institutions.⁹⁰

Based on these findings, some conclusions can be drawn on how to design EU budgetary guarantees under the NDICI Regulation in order to maximise *additionality*:

- For the purpose of policy design, it is useful to distinguish more clearly between the desired impact of the EU guarantee on the financial advantage transferred to beneficiaries (i) in the public sector, and (ii) in the private sector. While there may be policy reasons to minimise the costs of financing operations with certain types of public sector counterparts, this is not necessarily the case for private sector financing.
- Consistent attention to reducing the risks of market distortion is warranted and a more explicit policy could be formulated for the use of key mitigating measures,

84 If the EIB lent in local currency and the local currency depreciated by the time the loan was (fully) repaid, the EIB would incur a loss (considering that most of the EIB's funding is in hard currencies), without being able to call on the EU guarantee.

85 The relevant provision of the EIB Statute (Article 16(6)) is worded broadly, stipulating that 'the Bank shall protect itself against exchange risks by including in contracts for loans and guarantees such clauses as it considers appropriate.' More detailed requirements are set out in the EIB's financial risk guidelines. Further information is available in the EIB Group's Risk Management Disclosure Reports, https://www.eib.org/en/about/governance-and-structure/control_and_evaluation/control_credit-risk.htm.

86 Ecorys and CEPS 2018, p. 116.

87 The ACP Investment Facility contains resources from the European Development Fund.

88 <https://www.tcxfund.com/about-the-fund/>

89 Ecorys and CEPS 2018, p. 116.

90 Such EU blending operations represent interventions separate from the EU guarantee underpinning the ELM. The Board of the Neighbourhood Investment Platform (one of the EU blending facilities), has approved EIB proposals for local currency initiatives in the Eastern and Southern Neighbourhood.

such as upward modulation of interest rates in order to reflect local market conditions in private sector financing.

- The rationale for the use of comprehensive guarantees in the financing of private sector development also deserves to be scrutinised.
- Provision by the EIB of financing in local currency could be further encouraged.

Experience with the **launch of the Economic Resilience Initiative** suggests that the EIB has embraced the opportunity provided by the co-legislators' decision to extend the comprehensive EU guarantee to private sector operations that contribute to improve the long-term economic resilience of Southern Mediterranean or Western Balkans countries. This typically allows the EIB to design some of its credit lines so as to reach a larger number of smaller beneficiaries, including refugee or migrant borrowers. It is however too early to assess the actual benefits of the comprehensive guarantee compared to its impact on the EU budget.

As of the end of 2018, the EIB had signed EUR 2.9 billion of operations contributing to the economic resilience objective. Some of these are reported under the ERI public mandate or the ERI private mandate, while others fall under the pre-existing regional guarantee ceilings. Over half of these ERI operations are credit lines, with water/sewerage and transport infrastructure accounting for another quarter.

After the introduction of the resilience objective in the ELM Decision in 2018, it was necessary to clarify between the Commission and the EIB how the latter should demonstrate the fulfilment of the qualitative requirements set out in the ELM Decision as conditions for including financial operations under the Economic Resilience Initiative (ERI public or ERI private mandate). In the revised ELM Regional Technical Operational Guidelines of April 2019, the Commission set out that when preparing its opinion in the context of the Article 19 procedure, the Commission will typically require from the EIB a clarification of the intervention logic of the proposed project in line with the following criteria in Article 3.8 of the ELM Decision:

- a) address increased needs for infrastructure and related services to cater directly or indirectly for the influx of migrants while also benefitting the local population;
- b) boost employment opportunities for host and refugee communities;
- c) foster economic integration and enable refugees to become self-reliant; or
- d) strengthen humanitarian action and support for creation of decent jobs.

The RTOGs also point out the usefulness of clearly indicating in the context of Article 19 consultations whether proposed ERI projects foresee any specific measures in pursuit of the resilience objective, and how the expected outcome and output can be quantified and monitored.

Experience to date suggests that operations under the ERI private mandate are mostly based on the justification that they boost employment opportunities (criterion b). On the other hand, projects counted towards the ERI public mandate tend to be infrastructure projects fulfilling criterion a). On one occasion, the Commission has advised the EIB not

to include an infrastructure project under the ERI public mandate in view of unclear links to the migration challenge, and to pursue it simply under the ELM's general mandate. There has so far generally been agreement between the Commission and the EIB concerning private sector projects where the EIB has sought the EU comprehensive guarantee under the ERI private mandate.

Another qualitative requirement set out in the ELM Decision is for EIB operations under the ELM to be '**consistent with the strategies of the beneficiary country**'. This aspect is important *inter alia* for the sustainability of the operations financed. It is reviewed during project appraisal under the first pillar of the EIB's Results Measurement Framework, under the heading 'Contribution to EU priorities and country development objectives'. It is also reviewed by the Commission in the context of the Article 19 procedure. The external consultants' report finds that out of ten operations examined as case studies, the project appraisal documentation of nine had a reference to one or more strategic document of the country in question. While none of these documents were discussed in detail, 'this implies that the Bank is aware of the country-level strategic framework[s] and how its interventions fit into them.' In the interviews undertaken during the elaboration of the external study, 'no negative responses have been received on the relevance of ELM allocation to national strategies.'⁹¹ Going forward, systematic coordination with EU Delegations in the beneficiary countries will be important to maintain consistency of EU-supported operations with beneficiary country strategies. This is envisaged in the context of the NDICI. Improved country ownership of investments promoted by IFIs is also a key recommendation of the 2018 report of the G20 Eminent Persons Group on global financial governance, entitled 'Making the global financial system work for all'.⁹²

Article 7 of the ELM Decision requires EIB financing operations under the ELM to be carried out, where appropriate, in **cooperation with Member States' financial institutions or with multilateral financial institutions**, with a view to ensuring synergies, efficiency and coherence of their actions. The fulfilment of this requirement is examined in section 4.7 of the external consultants' report, finding that more than half of the ELM operations signed by the EIB in 2014-17 was co-financed with other financial institutions, most frequently the European Bank for Reconstruction and Development (EBRD). The involvement of other financial institutions depends to an important extent on their respective geographic focus. A difference can also be noticed between public sector infrastructure investments and private sector operations. The majority of public sector operations under the ELM involves co-financing with other financial institutions, helping each of them to stay within their respective limits in terms of risk concentration and/or absolute amounts they are able to lend. However, co-financing with other IFIs/DFIs happens much less often in the case of ELM operations targeting SMEs and

91 Ibid., p. 94.

92 <https://www.globalfinancialgovernance.org/>

mid-caps. This field appears to be more competitive, with greater risks of crowding out other lenders than in the case of public sector infrastructure investments.⁹³

Efficiency

To what extent are the costs associated with the EU guarantee underpinning the External Lending Mandate proportionate to the benefits the guarantee has generated?

The EU guarantee for the ELM is provided through the EU Guarantee Fund for External Actions.⁹⁴ The target amount of the Guarantee Fund for External Actions is defined as 9 % of the Communities' total outstanding capital liabilities arising from each operation, increased by unpaid interest due. The calculation is thus based on amounts disbursed, including from the ELM 2014-20 as well as from previous external mandates, as long as any amounts remain outstanding in the context of financing operations concluded under those mandates.

The Guarantee Fund for External Actions is replenished from the general EU budget once a year in order to be maintained at the target level. The 9% provisioning rate is based on long-standing experience and periodically validated through independent studies.⁹⁵ At the end of 2018, the balance sheet of the Guarantee Fund for External Action amounted to EUR 2.6 billion.

This arrangement has enabled the Commission to **leverage** scarce EU budgetary resources through the EIB's external mandates and obtain financing volumes that are 11 times larger than the Guarantee Fund for External Action. In addition, the portfolio guarantee is capped at 65% of the aggregate outstanding amount. Moreover, given that the EIB invests, as a rule, only up to 50% of total project costs, further leverage effect is obtained from other co-financiers at the level of the project, bringing the total leverage ratio under the ELM over 20. Additional, indirect efficiency gains from the EU guarantee arise in the sense that EIB staff and technical capacity built up with the support of the EU guarantee can be used also for the development of operations outside the remit of the ELM, such as under the EIB's own-risk facilities.⁹⁶

When an EIB financing operation under the ELM defaults on a scheduled repayment and the EIB calls on the EU guarantee, the Commission authorises the EIB to debit the

93 Ibid., pp. 67 – 69. This pattern is confirmed by the EIB's annual reporting for 2018.

94 Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions (Codified version), OJ L 145, 10.6.2009, p. 10, last amended by Regulation (EU) 2018/409 of the European Parliament and of the Council of 14 March 2018.

95 GOPA Consultants, Evaluation of the Guarantee Fund for External Actions, report for the European Commission, July 2016.

96 This is mostly valid for the Pre-Accession and Neighbourhood regions, due to the share that they represent in ELM ceilings. Further analysis concerning the efficiency of the use of EIB's and Commission's human and financial resources is available in section 5.3 of the Ecorys and CEPS report, pp. 122 – 125.

Guarantee Fund.⁹⁷ To date, no calls on the EU budgetary guarantee have occurred on operations under the ELM 2014-20. As described in the Commission's annual reporting,⁹⁸ the EIB has called on the EU guarantee in relation to a number of operations in Syria since 2012 as well as one operation in Tunisia (Aéroport Enfidha). All of these operations fall under previous external mandates and efforts are ongoing to recover the amounts in default. Amounts drawn from the Guarantee Fund for External Action in previous decades have been recovered.⁹⁹

As noted in section 2, the co-legislators require that ELM operations 'should continue to be conducted in accordance with the principles of sound banking practice' and be subject to 'appropriate control measures'. The external consultants' report does not identify any major efficiency issues.¹⁰⁰

However, Commission services have raised certain doubts regarding the efficient use of the EU guarantee in relation to so-called **apex loans**.¹⁰¹ These operations consist of loans to public sector counterparts, such as central banks or state agencies, for on-lending to the private sector, often in local currency, in order to offset the foreign exchange risk. The public sector status of the EIB's direct counterpart has enabled the EIB to include them under the comprehensive guarantee. EUR 1.1 billion of apex loans was signed by the EIB under the ELM from mid-2014 until 2016, namely in Armenia,¹⁰² Serbia¹⁰³ and Ukraine (EUR 800 million).¹⁰⁴

Apex structures entail certain risks, such as:

97 Even after the EU guarantee is honoured by payment from the Guarantee Fund, the EIB undertakes recovery efforts in accordance with a recovery agreement between the Commission and the EIB, concluded in parallel with the ELM guarantee agreement. Both institutions are in regular contact concerning these recovery efforts.

98 COM(2019) 188 final, p.10.

99 More details can be found in the latest annual report from the Commission on the management of the Guarantee Fund for External Action (COM/2018/513 final).

100 Ecorys and CEPS, 2018, p. 141.

101 Some of the concerns about apex loans relate also to the questions of effectiveness, coherence and EU added value. This evaluation addresses the issue in the sub-section on efficiency in order to highlight the question whether such operations aimed at private sector development should benefit from the comprehensive guarantee.

102 The ARMENIA APEX LOAN FOR SMEs was signed in 2014 in the volume of EUR 50 million. In 2016, the APEX II LOAN FOR SMES AND MIDCAPS of EUR 51 million was signed. In October 2018, the EIB signed a third apex loan with the Central Bank of Armenia, the PRIVATE SECTOR FACILITY, for another EUR 50 million. The Ecorys and CEPS report contains a case study on the first of these apex loans in Armenia, describing also the important supportive role of the German-Armenian Fund in its implementation (pp. 97 – 98).

103 The APEX LOAN FOR SMES AND OTHER PRIORITIES III was signed with the Ministry of Finance of the Republic of Serbia in 2016 in the volume of EUR 150 million and channelled through the National Bank of Serbia.

104 The APEX LOAN FOR SMEs AND MID-CAPs in the volume of EUR 400 million was signed at the end of 2014. The UKRAINE AGRI-FOOD APEX LOAN of EUR 400 million was signed at the end of 2015.

- burdening governments or central bank balance sheets with debt commitments (even though state support may be part of the government strategy to increase SMEs participation to economic activity and growth);¹⁰⁵
- risks of market distortion at the level of the final beneficiaries due to the comprehensive guarantee;¹⁰⁶
- risks of corruption and nepotism due to the specific role of public bodies in intermediating private sector financing under apex structures (the EIB tries to mitigate these risks through procurement clauses, legal clauses and monitoring);
- providing an incentive to use public banks to channel funds in order to benefit from the comprehensive guarantee, instead of pursuing private sector alternatives that could be better suited for the development of local financial markets.¹⁰⁷

Potential benefits of apex loans in terms of facilitating longer-term SME financing in local currency need to be carefully assessed against the above drawbacks, case by case. After discussions with the EIB, the updated RTOGs state that apex loans under the ELM ‘should be exceptional and should only be considered when strong justifications and safeguards can be demonstrated.’¹⁰⁸

Besides the EU budgetary guarantee, many ELM operations benefit also from **grant financing** from the EU budget in order to cover technical assistance and/or part of the actual investment costs.¹⁰⁹ The provision of such grant financing is subject to separate decision-making procedures and timelines in the context of the relevant EU budgetary instruments¹¹⁰ and blending platforms.¹¹¹ Section 4.7.2 of the external consultants’ report provides a list of 47 ELM operations signed in 2014-17 where EIB financing has been ‘blended’ with grant support from the EU budget or from other donors.¹¹² Table 3 below provides a summary overview of EU grant volumes associated with EIB operations in the ELM regions (under the ELM guarantee or under own-risk facilities), compiled from the EIB’s annual reports on ELM activities in 2014-18.

Table 3: Grant support from the EU budget for EIB operations in ELM regions (EUR millions), mid-2014 till end-2018

Type of grant support	2014 (H2)	2015	2016	2017	2018	Total
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105 For countries under an IMF programme, the EIB took into account the view of the IMF before proceeding with this type of operations. It concluded in those cases that the additional burdening on state financing was not detrimental to the country.

106 The EIB asserts that it has structured the relationship with the intermediary bodies in such a way that the final financing to SMEs does not undercut other competitor financiers and that it fully supports the development of SMEs.

107 Public banks are not only financed by the EIB but also by other IFIs/DFIs.

108 C(2019) 2747 final, pp. 22, 24, 35 and 38.

109 Some EU grants are provided in the form of interest-rate subsidies or risk capital. The latter involves, for example, capital contributions into investment funds, provided in the form of junior shares or similar ‘first-loss pieces’ designed to absorb first losses potentially incurred by the fund, thus making other investors’ participation in the fund less risky.

110 In particular, the Instrument for Pre-accession Assistance, the European Neighbourhood Instrument and the Development Cooperation Instrument.

111 For example, the Western Balkans Investment Framework, the Neighbourhood Investment Platform or the Asian Investment Facility.

112 Ecorys and CEPS 2018, pp. 71 – 72.

Technical assistance	49	21	60	40	43	213
Investment grants	73	135	76	89	105	478
Risk capital	30	41	41	15	40	167
Interest rate subsidy	--	--	--	--	5	5
Total new approved grants from the EU budget	152	197	177	144	193	EUR 863 million

Source: EIB annual reports to the Commission

It is beyond the scope of this evaluation to assess the efficiency of the grant support which flanks the EU guarantee. Relevant guidance is provided to the EIB in the ELM's updated RTOGs. The key development to be noted as regards 'blending' is the 2017 agreement among a number of Multilateral Development Banks and Development Finance Institutions on the *Enhanced Blended Concessional Finance Principles for DFI Private Sector Operations*, including the principle of crowding-in and minimum concessionality.¹¹³ The EIB participates in this joint work with fellow institutions, which provides useful peer pressure for all involved. Consistent implementation of the agreed principles will be important for ensuring efficient use of grant resources, minimising distortions in the private sector financing market and attracting greater private co-investment for projects addressing ELM objectives.

Relevance

To what extent have the objectives established by the ELM Decision proven to be appropriate for the use of the EU guarantee? How well does the design of the External Lending Mandate and the underlying budgetary guarantee correspond to the EU's needs post-2020?

The co-legislators' expectation, as summarised in section 2, has been that the EIB's external operations should contribute to EU policy objectives, including 'reducing poverty through inclusive growth and sustainable economy, environmental and social development and the prosperity of the Union in changing global economic circumstances.' The ELM decision also mentions that 'EIB financing operations should foster [...] compliance with objectives approved by the Union in the context of the United Nations and other relevant international organisations'. These expectations were formulated in 2014 (and amended in 2018), but relevant international commitments were

¹¹³ DFI Working Group on Blended Concessional Finance for Private Sector Projects - Joint Report, October 2018 Update, <https://www.edfi.eu/wp/wp-content/uploads/2018/10/DFI-Blended-Finance-Report-OCT-2018.pdf>.

taken by the Union also in subsequent years, notably in the context of the 2030 Agenda for Sustainable Development¹¹⁴ and the Paris Agreement.¹¹⁵

While the sub-sections on effectiveness and efficiency evaluated mainly the *EIB's performance* in implementing the mandate entrusted to it, assessment of the ELM's relevance has more to do with *the mandate's very design*. The same applies to some extent to the question of coherence. This and the next sub-section will therefore examine also the shortcomings and strengths that can be identified in the ELM Decision itself, in light of experience with its implementation. On this basis, they will reflect on ways in which the design of possible post-2020 guarantee mandates could be improved.

The stakeholder consultation undertaken in 2018 found that a majority of respondents considered the ELM's objectives as very relevant or relevant to the context of the beneficiary country in which they operated. This view was particularly clear concerning the objectives of local private sector development and development of socio-economic infrastructure. A similarly strong majority considered that that the EIB should support migrants in terms of jobs creation, vital infrastructure and access to finance.¹¹⁶

Geographic targeting of EIB lending has been subject to criticism in the context of the 2018 peer review of the EU's development cooperation, undertaken by the Development Assistance Committee (DAC) of the OECD. In 2011 the DAC agreed again to count the EIB's concessional loans as Official Development Assistance (ODA) and thus as part of the EU's contribution to its collective target of 0.7% of Gross National Income (GNI) to be spent on ODA, including 0.15% - 0.2% GNI as ODA to Least Developed Countries (LDCs), who are mainly recipients of grants or loans at IDA conditions.¹¹⁷ The EIB contributes close to 30% of overall EU institutions ODA. However, for reasons outlined below, ELM loans have made only a modest contribution towards the LDC-related target, instead pulling the distribution of EU ODA towards Upper Middle Income Countries (UMICs).

As pointed out by the OECD, '73% of allocable loan disbursements [in 2015-16] were directed to UMICs, 23% to LMICs, and 4% to LDCs - all by EIB. EIB loans to the top UMIC recipients were on concessional ODA terms, although these countries were generally receiving non-concessional loans from other multilateral development banks.' The OECD notes that 'EIB operations financed from its own resources require the opinion of the Commission before being presented to the EIB Board of Directors for approval.' Therefore, there is – in the OECD's view – 'scope for the Commission to

114 https://ec.europa.eu/europeaid/policies/european-development-policy/2030-agenda-sustainable-development_en

115 https://ec.europa.eu/clima/policies/international/negotiations/paris_en

116 Ecorys and CEPS 2018, Annex 2, pp. 4 – 10.

117 The New European Consensus on Development (June 2017), paragraph 103, https://ec.europa.eu/europeaid/sites/devco/files/european-consensus-on-development-final-20170626_en.pdf

encourage more financing towards countries that have difficulty accessing private capital, such as LDCs and LMICs, while also bearing in mind the issue of debt sustainability.’¹¹⁸

As noted in section 3 of this evaluation, the ELM Decision formulates an expectation that ‘EIB financing operations should foster [developing countries’] sustainable economic, social and environmental development, particularly in the most disadvantaged amongst them [...] as well as compliance with objectives approved by the Union in the context of the United Nations and other relevant international organisations.’ As described in the sub-section evaluating the ELM’s effectiveness, there remains room for improvement in terms of achieving greater geographical balance within the ELM’s regional guarantee ceilings, especially in Asia and Latin America.

However, a certain bias of the ELM towards Upper-Middle Income Countries follows from the priority given by EU co-legislators under the ELM to the Pre-accession and Neighbourhood regions, in particular due to the list of eligible countries (Annex III to the ELM Decision) and the regional ceilings of the EU guarantee (Annex I to the ELM Decision). 32 of the ELM’s 64 eligible countries are currently classified as UMICs, while only 7 are LDCs (the latter are all in Asia).¹¹⁹ The majority of LDCs financed by EIB fall under the ACP Investment Facility, where the EIB has also established a dedicated impact financing envelope focused on higher risk operations and/or countries.

Nearly 85% of the EU guarantee underpinning the ELM is dedicated to the Pre-Accession and Neighbourhood regions, where all ODA-eligible countries belong to the Lower Middle Income or Upper Middle Income categories. This is a matter of the ELM’s design. The relative focus on Upper Middle Income and Lower Middle Income countries is to some extent mitigated by the allocation policy set out in the ELM guarantee agreement, which contains a threshold in terms of country credit rating, above which the EU guarantee cannot be used. This represents a certain safeguard against using the EU guarantee in eligible countries where it would be relatively least needed (see further in the section on EU added value).

To achieve substantial lending in LDCs, changes would be required to the overall EU aid architecture in terms of geographical scope and other parameters of the EU guarantee. In the proposed NDICI Regulation, the scope of the post-2020 External Action Guarantee is not limited to a pre-defined set of countries,¹²⁰ compared to the 64 countries currently covered by the ELM. The specific countries eligible for guarantees under the NDICI, as well as possible guarantee ceilings per region, potential concentration limits and other relevant provisions on geographic targeting and balance, will be defined outside the NDICI Regulation, on the basis of the multi-annual programming process.

118 OECD Development Co-operation Peer Reviews: European Union 2018, <https://doi.org/10.1787/9789264309494-en>, p. 59.

119 DAC List of ODA Recipients Effective for reporting on 2018, 2019 and 2020 flows, http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2018to2020_flows_En.pdf.

120 Article 4(2) of the proposed NDICI Regulation defines four main geographic areas: (a) Neighbourhood; (b) Sub-Saharan Africa; (c) Asia and the Pacific; (d) Americas and the Caribbean.

Further design changes in the EU intervention would likely be needed if EU co-legislators were to conclude that the realisation of EU external policy objectives and the implementation of the Agenda 2030 requires a **greater number of smaller-scale, higher-risk operations** aiming to maximise local development impact,¹²¹ with stronger ground presence of the provider of financing as well as resources for the project preparation and accompanying measures of capacity building.¹²² The design of ELM 2014-20 and the underlying budgetary guarantee favours a different model, namely the deployment of fewer, larger-scale operations. The average size of EIB financing operations under ELM 2014-20, calculated on exposures signed as of end-2018, is EUR 91 million. Half of these operations are larger than EUR 63 million.¹²³ The ELM incentivises the EIB to undertake **relatively large volumes of lending on its own balance sheet**, up to the EIB's 50% co-financing limit per project, because the EU guarantee underpinning the ELM covers only the EIB and not other co-investors.

A different intervention model was introduced in 2017 through the European Fund for Sustainable Development. In this model, the EU guarantee often takes the form of a first- or second-loss piece that shields not only the implementing IFI/DFI but also other co-investors. In the EFSD model, the EU guarantee achieves leverage mainly at the level of the operation, but requires a much higher provisioning rate (currently 50%) because of the higher financial risk of the EU intervention. Fees are paid to the EU budget for the EFSD guarantee. The EFSD model may be more suitable for the financing of operations for which the main objective is to mobilise private sector investment.¹²⁴

By contrast, under the ELM, the main leverage effect arises through the low provisioning (9%) of the guarantee provided to the EIB, and an additional part of the leverage effect is achieved at the level of the operation (50% of co-financing required). This model should continue to be relevant notably for the financing of public sector infrastructure projects

121 See e.g. Mikaela Gavas and Hannah Timmis, 2019, 'The EU's Financial Architecture for External Investment: Progress, Challenges, and Options', CGD Policy Paper, Washington, DC: Center for Global Development, <https://www.cgdev.org/publication/eus-financialarchitecture-external-investment-progress-challenges-and-options>, p.11: '[The Commission] could provide a greater policy steer as to the fund's priority objectives. This could be done within the NDICI Regulation by clarifying the extent to which EFSD+ operations should support high leverage versus high risk. For example, the EC could provide indicative financial allocations to under-served markets or include a programme selection criterion that explicitly encourages higher risk investment.'

122 The EIB currently has offices in the following 17 ELM countries: Albania, Bosnia and Herzegovina, China, Colombia, Egypt, Georgia, India, Jordan, Lebanon, Moldova, Morocco, Russia, Serbia, South Africa, Tunisia, Turkey and Ukraine.

123 The calculation is based on 189 operations covered in EIB's annual reporting to the Commission. Some operations represent parts of larger investment projects or programmes. For example, MONTENEGRO WATER AND SANITATION D and MONTENEGRO WATER AND SANITATION E are counted as two operations.

124 The June 2018 report on *Mobilization of Private Finance by Multilateral Development Banks and Development Finance Institutions in 2017* illustrates that crowding-in of private co-investment is particularly challenging in low-income countries. While MDBs participating in the reporting exercise mobilised USD 54.1 billion of long-term co-financing in middle-income countries in 2017, the corresponding figure for low-income countries was only USD 5.3 billion. https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/2018_mdb-mobilization-report, p.11.

where the financial advantage obtained through the EIB's balance sheet plays an important role for the economic viability of the investments in question.

The design of post-2020 budgetary guarantees could be further improved through **more explicit and detailed formulation of the expectations concerning the contribution of post-2020 interventions to the EU's priorities in external policy** (and in other EU policies, as mentioned in the next section), notably in the context of the multi-annual programming process. The external consultants' report points to certain ambiguities in the design of the current ELM, e.g. as regards the concepts of economic diplomacy and the internationalisation of EU SMEs. It finds that the EIB 'already considers' these as 'underlying objectives' and that ELM operations already contribute to them to some extent.¹²⁵ However, it suggests they could be better operationalised.¹²⁶

Coherence

To what extent is the EU guarantee underpinning the External Lending Mandate coherent with wider EU policy and Member States' interventions?

In terms of internal coherence, the external consultants' report (covering the years 2014-17) finds that ELM operations overall conform to ELM objectives as well as strategies of partner countries. In terms of external coherence, it points out that the ELM is complementary to other EU external instruments in geographic terms (ACP countries being covered by other interventions) as well as in terms of risk profile (with the EFSD targeting higher-risk operations). Moreover, the report finds that 'ELM operations are largely in line with the Sustainable Development Goals' and with the climate change mitigation and adaptation target.¹²⁷

Commission staff broadly concurs with these findings. The analysis in this sub-section mainly adds to and complements the external study by drawing on findings, developments and stakeholder input from 2018 and the first half of 2019.

Civil society organisations have voiced concerns about the impact of several projects supported by ELM operations on the environment,¹²⁸ the rights of local landholders or forced resettlements.¹²⁹ Policy-makers' attention has also been drawn to inadequate

125 Ecorys and CEPS, 2018, p. 86.

126 Ibid., p. 104.

127 Ibid, pp. 126 – 133.

128 For example, in the case of the MHP AGRI-FOOD operation in Ukraine. The operation financed by the EIB concerns the financing of the construction of a series of silos and elevators, a sunflower crushing and oil extraction unit and the fodder plant including logistical, environmental and utility services. The issues raised by civil society organisations concern the impact of the poultry production facility in Vinnytsia as a whole, and are not limited to those investments financed by the EIB.

129 For example, in the case of the Nepal Power System Expansion project.

The EIB Statement on Environmental and Social Principles and Standards contains a red line concerning cases where forced evictions happen. <https://www.eib.org/en/infocentre/publications/all/environmental-and-social-standards-overview.htm>.

information and consultation of local communities¹³⁰ and intimidation of whistle-blowers or citizens expressing critical views.¹³¹ In some cases, human rights watchdogs have expressed fundamental reservations about EIB financing of infrastructure projects or credit lines in countries with poor human rights records.¹³² The EIB has taken a number of measures in order to address these concerns in the meantime, as detailed in the footnotes of this paragraph.

Table 4 below gives a quantitative overview of complaints submitted under the EIB's Complaints Mechanism in relation to operations in ELM regions over the last five years. The table does not reflect projects-related complaints in ELM countries received before the EIB management provided its operational approval of the project in environmental/social cases or its non-objection in procurement cases. Such complaints were registered under the prevention window of the Complaints Mechanism and transferred to the EIB's operational services for handling.

The 82 complaints reported in the table represent 45% all complaints registered under the EIB Complaints Mechanism over this period.¹³³ This indicates that operations in ELM countries represent higher reputational risk for the EIB compared to the less than 10% share they represent in the EIB's overall business volume. However, many of the complaints received are found not to have solid grounds by the EIB Complaints Mechanism. For example, during 2018, the EIB Complaints Mechanism closed 17 cases in the ELM regions: 4 in Bosnia and Herzegovina, 1 in Egypt, 4 in Georgia, 1 in Jordan, 1 in Morocco and 6 in Serbia. The outcome of the complaints varied from 'allegations not grounded' (11), 'friendly solution' (1), 'allegations grounded' (2) and 'areas for improvement recommended' (3).

Table 4: Project-related complaints received by the EIB's Complaints Mechanism in ELM regions, 2014-18

130 For example, in the case of the Nenskra Hydro Power Plant in Georgia, subject of a large petition: https://bankwatch.org/press_release/nenskra-petition. The operation was approved by the EIB Board in 2018 but the financing contracts have not been signed to date. A detailed overview of measures taken to prevent and mitigate environmental and social risks associated with this project is available at the EIB's website, <https://www.eib.org/attachments/registers/79579680.pdf>.

131 For example, in the case of the MHP AGRI-FOOD operation in Ukraine. As explained above, the alerts voiced by civil society organisations concern the functioning of MHP's poultry farm in Vinnytsia as a whole rather than the specific interventions financed through the EIB operation.

132 For example, Human Rights Watch addressed an open letter to the EIB President in 2018 over planned EIB loans for the Trans Anatolian and Trans Adriatic Pipelines in view of the human rights situation in Azerbaijan: <https://www.hrw.org/news/2018/02/02/azerbaijan-human-rights-concerns-over-eib-loan-tanap-and-tap>. For similar reasons, CEE Bankwatch and Counter Balance have criticised the EIB's 2015 loan to the International Bank of Azerbaijan in their 2016 report 'Going abroad: A critique of the European Investment Bank's External Lending Mandate', https://www.counter-balance.org/wp-content/uploads/2016/11/Going-Abroad_2016_web.pdf, p. 25. As indicated in the EIB responses to Human Rights Watch and on the EIB website (https://www.eib.org/en/infocentre/press/news/topical_briefs/2018-february-01/southern-gas-corridor-trans-adriatic-pipeline-tap.htm), while none of the TAP/TANAP components financed by the EIB are located in Azerbaijan, the EIB has taken into account the entire corridor in its environmental and social due diligence of the TAP and TANAP projects. Prior to Board approval, the EIB consulted the European Commission and the European External Action Service concerning EU policy vis-à-vis Azerbaijan.

133 The same project may receive several complaints, especially when it involves resettlement of people.

2014	2015	2016	2017	2018	Total
13	13	23	14	19	82

Source: EIB annual reporting to the Commission

Criticism voiced by civil society pertains to individual ELM operations and should be seen in the context of 189 operations financed under the ELM in the period 2014-18. A detailed case-by-case examination of alleged breaches of human rights or environmental and social standards under the ELM would be beyond the scope of this evaluation. However, the case-by-case criticism expressed by civil society makes it possible to identify certain improvements which could address the concerns that are of a systemic nature:

- *human rights due diligence* should be an integral part of ELM project preparation;
- the EIB's contracts with project promoters or financial intermediaries should contain *clauses enabling to suspend disbursements* in case of serious breaches of human rights or environmental and social standards.

In its last annual report on the control of the financial activities of the EIB, the European Parliament called on the EIB to 'establish a Human Rights Strategy and enhance its due diligence at project level to identify and address human rights related risks in all its activities and throughout the lifespan of its projects.'¹³⁴

This request by the Parliament dovetails with repeated pleas by civil society organisations that the EIB should start practicing *human rights due diligence*. According to these proposals, the EIB should put in place 'rules and mechanisms aiming to prevent the negative impact to human rights, ensure that projects contribute to the enhancement and realisation of human rights, [and] provide remedies in case of human rights violations.' These rules and mechanisms should then be used during the ex-ante assessment and ongoing monitoring on a project-by-project basis, including for projects funded via financial intermediaries.'¹³⁵ As explained by the EIB, the relevant requirements would need to be delegated to/imposed on the financial intermediaries receiving EIB financing and be commensurate with their type and underlying portfolio.

Several human rights are covered by the EIB's environmental and social standards,¹³⁶ including protection against involuntary resettlement, protection of rights and interests of vulnerable groups, labour standards and occupational and public health, as well as stakeholder engagement.¹³⁷ According to information provided by the EIB in the context

134 European Parliament resolution of 17 January 2019 on the Annual Report on the control of the financial activities of the EIB for 2017 (2018/2151(INI), P8_TA(2019)0036).

135 CEE Bankwatch, Polish Green Network and Counter Balance, 2018: *Putting human rights first at the European Investment Bank – Upcoming opportunities*.

136 <https://www.eib.org/en/infocentre/publications/all/environmental-and-social-standards-overview.htm>

137 In accordance with its Environmental and Social Principles, the EIB looks at human rights aspects in its Environmental and Social Due Diligence of an operation. It restricts its financing to projects that comply with the EIB Social Standards, which include respect of human rights. This is achieved partly by excluding specific types of projects or activities from EIB lending, and partly by due diligence processes. The EIB considers its Environmental and Social Standards, effective since 2014, to be

of this evaluation, the EIB addresses human rights aspects during its due diligence as needed and projects breaching the EIB's environmental and social standards are excluded from further consideration for possible EIB financing. Moreover, projects which result in limiting people's individual rights and freedoms, or in violations of human rights, are excluded from EIB activities.¹³⁸

In addition, like the Parliament, civil society organisations have argued that 'throughout the project cycle, the bank should take all necessary measures to mitigate risks of all forms of threats, attacks, or reprisals to community members, workers, activists, journalists, human rights defenders, and civil society organisations for participating in project development, criticising or opposing a project or otherwise speaking out or being perceived to have spoken out against a project. Such measures should include incorporating clauses preventing reprisals in loan agreements and developing an urgent response system to address threats to project critics.'¹³⁹

During the Commission's March 2019 workshop with civil society stakeholders, the idea of **broadening and strengthening clauses on suspension of disbursements** in EIB's financing contracts was identified as a key tool that could improve the EIB's ability to ensure that project promoters and financial intermediaries respect human rights and environmental and social standards throughout the implementation phase.

According to information provided by the EIB in the context of this evaluation, EIB financing contracts do already include relevant default provisions including covenants, representations, warranties and information obligations enabling to suspend disbursements, cancel signed operations and/or ask for early prepayment in cases of breaches of the EIB's environmental and social standards, including breaches of human rights. The Commission does not have access to the specific wording of these contractual provisions but has been informed that the clauses are not limited only to serious breaches. The Commission is aware of at least one ELM operation where the EIB held back disbursements until breaches of environmental and social standards were remedied.¹⁴⁰

As seen in section 2, the current ELM Decision only obliges the EIB to provide for the possibility to suspend disbursements in case of revocation of the beneficiary country's ELM eligibility. Should co-legislators wish to receive stronger assurance concerning the human rights due diligence and relevant suspensive clauses in the financing contracts of the EIB and other implementing partners, corresponding requirements would need to be integrated into the legislative design of post-2020 instruments.

aligned with provisions of the EU Charter for Fundamental Rights, the EU Strategic Framework and Action Plan on Human Rights and Democracy (2012), the UN Guiding Principles for Business and Human Rights (UNGPs) and other relevant standards and best practice. However, it maintains that human rights due diligence should be performed on a case-by-case basis.

138 <https://www.eib.org/en/about/documents/excluded-activities-2013.htm>

139 The EIB Complaints Mechanism is member of the Independent Accountability Mechanism network, who has launched a toolkit in early 2019 to prevent and handle reprisals in the context of complaints handling process.

140 The EIB is also developing a guidance note for project promoters as regards stakeholder engagement. It consulted civil society organisations on a draft in February – March 2019.

Civil society has also raised concerns about the **transparency of EIB's operations through financial intermediaries** such as commercial banks and investment funds. In particular, they have pointed out that it is hard to assess the economic and social impact of intermediated loans given that information about ultimate beneficiaries is not published.¹⁴¹ In reaction to such criticism, the EIB points out that in order for information on ultimate beneficiaries to be publishable, such disclosure would need to be allowed by the banking regulation of the beneficiary country and the consent of the ultimate beneficiary would need to be obtained. As things stand, the EIB is required to pass down clauses through financial intermediaries related to fraud, corruption or other illegal activities and related to money laundering and terrorism finance. The EIB is also required to establish standard reporting obligations with financial intermediaries and by the final beneficiaries, while respecting the confidentiality agreements between the financial intermediary and the final beneficiary.

Moreover, the criticism has been made that many financial intermediaries used by the EIB are commercial banks often operating from tax havens.¹⁴² The adoption of the EIB Group Non-Cooperative Jurisdiction Policy in 2019 should help address these concerns (see below).

The EIB Group Transparency Policy¹⁴³ does not include an obligation to disclose publicly the final beneficiaries of EIB financing, although the EIB does receive information on the final beneficiary through the loan allocations. It notes that 'this information falls within the competence of the intermediary bank as part of the normal business relationship between the respective bank and its customers.' It adds that 'the EIB has no contractual relationship with final beneficiaries of intermediated loans. The intermediary bank is the beneficiary's business partner, carrying the project's commercial risks and signing the financing contract.'¹⁴⁴ The EIB Results Measurement Framework methodology further clarifies that 'for intermediated operations, and particularly those concerning the financial sector (e.g. micro-finance, equity, SME finance) the final beneficiaries are generally not known ex-ante.' The EIB appraises the soundness of the intermediary, but the actual results of those operations are evaluated only at the end of the allocation or investment period.¹⁴⁵ Practical limitations under intermediary operations thus interact with the broader challenge of how to obtain timelier information on the implementation and actual results of ELM financing.

As a response to the Commission's expectation that the EIB should play a leading role in promoting and implementing EU policy objectives and legal requirements against **tax avoidance**, the EIB has engaged with the Commission, civil society organisations and

141 CEE Bankwatch and Counter Balance, 2016: 'Going abroad: A critique of the European Investment Bank's External Lending Mandate', pp. 14 – 17.

142 Ibid.

143 The EIB Group Transparency Policy was adopted in 2015 and is due for review in 2020. <https://www.eib.org/en/infocentre/publications/all/eib-group-transparency-policy.htm>.

144 Ibid., article 5.13 and footnote 7, p. 10.

145 https://www.eib.org/attachments/rem_framework_methodology_en.pdf, pp. 6 – 7.

other stakeholders in adapting its policies and procedures to the new EU legal and policy landscape.¹⁴⁶

In view of developments in the area of taxation (including the OECD Base Erosion and Profit Shifting project and the European Union Anti-Tax Avoidance Package), the EIB Group has since the beginning of 2017 put in place additional measures to enhance its procedures and practices aimed at avoiding EIB Group operations being misused for tax fraud, tax evasion, tax avoidance, aggressive tax planning, money laundering and financing of terrorism purposes.

Building on these measures, and reflecting the EU legal and policy framework,¹⁴⁷ the EU listing processes and the most recent tax and anti-money laundering and countering the financing of terrorism ('AML-CFT') developments, the EIB adopted on 5 February 2019 the revised EIB Group Policy Towards Weakly Regulated, Non-transparent and Non-Cooperative Jurisdictions and Tax Good Governance ('EIB Group NCJ Policy'). Compliance of EIB operations (both within and outside the ELM) with the EU policy and legal framework, will be undertaken by the EIB on the basis of this revised EIB Group NCJ Policy.

In the context of Article 19 consultations, the Commission expressed concerns about some ELM projects involving sectors subject to market access barriers in the recipient countries. Such barriers were perceived as potentially undermining EU policies, particularly **trade policy** objectives. In the 2019 update of the ELM RTOGs, the Commission requested that EIB operations outside the EU should be fully coherent with the EU's external policies, including EU trade policy. Particular attention should be paid to prevent 'the inclusion of local content requirements, provisions impinging upon intellectual property rights, forced joint ventures and other market-entry barriers in projects to be financed.'¹⁴⁸

On a related note, Commission services were informed in 2019 of stakeholder concerns about the lack of a level playing field in an ELM-country **procurement** procedure in the context of an infrastructure project financed by the EIB and covered by an EU budgetary guarantee under the ELM 2014-20. The concern pertained to successful bidding by state-owned companies from outside the EU (China in this case), questioning the EIB's decision to confirm no-objection to the tender decision. While this appears to be an isolated case, it points to a broader issue where EU intervention (budgetary guarantee for IFI/DFI operations) may benefit competitors backed by subsidies from non-EU states, putting EU-based companies at a disadvantage. This challenge is related to the lack of clear rules agreed at global level to determine what constitutes an (un)acceptable state

146 New requirements against tax avoidance in projects supported by EU funds are included in the 2018 EU financial Regulation and the 2018 revision of the ELM decision and explained in the Commission communication 21 March 2018 on new requirements against tax avoidance in EU legislation governing in particular financing and investment operations, C(2018) 1756 final.

147 Including the Common EU list of third country jurisdictions for tax purposes, first issued by the Council on 5 December 2017 with the latest update at the time of writing having taken place on 14 June 2019 https://ec.europa.eu/taxation_customs/tax-common-eu-list_en.

148 C(2019) 2747 final, pp. 2 – 3.

subsidy or ownership of economic operators in the context of procurement outside the EU. To mitigate such problems, closer coordination between the EIB and the Commission in implementation stages of operations guaranteed by the EU budget would be important.

In order to respond to evolving needs, the EIB has launched initiatives such as the Special Action Plan for Ukraine in 2014 or the Economic Resilience Initiative in 2016. These initiatives were endorsed by the European Council and European Parliament at the general level, with detailed implementation left to be worked out by the EIB in cooperation with the Commission.

As noted above, the EIB Statute and the ELM Decision imply that the responsibility to initiate, design, develop and implement investment operations under the ELM rests with the EIB. As outlined in previous sections, **the Commission's formal role under the ELM** is at present essentially limited to:

- issuing opinions under the Article 19 procedure, based on 2-3 page concept notes produced by the EIB in early stages of project preparation;
- designating, for appointment by the EIB's Board of Governors, one member of the EIB Board of Directors voting on proposed ELM operations alongside the Directors nominated by EU Member States;
- preparation of the Regional Technical Operational Guidelines;
- reporting and evaluation;
- authorising debits from the Guarantee Fund for External Action in case of guarantee calls, ensuring yearly replenishments of the Guarantee Fund from the EU budget and periodically reviewing the adequacy of the 9% provisioning rate.

Through years of dialogue, non-binding arrangements have been put in place between the EIB and Commission services to improve upstream coordination, blending efficiency and external communication on the EU guarantee (see section 3 – Description of the current situation). However, the experience of Commission services is that the level of information shared during the Article 19 process is often insufficient. The Commission's efforts to ensure coherence of EIB activities with EU policy thus face limitations in terms of the information that is available to the Commission.

The information shared by the EIB when requesting Board approval is more detailed, but comes too late to allow for eventual adjustments in the operation's design. If ELM operations are cancelled following EIB Board approval or contract signature, there is no obligation for the EIB to notify the Commission and explain the reasons behind the cancellation.¹⁴⁹ Finally, when ELM projects are in their implementation phase, it is difficult for Commission services to gain insight into their performance other than via

149 It is apparent from the EIB's annual reporting for 2018 that cancellations occurred on several hundred million euro worth of ELM operations signed in 2014-17. In particular, these cancellations involved EUR66 million on operations signed in 2014(H2), mainly in the Eastern Neighbourhood; EUR567 million on operations signed in 2015, largely in the Mediterranean (and to a lesser extent in Pre-Accession and Eastern Neighbourhood); EUR194 million on operations signed in 2016, split nearly evenly between the Southern and Eastern Neighbourhood; and EUR20 million on operations signed in 2017 in the Eastern Neighbourhood.

external stakeholders, given that reporting on actual results is provided only after project completion and there is no obligation for the EIB to signal implementation problems.

If EU co-legislators wish to strengthen the control of EU institutions over the alignment and coherence of ELM operations with EU policies, changes in the design of the intervention would seem needed. The ELM's successor instrument would need to be subject to reinforced governance arrangements, in particular as regards the programming phase. The Commission has made several concrete proposals in this respect in the context of the NDICI Regulation (see the next subsection for more detail).

Moreover, the level of information provided by the EIB to the Commission during Article 19 consultations and/or during project implementation should be enhanced.

EU added value

What additional value results from the EU budgetary guarantee underpinning the EIB's External Lending Mandate, compared to what could reasonably be expected from Member States acting at national or regional levels?

As noted in the explanation of the intervention logic of the EU guarantee in section 2, the added value of the ELM arises essentially from the combination of the EIB's financial strength (reflected in its AAA rating), the provision of an EU budgetary guarantee, and the EIB's expertise and capacity to handle large-scale financing operations.

Just like the multi-annual character of the EU's financial framework provides valuable predictability to governments and economic agents about investment resources available directly from the EU budget, the 7-year character of the ELM has been valuable to the EIB by making it easier to develop human and material capacities necessary for undertaking investment operations outside the EU. The ELM Decision formulates a clear expectation that the EIB should finance certain operations outside the Union also at its own risk. The **'backbone' function** of the ELM and the importance of **operational predictability** have been emphasised by the EIB on numerous occasions in the context of legislative discussions on the NDICI Regulation.

In order to illustrate the 'backbone effect' of the ELM, Table 5 presents an overview of the total financing volumes approved by the EIB Board in ELM regions (including under own-risk facilities) for projects where first contract signature has taken place in 2016-18.¹⁵⁰ This indication of maximum authorised financing on these projects is compared with the total project costs as calculated at the moment of EIB Board approval (i.e. including co-financing from other sources). For further perspective, the table also

¹⁵⁰ As explained above, the distribution between the ELM and the EIB's own-risk facilities is governed by the allocation policy included in the ELM guarantee agreement.

reminds of net signatures under the ELM during the same years, already shown in Table 1.¹⁵¹

This indicative comparison shows that EIB approved financing in ELM regions tends to represent between one-quarter and one-third of total project costs. Especially in Asia and Latin America, the EIB finances a smaller part of total project costs. In this same region, the EIB also relies relatively more on its own-risk facilities. By contrast, in the Eastern and Southern Neighbourhood as well as in South Africa, the EIB relies much more on the ELM than on its own-risk facilities, and it goes closer to its limit of financing up to 50% of total project costs. As regards the Pre-Accession region, additional data shows that the EIB was able to use its own-risk facilities for a number of operations in Turkey, while in the Western Balkans it relies heavily on the ELM. In other words, the ELM continues to play an important ‘backbone’ role for EIB activity, especially in the Neighbourhood and in the Western Balkans. Developing operations in these countries would be much more difficult for the EIB if it had to rely only on bilateral guarantees from individual Member States.

Table 5: Volumes of net ELM signatures in 2016-18, total EIB financing approved for projects in ELM regions first signed in 2016-18, and total cost of the latter projects (EUR million)

	2016			2017			2018		
	ELM net signatures	EIB financing approved (projects in ELM regions first signed in 2016)	Total project cost (projects in ELM regions first signed in 2016)	ELM net signatures	EIB financing approved (projects in ELM regions first signed in 2017)	Total project cost (projects in ELM regions first signed in 2017)	ELM net signatures	EIB financing approved (projects in ELM regions first signed in 2018)	Total project cost (projects in ELM regions first signed in 2018)
Pre-Accession	582	2674	6844	170	880	1915	1242	2060	9468
Southern Neighbourhood	1299	1396	2836	1780	2287	6370	2114	2584	9826
Eastern Neighbourhood	1493	2026	4244	657	412	1352	632	739	1754
Asia, Latin America and Central Asia	384	1188	3042	511	2021	6595	552	1956	10830
South Africa	--	--	--	50	66	180	70	70	140

¹⁵¹ Table 6 is compiled from EIB annual reporting to the Commission. Years 2014-15 are not shown due to data unavailability. The set of projects in the column ‘ELM net signatures’ is different from those in columns ‘EIB financing approved – projects first signed in [year]’ and ‘total project cost – project first signed in [year]’ because ‘ELM net signatures’ for any given project may occur over multiple years, while the other two columns link each project only to one year (when first signature occurred). The column ‘ELM net signatures’ does not include projects financed under the EIB’s own-risk facilities.

Total	3758	7284	16966	3168	5666	16412	4610	7409	32018
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Source: EIB annual reporting to the Commission

In order to assess further the added value of the EU guarantee underpinning the ELM, a **counterfactual scenario** can be considered whereby the EIB would depend on an agreement with EU Member States outside the EU legal framework for guarantee coverage. In fact, such an arrangement is in place to guarantee the EIB's own-resource operations in African, Caribbean and Pacific countries and Overseas Countries and Territories, i.e. outside the geographic scope of the ELM.¹⁵² Between 2003 and 2018, the EIB signed EUR 4.7 billion of such investments in the ACP/OCTs (signatures net of cancellations), based on successive guarantee agreements with EU Member States. These operations have not been guaranteed by the EU budget and the Commission has not had any formal role in relation to this guarantee arrangement.¹⁵³

Table 6 below summarises the key observations arising from comparing the ELM with this counterfactual scenario of a guarantee provided directly by Member States.

Table 6: Added value of an EU guarantee for the EIB's external operations, compared to a counterfactual scenario

	Member States guarantee outside the EU budget	EU guarantee underpinning the ELM
Number and volume of operations catalysed	Covers only approximately 10 operations in ACP countries and OCTs per year, amounting on average to EUR 540 million of signed volumes per year (2014-18)	More than 40 operations under the EU guarantee per year, totalling on average approx. EUR 4 billion per year (2014-18)
Guarantee mechanism	No common guarantee fund. If/when the EIB calls on the guarantee, Member States need to make the necessary resources available <i>ad hoc</i> . A special account is in place, aiming to ensure prompt response to guarantee calls	Guarantee Fund for External Action, provisioned from the EU budget, ensuring prompt response to guarantee calls (<i>see Efficiency section above</i>)
Commission involvement	The Commission is not responsible for the guarantee agreement nor for the monitoring	The Commission concludes a guarantee agreement with the EIB (based on the ELM Decision),

152 These operations from EIB own resources (OR) should not be confused with operations under the ACP Investment Facility, endowed with resources from the European Development Fund. The Commission has an observer role in the committee overseeing ACP Investment Facility operations.

153 Under the Internal Agreement of the 11th European Development Fund (2014-2020), a guarantee agreement for an amount of EUR 2.5 billion was signed between the Member States and the EIB for the Cotonou III Own Resources envelope for the ACP region. An additional amount of EUR 100 million has been dedicated to the OCTs only.

	Member States guarantee outside the EU budget	EU guarantee underpinning the ELM
	of its implementation. It is a non-voting member of the Committee overseeing the ACP Investment Facility established under the Cotonou Agreement	oversees its implementation and reports on it
Policy steer	<p>The Commission services/EEAS can offer guidance to the EIB on which operations to prioritise, but the EIB and the ACP Investment Facility Committee not bound by this</p> <p>The Commission services/EEAS receive the indicative pipeline as part of the EIB's business plan for ACP countries / OCTs but the EIB and the ACP Investment Facility Committee are not obliged to follow their comments</p> <p>Commission opinion under the Article 19 procedure</p> <p>Vote of Commission-nominated Member of EIB Board of Directors</p>	<p>ELM Decision</p> <p>Regional Technical Operational Guidelines</p> <p>Upstream coordination, based <i>inter alia</i> on quarterly overviews of the pipeline of potential operations newly identified</p> <p>Commission opinion under the Article 19 procedure</p> <p>Vote of Commission-nominated Member of EIB Board of Directors</p> <p><i>(Under the NDICI proposal, the 'policy first' principle would apply – allocation and targeting of EU guarantee subject to the outcomes of multiannual programming)</i></p>
Role of the European Parliament	EIB presents its activity to the EP	EP is co-legislator on the ELM Decision <i>(and on the NDICI Regulation)</i>
European Court of Auditors	Entitled to assess the utilisation of the European Development Fund. However, operations financed from the EIB's own resources under the Member States' guarantee fall outside the Court's remit ¹⁵⁴	Entitled to assess the use of the EU guarantee
Timeliness	Experience shows that the ratification of the last guarantee agreement between the EIB and Member States took until 2016, delaying EIB disbursements	ELM Decision adopted in April 2014, guarantee cover effective from mid-2014

¹⁵⁴ European Court of Auditors, Special report 2015/14, *The ACP Investment Facility: does it provide added-value?*

In summary, a guarantee provided through the EU budget and provisioned at an appropriate rate appears to be necessary if EU co-legislators wish to enable the EIB to undertake operations outside the EU in a magnitude that reaches several billion euros per year (as under the ELM). It is also a more transparent arrangement with clearer democratic legitimacy at European level, stemming from the role of the European Parliament as co-legislator. Finally, a guarantee provided through the EU budget offers a strong advantage from the point of view of policy coherence. For similar reasons, the Commission has proposed in the NDICI Regulation that resources of the European Development Fund should be included in the EU budget ('budgetised') and that EIB operations in ACP countries should be covered through the EU External Action Guarantee.

In accordance with the ELM Decision, the **assessment of the added value of individual operations** under the ELM is in the hands of the EIB. The key methodological tool in this respect is the EIB Results Measurement Framework (ReM), where the EIB examines three main aspects:

- Eligibility under the ELM and expected contribution to EU policy (ReM pillar 1, scoring 'moderate', 'significant' or 'high')
- Quality and soundness of the project (ReM pillar 2, scoring 'acceptable', 'good' or 'excellent')
- Expected EIB financial and non-financial contribution, beyond the market alternative (ReM pillar 3, scoring 'moderate', 'significant' or 'high')

The assessment of each project under the ReM's three pillars is presented as part of the proposal from the EIB Management Committee to the Board of Directors. Where needed, the Commission-nominated member of the Board may ask questions to the EIB ahead of the Board meeting or posts comments on the EIB Board portal, but no 'shadow assessments' of a project's added value are produced by the Commission services. As explained in section 4, data on actual results and impacts achieved by ELM operations are mostly not yet available at the time of the present evaluation.

In accordance with the EU's Financial Regulation, the principle of achieving 'additionality by preventing the replacement of potential support and investment from other public or private sources' will only apply to operations supported with EU budgetary guarantees after 2020, as discussed above in the Effectiveness section.¹⁵⁵

Whether a project should be included under the ELM and thus benefit from the EU guarantee, or whether it should be financed under the EIB's own-risk facilities, is assessed by the EIB in line with the **allocation policy** set out in Annex VI of the guarantee agreement between the EIB and the Commission. Article 8(6) of the ELM Decision provides that 'the allocation policy shall be based on the creditworthiness of EIB financing operations as assessed by the EIB, the [regional guarantee ceilings], the nature of the counterparty [...] EIB risk-absorption capacity and other relevant criteria, including added value of the EU guarantee.' The allocation policy includes credit rating

155 See section 2 above.

thresholds. If an ELM-eligible country has a credit rating equivalent of better than the applicable threshold, the EIB would not seek EU guarantee coverage for the operation in question.¹⁵⁶ This allocation policy aims to ensure that – within each of the regions defined in the ELM Decision – the EU guarantee is used to cover EIB operations in countries where such guarantee cover is most needed.

The Commission is entitled to block the inclusion of a project under the ELM by issuing a negative opinion under the Article 19 consultation procedure. In practice, concerns about the inclusion of a project under the EU guarantee arise very rarely, but the Commission and the EIB sometimes have discussions on the specific design of proposed operations, within the limits of information available at the stage of the Article 19 consultation.¹⁵⁷ Further exchanges may take place when the EIB Management Committee submits a project for approval to the EIB Board of Directors.¹⁵⁸

In its proposal for the NDICI Regulation, the Commission has envisaged that the use of EU budgetary guarantees should follow the multiannual indicative programmes that define the geographic and thematic allocation of EU external financing. Accordingly, budgetary guarantees would be programmed in a coherent way together with EU grants and other financial support for the regions/countries in question. This would also facilitate closer upstream coordination between the Commission, the EEAS and financial institutions implementing EU budgetary guarantees, with stronger involvement of EU Delegations in the identification of investment needs on the ground. The non-binding ELM-wide Regional Technical Operational Guidelines would no longer be needed in the new cooperation set-up. Relevant policy steer would be provided through the multiannual indicative programmes and the financing decisions on the use of EU budgetary guarantees. In the context of the NDICI legislative process, the EIB has expressed willingness to adapt to the ‘policy first’ principle.

In parallel, the EIB has been promoting the idea of reorganising some of its external operations through a development subsidiary, where the EU could be a shareholder. A detailed analysis of this idea is beyond the scope of this evaluation but may be addressed by the High-level Group of Wise Persons on the European financial architecture for development mentioned in section 1.

A relevant insight from the present evaluation of the ELM is that the effectiveness, efficiency and relevance of the EU intervention can differ per objective or type of counterpart. High-volume, low-cost infrastructure financing can be suitably ensured with EU support coming in the form of ELM-type guarantees. Such operations represent

156 A detailed illustration is provided on pp. 117 – 122 of the Ecorys and CEPS report.

157 Article 19(6) of the EIB Statute provides that ‘where the Commission delivers an unfavourable opinion, the Board of Directors may not grant the finance concerned unless its decision is unanimous, the director nominated by the Commission abstaining.’ In practice, where strong concerns arise about a given project, the EIB management endeavours to introduce in the project safeguards sufficient so that the Commission would not issue a negative opinion.

158 For example, intensive exchanges ahead of Board approval were held between the Commission and the EIB during the current mandate period on several proposed apex loans or projects raising uncertainties in relation to rules against tax avoidance.

approximately two thirds of net signatures under the ELM as of end-2018. On the other hand, crowding-in of private investment for local private sector development may require different implementation modalities given that high-volume, low-cost financing provided by the EIB with ELM guarantee risks producing market distortions.¹⁵⁹

In particular, a policy choice needs to be made about the desirability of low-cost EIB loans for on-lending to SMEs and mid-caps that benefit from the EU's comprehensive guarantee because they are structured as apex loans (with a state institution as a direct counterpart), because they are backed by a State guarantee to a national promotional bank or because they fall under the ERI private mandate. Collectively, these loans currently represent about one-quarter of financing volumes signed under the current ELM, as pointed out in section 3. With the exception of the ERI private mandate created in 2018, the EU comprehensive guarantee for such private sector financing operations is non-remunerated.

If such private sector operations were to be maintained post-2020, stronger safeguards against market distortion should be considered, including in terms of requiring remuneration of the EU guarantee and/or upward modulation in EIB loan pricing. Similar considerations apply to private sector financing covered by the political risk guarantee (currently about one-tenth of the ELM). In case the EIB Group's activity in private sector financing outside the EU were to be re-organised through a development subsidiary, attention should be paid to the pricing of the subsidiary's operations. The EU's post-2020 intervention in support of private sector financing outside the EU could focus more on market-building and crowding-in.

As the Commission suggested in its communication 'Towards a more efficient financial architecture for investment outside the European Union', IFIs and DFIs could consider a more collaborative approach in the context of the EU's post-2020 external financial architecture.¹⁶⁰

The challenge and opportunity for the EU is to identify the best way of combining the strengths of the EIB and of ELM-type intervention (enabling to lend large volumes at low cost, with low guarantee provisioning from the EU budget) with the comparative advantages of other IFIs/DFIs (such as stronger local presence, ability to provide policy advice, and experience with smaller-scale investments tailored to local development needs).

The evaluation of the ELM also shows that the implementation of future EU guarantees would benefit from stronger capacity of implementing partners to monitor implementation on a continuous basis. The lack of timely information on the actual results achieved has been a clear limitation in the context of the current ELM.

¹⁵⁹ The expressions 'high-volume' and 'low-cost' are used here in a relative sense, compared to alternative sources of financing for the projects in question.

¹⁶⁰ COM(2018) 644 final, p. 2.

6. CONCLUSIONS

The EU budgetary guarantee has played an indispensable role in enabling the EIB to sign and implement financing operations outside the EU in line with the high-level objectives established in the ELM Decision, i.e. development of socio-economic infrastructure, local private sector development, climate action, regional integration and long-term economic resilience. By the end of 2018, EUR 17.6 billion of financing operations in 38 countries were signed by the EIB under the External Lending Mandate, with EUR 5.8 billion disbursed. The EU guarantee has also indirectly helped the EIB to undertake additional investments in ELM countries under its own-risk facilities.

The overall implementation picture of the ELM differs per region:

- In **Pre-Accession** countries, the ELM has the lowest utilisation rate of the regional guarantee ceiling, mainly because of the political situation and economic slowdown in Turkey since 2016. The EU guarantee has a strong enabling role for operations in the Western Balkans. The disbursement rate is above average.
- In the **Southern Neighbourhood**, the guarantee utilisation rate is higher, even after the ceiling was increased in 2018. The disbursement rate is also above average, partly due to several large loans to banks under the comprehensive guarantee. Since 2016, the EIB has been developing further private sector operations under EU comprehensive guarantee in the context of the Economic Resilience Initiative. EIB own-risk financing is rather limited.
- In the **Eastern Neighbourhood**, the EIB relies almost exclusively on the ELM. It has utilised most of the guarantee ceiling, leading to its increase at mid-term. Large volumes were signed especially in the context of the Special Action Plan for Ukraine. However, the implementation of many of these operations has not started yet and the disbursement rate continues to be very low in this region. Activity in Russia is suspended.
- In **Asia and Latin America**, the ELM guarantee ceiling is low compared to the region's size and the EIB is able to undertake significant investments also under its own-risk facilities. Many of the investments signed contribute to the achievement of the ELM's climate action target, but the disbursement rate is only around average. Only a few operations have been undertaken in Central Asia and the disbursement rate there is extremely low.
- In **South Africa**, the EIB focuses on private sector financing, in several cases with comprehensive guarantee coverage thanks to State guarantee. The disbursement rate here is the highest of all ELM regions.

Given that a guarantee provisioning at 9% of amounts outstanding has been sufficient and the EIB usually finances only up to 50% of total project costs, the EU guarantee underpinning the ELM achieves a leverage ratio of more than 20. This mechanism enables partner countries and banks to finance large-scale operations at rather low cost and crowds in other investors for the remaining 50% (or more) of total project cost.

EIB operations in ELM regions have been supported by EU grant financing in the total volume of EUR 863 million approved between mid-2014 and end-2018.

Actual results and impacts of the EU intervention remain largely unknown, as the EIB Results Measurement Framework relies heavily on upfront estimates and data on results achieved arrive with a long time lag. The Commission staff's analysis has also been limited by confidentiality constraints concerning the use of market-sensitive information.

The efficiency of the EU guarantee corresponds to the legislators' expectations. This is also the case regarding the EU added value of the guarantee, namely the fact that the provision of the guarantee by the EU brings value compared to a scenario of Member States acting on their own (without an EU guarantee).

The ELM's target of 25% climate-related financing is being exceeded in terms of signatures. The ELM's disbursement rate of 33% of net signatures as of end-2018 suggests a somewhat reduced effectiveness compared to the 2007-13 mandate. This is mainly explained by external factors, including parliamentary ratification procedures and weaknesses in terms of institutional capacity in partner countries. Financial advantage resulting from the EU guarantee is being passed by the EIB to beneficiaries, which is highly beneficial for public sector investments; however, concerns arise about potentially distorting markets for local private sector financing in certain situations. The ELM has limited ability on its own to facilitate local currency lending.

There appears to be shortcomings in terms of the ELM's relevance vis-à-vis the EU's development cooperation commitments concerning Least Developed Countries. However, the predominant focus of the ELM on Upper Middle Income Countries is largely due to the ELM's design (list of eligible countries, distribution of guarantee ceilings).

Coherence and alignment of ELM operations with EU policy and Member States' interventions could be improved, including by greater sharing of information throughout the project cycle. For several projects, civil society organisations have pointed to weaknesses in terms of compliance with environmental, social and human rights standards. The EIB has confirmed it has applied its policies in all cases.

The following key recommendations can be identified for improvements in the implementation and/or design of the External Lending Mandate:

- Options could be explored for timelier reporting and evaluation of actual results achieved (in direct as well as intermediated operations) and greater analysis of actual impacts.
- As part of the effort to ensure that EU standards are respected in ELM operations at all times, the EIB could share more information with the Commission in the future on the application of clauses enabling to suspend disbursements in cases of non-compliance with environmental, social, human rights, tax and transparency standards.
- The EIB, the Commission services and the EEAS could work better together in defining the optimal sizes of envisaged investment operations, tailored to beneficiary country contexts (also to ensure debt sustainability).

- Factors inhibiting disbursements of ELM operations could be more closely examined by the EIB, the Commission and the EEAS and addressed jointly where possible.
- More consistent attention could be paid to minimising the risks of market distortion in private sector financing. In particular, stricter constraints could be envisaged for the use of the EU comprehensive guarantee, for instance by limiting its scope to public sector investments and/or requiring appropriate remuneration of the EU guarantee. Adherence to the *Enhanced Blended Concessional Finance Principles for DFI Private Sector Operations* could be cross-checked when grant funds are used in support of ELM operations. The potential for more local currency financing could be explored.
- Alignment and coherence of ELM operations with EU policies could be strengthened through closer coordination between the EIB, the Commission services and the EEAS, including further enhanced upstream coordination, more substantial information to be provided by the EIB during Article 19 consultations, and joint monitoring of project implementation.
- The geographical coverage of possible EU external investment windows post-2020 and the allocation of the EU guarantee across the various regions could be adapted in function of the EU's external policy priorities post-2020 and the needs of partner countries.
- Stronger synergies could be sought between the strengths of the EIB in terms of low borrowing costs and other IFIs/DFIs' strengths in terms of ground presence, sectoral expertise and development impact. Ongoing EU grant support for technical assistance and capacity building will likely continue to be necessary for many operations.

Finally, in the debate on the post-2020 European financial architecture for development, account could be taken of the strengths and weaknesses of the current ELM and other lessons learnt over four decades of implementation of such guarantee mandates. High-volume, low-cost financing of public sector infrastructure investments could continue to be supported through an EU budgetary guarantee dedicated to this specific type of operations but with stronger policy steer from the EU institutions. For private sector financing, increased preference for market-building and crowding-in may warrant a differently designed guarantee, less focused on volumes provided directly by the IFIs involved, and with pricing modulated to avoid market distortions.

Annex 1: Procedural information

1. LEAD DG, DeCIDE PLANNING/CWP REFERENCES

Lead service: DG ECFIN; PLAN/2018/2468

2. ORGANISATION AND TIMING

External consultants' report: kick-off meeting in January 2018; meetings of the inter-service steering group in February, May and July 2018; final report accepted in September 2018.

Preparation of the SWD: upstream meeting with the Regulatory Scrutiny Board (RSB) on 29 January 2019; first meeting of reconvened and enlarged inter-service steering group on 8 February 2019 (involving the Commission's Secretariat-General, the European External Action Service, DG ECFIN, DG DEVCO, DG NEAR, DG BUDG, DG GROW and DG CLIMA); additional workshop with external stakeholders on 13 March 2019 (involving members of the inter-service steering group); written inputs from DGs NEAR and DEVCO received in March 2019; draft SWD written in April and submitted to the RSB and to the inter-service steering group on 30 April 2019. First comments from members of the inter-service steering group were requested by 7 May. The draft SWD was sent to the EIB on 8 May with an opportunity to provide comments, which the EIB did on 17 May. A detailed discussion with the inter-service steering group took place at a meeting on 20 May. Updated drafts of the SWD were submitted to the RSB on 21 May and 28 June and discussed with the RSB at its meeting of 17 July 2019.

An inter-service consultation took place in August 2019.

3. EXCEPTIONS TO THE BETTER REGULATION GUIDELINES

As the ELM operates outside of the EU, an exception was agreed to undertake a targeted stakeholder consultation rather than an open public consultation.

4. CONSULTATION OF THE RSB (IF APPLICABLE)

Upstream meeting on 29 January 2019. The draft SWD was discussed at the RSB's meeting on 17 July 2019. The RSB issued a positive opinion on 19 July. The SWD was further improved in light of the RSB's comments and suggestions prior to the launch of the inter-service consultation. In particular:

- Clearer explanations were introduced concerning the ELM's design, the main elements of the EIB's decision-making process and the Commission's role under the ELM (see Figure 1 in section 2, further explanations in section 3);
- The intervention logic of the EU budgetary guarantee was further clarified, also with reference to applicable case law (section 2);

- The transmission of the financial advantage arising from the EU guarantee was explained in more detail, including as regards the difference between the comprehensive guarantee and the political risk guarantee (section 2);
- An explanation was inserted of the basic features of the EIB's loan pricing policy (Figure 2 in section 5);
- An indicative list of the EIB's activities in implementing the ELM was spelled out more clearly (section 2);
- Clearer explanation was given that all ELM operations address the objectives established in the ELM Decision, but that the achievement of these objectives depends inter alia on the utilisation of the EU guarantee and on the disbursement rate (sections 3 and 5);
- Clearer acknowledgement that the Commission evaluation works predominantly with data provided by the EIB (section 4);
- Clearer explanation of the limitations concerning information on actual results (as of mid-2019), making it difficult to assess the contribution of EIB co-financing to project quality beyond ex-ante estimates (section 4);
- Clearer explanation that the sub-section on coherence draws to an important extent on findings from 2018-19, complementing the findings of the external study that covered 2014-17 (section 5);
- Clearer language on the weight of external factors influencing the utilisation of ELM guarantee ceilings and the disbursement rate (section 5);
- Insertion of relevant findings from the EIB Audit Committee's report for 2018, published on the EIB website on 29 July 2019 (section 5);
- Word of caution that disbursement rates evolve in time and should again be analysed in the end-term evaluation to be undertaken in 2021 (section 5);
- Confirmation that the EU guarantee enables the EIB to invest in riskier markets (section 5);
- Clearer presentation of the views of different stakeholder groups (Annex 2).

5. EVIDENCE, SOURCES AND QUALITY

An external report was requested by the Commission and conducted by Ecorys and CEPS in January – July 2018, based on data concerning the ELM's implementation from mid-2014 until the end of 2017. The final report was accepted by the Commission in September 2018 and is published alongside the Commission SWD. The Commission services' view of the supporting report and its limitations is summarised below.

Other sources of evidence utilised for the preparation of the SWD are described in section 4 of the SWD and Annex 3. All sources used in the preparation of the SWD are considered robust, with the caveats set out below. Limitations have been clearly recognised but do not impact the reliability of the final conclusions and recommendations of the SWD.

Services participating in the inter-service steering group considered the consultants' report to be a useful input for the Commission's evaluation, while recognising its limitations (partly inevitable due to the study's timeframe). Comments received from members of the inter-service steering group at the meeting of 4 July 2018 were

incorporated in the final version of the consultants' report and no further comments were received.

Overall, the SWD mainly builds on the external study and complements it with insights based on additional evidence. Where the triangulation undertaken by Commission staff leads to different findings than in the consultants' report, this is explained in the SWD.

The consultants' interim report contributed to the preparation of the Commission's impact assessment underpinning the Commission's legislative proposal for the NDICI Regulation, but the consultants' work had a backward-looking character. By contrast, the NDICI proposal was based to an important extent also on an assessment of post-2020 EU needs. The consultants were not in a position to analyse how the design of the ELM 2014-20 compares to the policy changes proposed in the NDICI Regulation, such as the concept of an open architecture, where EU budgetary guarantees are to be allocated as part of the multi-annual programming process.

The following main limitations of the consultants' final report were identified during the elaboration of the Staff Working Document in the course of 2019:

- The consultants' report (including the portfolio analysis of ELM operations in Chapter 4) is based mainly on an analysis of financial operations signed in 2014-17, rather than volumes disbursed. This is understandable, given that disbursements take place only gradually. The Staff Working Document benefits from being able to take into account also data on signatures and disbursements achieved during 2018, and strives to take the analysis of the ELM a step further on this basis, especially when it comes to effectiveness.
- The 10 case studies examined in the consultants' report are mainly based on ex-ante expectations rather than observed results. Some of the operations were not yet disbursing at the time of being analysed as case studies. Again, this limitation is partly inevitable, but needs to be clearly recognised.
- There is an important difference between the number of respondents who started answering the consultants' questionnaire and those who completed it. The sample size for **some** of the questions raised is not large enough to enable drawing robust conclusions. Therefore the SWD builds on those findings and highlights those elements of the consultants' report that appear most robust and reliable also in light of evidence collected from other sources.
- The conclusions of the consultants' report could better highlight the preliminary nature of some of its findings, the reliance on estimates in parts of the study and the limitations of the stakeholder consultation undertaken.

In the context of commenting on the draft of the Commission's evaluation, the EIB requested in June 2019 that certain project-specific data should be deleted from the external consultants' report due to their confidential nature. Accordingly, the Commission has redacted out the relevant information identified from the published version of the external study.

Annex 2: Stakeholder consultation

The consultants preparing the external report in 2018 undertook a stakeholder mapping and discussed their consultation strategy with DG ECFIN in early stages of their work.

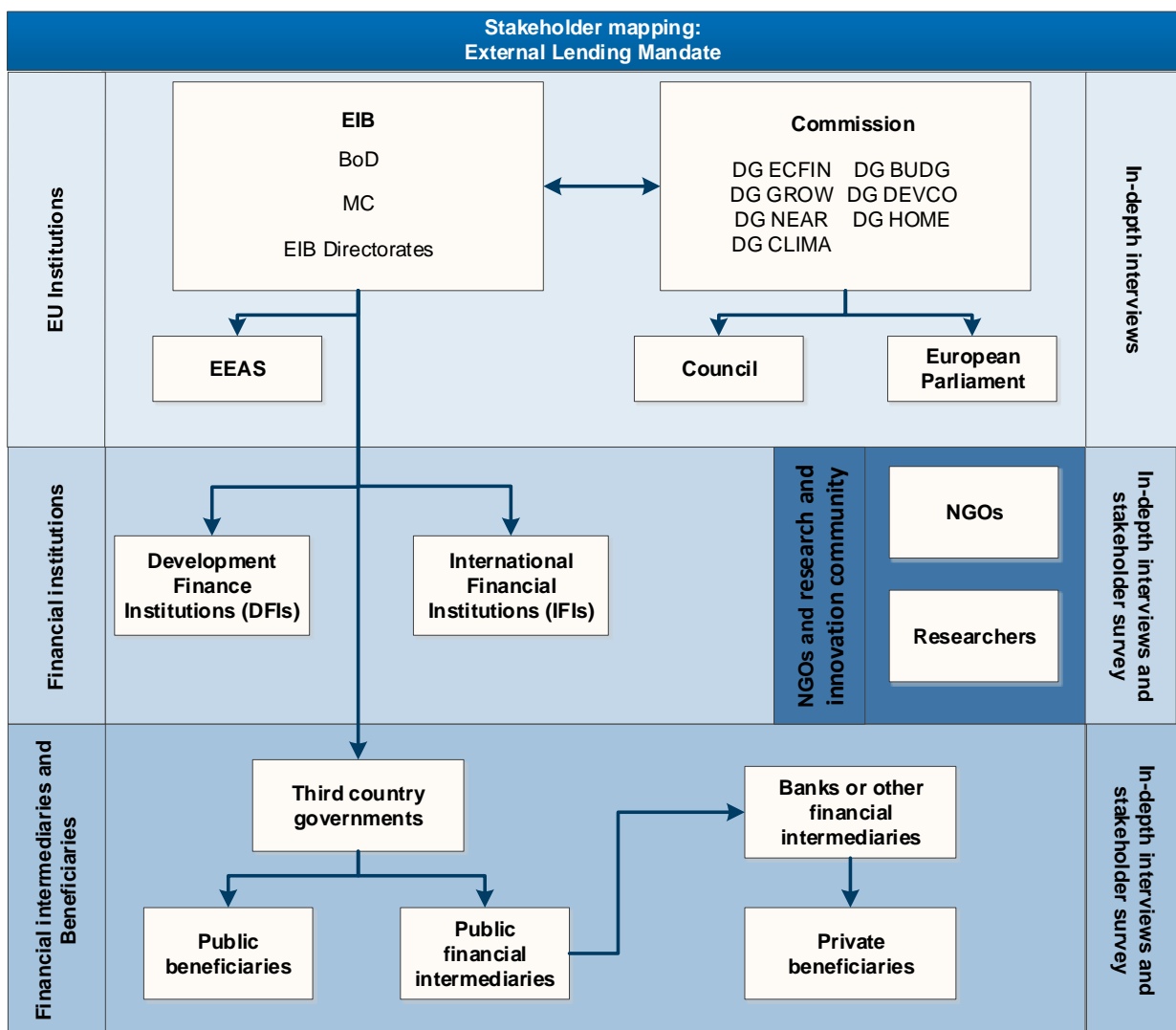
They pointed out that the stakeholders identified have different roles, intervene at different stages and have various levels of interest. Their input therefore fed into different parts of the external evaluation. The following non-exhaustive list of stakeholders was considered:

- The **European Investment Bank** is the organisation responsible for the implementation of the ELM.
- EU delegations in ELM beneficiary countries, operating under the lead of the **European External Action Service (EEAS)**, play an important role in building relations between the EU and the partner countries and in implementing EU policies towards them.
- While the stakeholder consultation did not cover inter-institutional consultations, the importance of the European Parliament was noted as Members of the **European Parliament** had repeatedly demonstrated interest in the ELM.
- **International Financial Institutions (IFIs) and Development Finance Institutions (DFIs)** have an important role in the financing of projects of third countries. The activities of IFIs and DFIs are somewhat similar to those of the EIB (including co-financing of EIB operations in many cases) and they contribute to the development of the beneficiary countries in various ways.
- Several **non-governmental organisations** (NGOs) have a high level of interest in the area of economic development as well as the functioning of international financial institutions.
- **Governments of third countries** can be beneficiaries of the loans granted under the ELM. The ministries most likely to be involved in the ELM are the ministries of finance and regional development. Nevertheless, more specialised ones such as the ministries of transport might also be relevant stakeholders, depending on the type of EIB operations in place. This category can also potentially include governmental agencies active in a specialised field.
- **Beneficiaries in third countries** include beneficiaries of the loans provided by EIB under the ELM. This includes local private sector entities, in particular micro, small and medium-sized companies, as well as the developers of social and economic infrastructure, those undertaking climate change mitigation and adaptation measures, and/or addressing root causes of migration.
- **Banks in third countries (or other financial intermediaries)** can also be affected by or involved in (delivering) the loans provided under the ELM. The EIB collaborates in many beneficiary countries with local banks to allocate the loans among, for example, SMEs. In turn, the loans that are provided as well as the contribution to regional integration might affect the activities on other banks in the beneficiary countries as well.

- The **research and innovation community** (e.g. academia, think tanks) is indirectly affected as they are studying international financial institutions, socio-economic consequence of the EIB's external lending.

In addition to the stakeholders presented above, **the European Commission** was identified by the consultants as having an important role in administering the ELM guarantee. The work of the Commission includes organising the drafting of ELM-related legislation as well as following the EU's external activities and contributing to the building of EU relations with the beneficiary countries.

The following summary chart was produced by the consultants, including an indication of how they would engage with the respective stakeholder groups in producing the external evaluation.



Besides the Commission, **fourteen stakeholders were invited by the consultants for in-depth interviews**. This included the EIB, the EEAS (1), IFIs/DFIs (3), NGOs (2), and

two organisations representing EU SMEs both inside and outside of the EU. Out of these 14, ten accepted.

Besides the above, the **ten borrowers/beneficiaries** of the case study operations were invited for interviews. Eight out of the ten were conducted over the telephone, with at least one EIB official being present in the each of the calls. The remaining two chose to send their responses via email.

In addition to the interviews, the consultants' engagement with the **EIB** involved **two full-day visits** to the Bank's premises. These visits covered a wide range of topics, and allowed the research team to gain insight from a number of EIB officials. The second visit also included meetings with EIB officers responsible for the ten operations covered by the case studies of the external evaluation.

As part of the data collection, a **targeted online survey** was launched by the consultants in April 2018. It specifically targeted stakeholders such as EU Delegations and financial intermediaries. The survey was primarily used to collect data, as well as experiences and opinions. The total number of respondents for the targeted online survey was 46 (initially 194 invitations were sent to different contacts). Out of these, 24 reached the end of the survey. The large majority (70%) claimed to have at least basic knowledge of the ELM. The responses covered 13 different countries.¹⁶¹

A **workshop** was organised after the submission of the consultants' draft final report in mid-2018 to validate the conclusions of the external evaluation and to formulate recommendations. The participants represented NGOs and the research community, as well as the EIB and the Commission. A synopsis of the key points made by the participants of that workshop is contained in Annex 6 of the external consultants' report.¹⁶²

An overview of the stakeholder/institution groups consulted at various stages of the external evaluation was summarised by the consultants in the following table.

Consultation activities and sequencing

Targeted Stakeholders / tools	Interviews	Targeted survey	Workshop
	Feb/June 2018	Apr/June 2018	June 2018
EIB	X		X
European Commission / EEAS / EU delegations	X	X	X
IFIs/DFIs	X		X
NGOs	X		X
Recipient governments	X		
Beneficiaries in third countries	X		
Banks and other financial		X	

¹⁶¹ Turkey, Georgia, Serbia, Kyrgyzstan, Molodova, Ukraine, Argentina, Armenia, Montenegro, Palestine, Tunisia, Vietnam.

¹⁶² Ecorys and CEPS 2018, pp. 159 – 161.

intermediaries			
Researchers			X

The following key findings emerged from the stakeholder consultation organised by the consultants:

- Most respondents to the consultants’ survey found the objectives defined by the ELM Decision relevant or very relevant in the context of the beneficiary countries. The allocation of ELM financing was considered largely in line with beneficiary countries’ strategies, and EIB operations complementary to other IFI/DFI interventions.
- No clear consensus emerged from the consultants’ interviews on the form in which the concepts of economic diplomacy and European SMEs internationalisation should be reflected and operationalised in the ELM Decision.
- Some stakeholders interviewed, notably from other IFIs/DFIs, raised concerns regarding the risk of crowding out of other sources of financing and potential distortion effects of private sector operations under the ELM on financial markets.
- Some stakeholders interviewed suggested the EIB could apply more conditionality in its lending policies, e.g. via leveraging EIB financing to foster systemic reforms in the target country, whereas the EIB currently applies conditionality only on a project basis.
- Some interviewees expressed a concern that high climate-related targets under the ELM may eventually lead the EIB to favour climate projects also in those areas where local conditions and demand would instead prioritise other types of interventions. For instance, in order to deliver on the 25% climate action target, the EIB is focusing on climate projects especially in Asia and Latin America, also in view of difficulties in developing climate action projects in areas such as the Neighbourhood. The introduction of the Economic Resilience Initiative implies that some trade-offs between different objectives (addressing root causes of migration vs. climate change mitigation and adaptation) may arise in certain cases in the Southern Neighbourhood, possibly impacting the achievement of the ELM climate target.
- Some stakeholders interviewed expressed their concerns on the feasibility of reaching the ELM’s climate objective only through mitigation, arguing for greater efforts in the direction of adaptation. The EIB has pointed out that standalone adaptation projects often involve obstacles in terms of bankability.
- Some stakeholders called in the interviews for the exclusion of certain carbon-intensive sectors from the scope of the ELM and for a more transparent and efficient assessment of the climate impact of projects funded via financial intermediaries.
- Several stakeholders interviewed, notably borrowers/beneficiaries, confirmed the finding of earlier ELM evaluations that ‘currency risk has a negative impact on both the demand for ELM financing and the added value of the programme as beneficiaries would prefer to borrow in their local currencies to avoid having to pay more on foreign exchange rate fluctuations. For comparison, under the ACP mandate, the EIB can lend in synthetic local currency – the disbursement happens in hard currency, but the repayments are linked to exchange rate at the time of disbursement, taking away the foreign exchange risk. This is done using funding from the European Development Fund, and not EIB own resources. This is

currently not envisaged under the ELM and the Bank cannot take foreign exchange risk on its book by its statute.¹⁶³

- Some of the interviewed borrowers/promoters confirmed that their projects would not have been realised without the financing under the ELM. Some mentioned that ‘the EIB lends large volumes for relatively lower risk projects’,¹⁶⁴ likely to attract investment from other sources as well. Nevertheless, borrowing terms would certainly be less advantageous than those offered by the EIB and would therefore add to the total cost of the project. Financial intermediaries in receipt of EIB financing confirmed that even though they had considered financing from other IFIs, the advantageous financial conditions of the EIB were decisive for them.

In order to increase outreach for the purpose of the Commission evaluation, the Commission organised in March 2019 an additional workshop with external stakeholders. Out of 9 civil society organisations invited, 3 accepted to participate. The Commission also invited 16 civil society organisations, IFIs and DFIs to submit written contributions to the Commission’s evaluation. One DFI did so, pointing at the risks of market distortion and crowding-out of private co-investors in the context of private sector financing under the ELM. Two DFIs explicitly declined to comment and the others did not respond.

Following the March 2019 workshop with civil society organisations, the Commission sent to the EIB a summary of the key questions and concerns identified, notably as regards upholding human rights and environmental and social standards in the context of ELM operations. These questions and some factual elements provided by the EIB on these topics have been integrated in the analysis undertaken in the SWD, in particular the section on Coherence.

Commission services’ day-to-day experience of cooperation with the EIB in the implementation of the ELM was summarised in several written contributions. These have addressed *inter alia* the issues of geographical balance, the size of operations signed, disbursement rates, coordination with EU delegations, the level of information available during Article 19 consultations, the lack of information on actual impact, problems with apex loans and concerns about additionality (and market distortion risks) as regards private sector financing. Many of these issues were also addressed in the April 2019 update of the ELM RTOGs.

163 Ecorys and CEPS 2018, pp. 115 – 116.

164 Ibid., p. 122.

Annex 3: Methods and analytical models

The evaluation draws on the following sources of information, referenced through footnotes in the text of the SWD:

- The 2014 ELM Decision (466/2014/EU), as amended in 2018, defines the EU intervention that is subject to the present evaluation and has served as a key point of reference for the evaluation, including in terms of defining expectations about *what success would look like*.
- The report prepared for the Commission by external consultants Ecorys and CEPS in mid-2018, covering the period 2014-17, drawing on a targeted multi-stakeholder consultation (see Annex 2) and conducted under the supervision of a steering committee involving Commission and EIB representatives, has been drawn upon in all parts of the Commission evaluation. Its limitations are summarised in Annex 1.
- Annual reports on EIB activities in ELM regions for the years 2014-18, submitted by the EIB to the Commission in accordance with Article 11 of the ELM Decision, have been used for all parts of the Commission evaluation, including as sources of quantitative information until the end of 2018 (latest comprehensive set of data available). Where relevant, Commission staff undertook own calculations based on the data provided by the EIB.
- The Commission's 2013 impact assessment underpinning the ELM Decision (SWD(2013)179), the mid-term evaluation of the ELM 2014-20 (SWD(2016) 295 final) underpinning the Commission's 2016 proposal for the mid-term amending decision, and the mid-term report by external consultants PwC¹⁶⁵ were used mainly as a reference for the definition of the evaluation baseline.
- Relevant recommendations of the EIB Audit Committee (covering years 2017 and 2018), addressed to the EIB Board of Governors and published on the EIB website, have been used notably for the evaluation of the ELM's effectiveness;
- Most recent relevant reports by the European Parliament, in particular the annual reports on EIB activities in 2017 prepared by the ECON/BUDG and CONT committees, have been used notably for the evaluation of the ELM's coherence;
- Findings of the peer review on EU development cooperation, undertaken in the Development Assistance Committee of the Organisation for Economic Cooperation and Development, have been used for the evaluation of the ELM's relevance;
- ELM-relevant publications by civil society organisations have been used notably for the evaluation of the ELM's coherence. They include, in particular:
 - The 2016 report by Counter Balance and CEE Bankwatch entitled 'Going Abroad: A critique of the European Investment Bank's External Lending Mandate';
 - The 2018 briefing by CEE Bankwatch, Polish Green Network and Counter Balance, entitled 'Putting human rights first at the European Investment Bank – Upcoming opportunities'; and

165 http://ec.europa.eu/dgs/economy_finance/evaluation/completed/index_en.htm#mid-term-201612

- 1-page briefings by Counter Balance and CEE Bankwatch on human rights concerns in specific EIB projects, notably MHP Agri-Food (Ukraine) and Nepal Power System Expansion.
- Observations expressed by civil society organisations at a workshop organised by the Commission in March 2019 (without EIB participation) and the EIB's response to the Commission's summary of the key concerns raised, have been used notably for the evaluation of the ELM's coherence;
- Contribution received from one development finance institution in response to the Commission's invitation to several IFIs/DFIs to submit written comments on their possible experience with the ELM, has been used for the evaluation of the ELM's effectiveness;
- Commission services' day-to-day experience of cooperation with the EIB on the implementation of the ELM, including Article 19 consultations, preparation of EIB Board meetings, updating of the ELM RTOGs and other operational interactions, has been utilised for all parts of the evaluation.

The methodology for the evaluation was discussed in an upstream meeting with the Regulatory Scrutiny Board on 29 January 2019. The evaluation has closely followed the Better Regulation toolbox, in particular tool #49. An intervention logic for the ELM was prepared to frame the analysis and guide the evaluation questions. The evaluation questions were developed from the standard Commission criteria of relevance, effectiveness, efficiency, coherence and EU-added value.

The evaluation has adopted a mixed methods approach based on a triangulation of various data sources, data collection and analysis methods. The purpose is to profit from the advantages of both quantitative and qualitative approaches and to overcome their drawbacks by mixing them. This approach has helped to corroborate findings by another data type and strengthen the inference process.

The aim has been to produce a balanced assessment, based on consistent triangulation among the most relevant sources of information concerning each of the evaluation criteria. The evaluation has also been written with the aspiration to provide a relevant contribution for the co-legislators' on-going deliberations on post-2020 EU interventions, in line with Article 20 of the ELM Decision.

The evaluation questions (set out in section 4) and the intervention logic (described in section 2) have been validated in the meeting of the relaunched and expanded inter-service steering group on 8 February 2019, involving representatives of the Commission's Secretariat-General, the European External Action Service, DG ECFIN, DG DEVCO, DG NEAR, DG BUDG, DG GROW and DG CLIMA. The EIB was not part of this validation.

Following the additional stakeholder workshop organised by the Commission on 13 March 2019, eight written questions were sent to the EIB on 18 March and answered by EIB services on 30 April.

The EIB was given an opportunity to comment on a draft of the Staff Working Document between 9 and 16 May 2019.