



Final Report for the Evaluation of the application of the 2014-2020 External Lending Mandate

Written by ECORYS and CEPS
July 2018



This report was written in mid-2018 by

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Following a review process in mid-2019, elements indicated by the EIB as confidential due to their market-sensitive nature have been redacted from the published version.

EUROPEAN COMMISSION

Directorate-General for Economic and Financial Affairs

Unit DDG2.01 — Coordination with the EIB Group, EBRD and IFIs

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Final Report for the Evaluation of the application of the 2014-2020 External Lending Mandate

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Luxembourg: Publications Office of the European Union, 2019.

PDF ISBN 978-92-76-09507-1 doi: 10.2765/642169 KC-03-19-550-EN-N

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List of acronyms

ACP	Africa, the Caribbean and Pacific (Investment Partnership)
ADB	Asian Development Bank
AFD	Agence Française de Développement
AfDB	African Development Bank
AFESD	Arab Fund for Economic and Social Development
BCIE	Banco Centroamericano de Integración Económica
CAF	Corporación Andina de Fomento
CBA	Cost benefit analysis
CCS	Carbon Capture and Storage Directive
CO2	Carbon dioxide
COP	Conference of Parties (UNFCCC)
CPA	Cotonou Partnership Agreement
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DG	Directorate-General
DG BUDGET	Directorate-General for Budget
DG CLIMA	Directorate-General for Climate Action
DG DEVCO	Directorate-General for International Cooperation and Development
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG GROW	Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
DFI	Development Finance Institution
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	European Court of Auditors
EDF	European Development Fund
EDFI	European Development Finance Institution
EE	Energy efficiency
EEAS	European External Action Service
EFSD	European Fund for Sustainable Development
EFSI	European Fund for Strategic Investments

EIB	European Investment Bank
EIP	External Investment Plan
ELM	External Lending Mandate
EP	European Parliament
ERI	Economic Resilience Initiative
ERR	Economic Rate of Return
ETS	Emissions trading system
EU	European Union
EUR	Euro
FL	Framework loan
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV
FSR	Financial Sector Review
G-TAG	Guarantee Technical Assessment Group
GAP	Gender Action Plan
GHG	Greenhouse gas
HIPSO	Harmonised Indicators for private sector operations
HLOs	EIB's High Level Objectives
IA	Impact Assessment
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDB	Islamic Development Bank
IFI	International Financial Institution
IFC	International Finance Corporation
IIW	Infrastructure and Innovation Window
IL	Investment loan
IRR	Internal Rate of Return
JBIC	Japan Bank for International Cooperation
JRC	Joint Research Centre
KfW	Kreditanstalt Für Wiederaufbau
kWh	Kilowatt hour
LDC	Less developed country
MBIL	Multi-beneficiary intermediated loan
MDB	Multilateral Development Bank
MEP	Member of European Parliament

MFF	Multiannual Financial Framework
MoU	Memorandum of Understanding
MSMEs	Micro, Small and Medium-sized Enterprises
MRI	Mutual Reliance Initiative
NACE	Nomenclature Statistique des activités économiques dans la dans la Communauté Européenne
NEFCO	Nordic Environment Finance Corporation
NGO	Non-Governmental Organisation
NPB	National promotional bank
ORF	Own risk facilities
RTOG	Regional Technical Operational Guidelines
SDG	Sustainable Development Goals
SGP	Small Grants Programme
SMEs	Small and Medium-sized Enterprises
RE	Renewable energy
ReM	EIB Results Measurement Framework
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
USD	United States Dollar
TA	Technical Assistance
TCX	Currency Exchange Fund
TFEU	Treaty on the functioning of the European Union
TEU	Treaty on European Union
TEN-T	The Trans-European Transport Network

Abstract

The evaluation of the application of the 2014-2020 External Lending Mandate (ELM) covers the recently adopted amendment of the ELM (Decision (EU) 2018/412) and includes data for the period from April 2014 until December 2017. The results of the evaluation show that the ELM and its high-level objectives continue to be relevant to the changing geopolitical context and strategic objectives at global and EU level. Furthermore, the ELM operations are overall effective in contributing to their achievement. The EU Guarantee has allowed the EIB to pass financial advantages to beneficiaries, while the monitoring of these projects and the overall management and implementation procedures of both the EIB and the EC have been performed in an efficient manner. Areas for possible improvement in the ELM for the current programming period or the next MFF external financing instruments include: more consideration for the concepts of economic diplomacy and EU SME internationalisation; adjusting to the new high-level objective on addressing root causes of migration and building long-term economic resilience of host and transit communities; fine-tuning of the ReM framework; increasing the pipeline of investments in climate action adaptation; and specific implementation modalities, including issues like joint EU visibility and use of Technical Assistance.

Executive summary

This evaluation was carried out in the framework of the following assignment commissioned by DG ECFIN: 'Evaluation of the application of the European Investment Bank's External Lending Mandate (ELM) including support for input regarding the impact assessment of possible options for a stand-alone legislative proposal building on the ELM for the post-2020 period or a new legislative proposal as part of a larger framework for external financing instruments'. It was performed in the period January-July 2018 by Ecorys and CEPS. The evaluation covers the recently adopted amendment of the ELM (Decision (EU) 2018/412) and includes data for the period from April 2014 until December 2017.

The methodology of the evaluation included an extensive desk research, portfolio analysis, online questionnaire (targeted at financial intermediaries and EU Delegations), interviews with various stakeholders (including EC Services, the EIB, NGOs, international financial institutions), 10 case studies, and a validation workshop.

Overall conclusions and recommendations

The ELM and its high-level objectives continue to be relevant to the changing geopolitical context and strategic objectives at global and EU level. Furthermore, the ELM operations are overall effective in contributing to their achievement. The EU Guarantee has allowed the EIB to pass financial advantages to beneficiaries, while the appraisal tools used by the EIB are effective in selecting appropriate projects. The monitoring of these projects and the overall management and implementation procedures of both the EIB and the EC have been performed in an efficient manner. 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.

Areas for possible improvement in the ELM for the current programming period or the next MFF external financing instruments include: more consideration for the concepts of economic diplomacy and EU SME internationalisation; adjusting to the new high-level objective on addressing root causes of migration and building long-term economic resilience of host and transit communities; fine-tuning of the ReM framework and indicators; increasing the pipeline of investments in climate action adaptation; and specific implementation modalities, which are linked to issues like joint EU visibility and use of Technical Assistance.

Detailed conclusions on the evaluation criteria applied in the assignment (relevance; effectiveness; efficiency; coherence and synergies; and impact and sustainability) are provided below.

Relevance

The high-level objectives (HLOs) of the ELM are relevant to the current geopolitical context, the guiding global objectives on sustainable development and climate change, and the EU external policy objectives. The amending legislation (Decision (EU) 2018/412) shows the necessary flexibility to ensure continued relevance of the ELM as it requires that EIB financing operations should 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, which is in line with the efforts undertaken in the framework of the Paris Agreement and its objectives. Furthermore, the introduction of a high-level objective regarding the long-term economic resilience of refugees, migrants, host and transit communities and communities of origin shows responsiveness to the refugee crisis and to the changing EU external policy agenda.

Economic diplomacy and the internationalisation of EU SMEs as one of its key elements are currently not explicitly covered by the amending legislation. Both concepts are receiving increased attention and recognition, but exchanges with various stakeholders have shown that they are not sufficiently operationalised in the context of the External Lending Mandate. Considering their horizontal character and synergies with the high-level objectives and the fact that these concepts are already implemented by the EIB as underlying objectives it is recommended to: (1) Operationalise the concepts through a cooperation process between the EC and the EIB; and (2) Integrate the concepts in the Regional Technical Operational Guidelines (RTOG). Once this operationalisation is performed in interaction between the EC and the EIB, the following could be considered: (1) Adjusting the current overarching objective on regional integration to include the concept of economic diplomacy; and (2) Highlighting the objective of internationalisation of EU SMEs as a specific element of economic diplomacy.

The Result Measurement Framework (ReM) indicators are relevant and well aligned to the high-level ELM objectives. The first ReM pillar assesses and rates the extent to which the project is aligned to the existing high-level objectives and the underlying objective of regional integration. With regards to the latter, even though the EIB/EC report numbers on EIB commitment and projects with a regional integration dimension, this information does not allow tracking the expected effects of these operations. Thus, it is recommended that the **EIB consider indicators that allow monitoring the contribution of the ELM operations to regional integration, possibly through existing ReM indicators, e.g. on roads and energy infrastructure.**

The EIB is engaged in harmonising the indicators under the ReM with the ones used across other IFIs, sharing and aligning to best practices. However, **the inclusion of a fourth objective to target 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 may require adjustments to the ReM indicators and methodology.** Currently the ReM does not include sufficient sex disaggregated data, and the use of **gender equality indicators** is limited to targeted actions only. Nonetheless, strengthening how the EIB measures its impact on gender equality is a strong focus of the Gender Action Plan (GAP 1, 2018-20).

Effectiveness

Going beyond the relevance of the high-level objectives (HLOs), **the ELM operations are overall effective in contributing to their achievement.** Support provided for **private sector development, and in particular to SMEs** (HLO1), forms a sizeable share of the overall lending under the ELM and its increasing share in recent years confirms the EIB's commitment to achieving this objective. A significant part of the overall ELM portfolio contributes to developing social and economic infrastructure (HLO2). The volume of climate change (HLO3) lending fulfils the target of 25% of total

EIB financing operations outside the Union and at the end of 2017, climate related financing stood at 32.6% of the total EIB interventions under the ELM.

As regards the third objective, the portfolio analysis reveals that **most climate investments are still targeted to climate change mitigation projects (93.2%)**. In this regard, the EIB has recently advanced its work on climate risk screening by commencing the development of a **Climate Risk Management System (CRMS)**, which will be integrated into EIB's project cycle and processes. Furthermore, **increased EIB involvement in the early stages of projects** might be beneficial to optimise the climate adaptation component and more broadly to include climate change considerations in the project appraisal. The Emissions Performance Standard (EPS) has been developed before the Paris Agreement and its review could potentially further increase the contribution of ELM operations to climate action. Taking forward in ELM the new approach developed within the Bank for **special windows for loans to SMEs/MidCaps** that deliver a climate contribution could improve and make more transparent the assessment on the climate contribution of projects funded via financial intermediaries.

Considering the recent addition of the fourth HLO and the ongoing finalisation of the necessary procedures and the ERI Operational Guidelines, at this stage it is too early to assess the contribution of the ELM to 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. The steady progress of the Economic Resilience Initiative (ERI) since its recent launch in areas affected by the influx of migrants and other external shocks demonstrates the Bank's drive to address root causes of migration. At the same time, a review of the ERI Operational Guidelines, project appraisal documentation, and ERI fiches shows that **some fine-tuning could be instrumental in terms of generating concrete information on how refugees and migrants would also benefit from ERI operations even if they were not always direct beneficiaries of ERI projects**.

As concerns the effectiveness in contributing to the underlying objective of the ELM Decision, at the end of 2017, **15.5% of the volume all operations signed contributed to the underlying objective of regional integration**. In line with the ELM Decision, the large majority (82%) of the financing of these operations focuses on pre-accession and neighbourhood countries. Transport projects are the largest category, but credit lines and energy projects are also included in the portfolio. It is currently challenging to assess the actual effects of these operations as the ReM does not include specific indicators for the underlying objective.

The **EIB has been effective in passing the financial advantages resulting from the EU guarantee to beneficiaries** as the borrowing terms offered by ELM loans are considerably better than market alternatives. This is especially the case with maturities, which are considerably more favourable than the alternatives available. In providing these advantages, the allocation of operations under the ELM is in compliance with the allocation policy set in the Guarantee Agreement between the Commission and the EIB. The overwhelming majority of the operations in the ELM portfolio are carried out in countries that fall below the financing threshold and could have not been taken forward under the EIB's own risk facility.

During the consultation process of the evaluation, interviewees highlighted the following two potential unintended effects, which are linked to the financial advantages of the loans under the ELM: risk of crowding out of other sources of financing (IFIs) and potential distortion effects of private sector operations on financial markets. The EIB is taking measures to avoid both of these risks by: financing (in general) 50% of investments, assessing the non-rival positioning on the local credit market, and applying mechanisms for dialogue and cooperation with other IFIs. However, in order to take note of the concerns raised by some stakeholders, it is recommended that the EIB provide more information to the EC Services on these measures via: the annual reports, Article 19 procedures, or informal communication.

As concerns **barriers** to reaching the objectives, an important barrier to the effectiveness of the ELM is considered to be the **currency exchange risk** as in general beneficiaries would prefer the use of local currencies. The Bank has already taken some steps to address the issue through arrangements with central banks and contracting with private financial institution covering the foreign exchange risk. However, these solutions are not always considered cost-effective. This is why it is recommended to consider new EU financial support for lending in foreign currency under the ELM.

Appraisal and reporting modalities

The **project appraisal tools used by the EIB are effective in selecting appropriate projects** as they include an assessment of the needs of the beneficiaries and borrowers, their capacity, and the soundness of the projects. In addition, Financial Sector Reviews per country are performed to assess the financial markets in which the EIB operates and is taken into consideration during project appraisal. Furthermore, the project appraisal includes a consideration of the country strategies that the operations contribute to, which shows that the EIB is aware of the country-level strategic framework and how its interventions fit into them. A possible area for consideration is to explain in the ReM Framework methodology how the EIB takes into account the relevant indicators under the Paris Declaration of 2005 for Aid Effectiveness, which is mentioned by Decision No 466/2014/EU and Decision (EU) 2018/412. The EIB has this Declaration specifically referenced and reflected in the EIB Environmental and Social Standards, but this is not explicitly reflected in the ReM framework.

Overall, the **EIB reporting** has allowed the Commission to assess the compliance of EIB financing operations with Decision 466/2014/EU. However, the amending Decision 2018/412 has introduced some changes with respect to the information that the Commission has to report on. Thereby, to improve the compliance with the new Decision, the future EIB annual reports to the Commission are expected to include: indicators for human rights and gender equality aspects; specific indicators for projects providing strategic response addressing root causes of migration; reporting on measures to maximise local engagement. In order to enhance the EC-EIB communication improved mechanics around the formal **Article 19** are currently under consideration, which goes in parallel with a process of improving informal communication between the EIB and specific DGs (e.g. DG NEAR).

In terms of external communication, **while efforts have been made to improve the communication activities of the Bank following the mid-term review, the visibility of the EU is still considered low at the level of final beneficiaries.** Joint EC, EEAS and EIB communications have already materialised not only at EU delegations, but also at the level of DGs. However, the recommendation to reinforce a "cooperation

package” (for instance, joint communication strategies between EU delegation and EIB local offices) on communication among EU institutions remains valid.

Efficiency

The **EIB and EC human and financial resources for the management and implementation of the ELM have been assigned and used in an efficient manner**. The analysis of the case studies shows that the staffing policy of the EIB is adapted to the administrative capacity of the borrower, type of instrument, and complexity of the country context. Strengthening the local presence of the EIB is an ongoing process that takes place through colocation of EUD/EIB offices, which brings efficiency gains. Administrative burden of ELM financing is considered among the least heavy compared to other IFIs and Financial Intermediaries (FIs) rate the administrative burdens linked to ELM/EIB financing as lower or the same as other sources of financing.

Although no major efficiency issues have been identified, **lessons learned** in the following areas may be useful for future activities: allocation of monitoring resources should take into account the administrative capacity of the borrower, type of instrument, and complexity of the country context; the value of Technical Assistance (TA) in general surpasses the costs; increased EIB local presence and management efforts are measures increasing the efficiency of project implementation. **Although Technical Assistance requires resources, it is recommended to further expand its use under ELM operations** as it is a way of increasing the management capacity of promoters and beneficiaries, support the design stage of projects (e.g. in the field of climate action), and reducing risks associated with projects.

Coherence and synergies

In addition to conforming to ELM objectives and national strategies, the **ELM operations are in line with other EU policy and/or instrument objectives**. More specifically, the EIB financing operations under the ELM contribute to the EU Global Strategy priorities in terms of state and societal resilience and the European Neighbourhood Policy objectives.

The ELM is **complementary to other EU external instruments** in terms of geographical area (with ACP) and in terms of risk profile (with EFSD). To avoid potential overlaps the EIB is working closely with the Commission and other IFIs. Further complementarity between different EU actions is ensured by EIB’s exchanges with the Commission and EIB’s participation in EFSD’s Strategic Board as well as co-financing with other IFIs and blending with other sources of EU funding. Since the EIB covers in general up to 50% of the project costs, its activity in the regions covered by the ELM is often implemented in co-financing with other **European and International Financial Institutions (IFIs and EDFs), other national/bilateral agencies, such as KfW or AFD and/or blending with other sources of EU funding**.

The combination of the expertise and local knowledge that national promotional banks or other IFIs with EIB’s financial capacity is a way of **continuous improvement of the coherence and synergies of ELM**. Strong co-financing relations with other IFIs and national promotional banks enable the ELM to complement the activities carried out by other financing institutions. The pooling of resources is likely to create scale and diversification benefits and allows mutualising risks. At the same time, blending may require more time in the design phase and is sometimes associated with long negotiations. The design time could be shortened by the **establishment of a global**

envelope procedure for TA for priority projects and/or projects in priority regions, similarly to the EFSD.

Impact and sustainability

The appraisal of impact and sustainability are normally carried out only when the intervention is advanced enough to enable an assessment of its long-term effects. Considering the status of implementation of the 2014-2020 ELM, impact and sustainability were assessed prospectively, i.e. in terms of expected impact/sustainability.

The EIB requires that the beneficiaries comply with its environmental guidelines and sustainability measures considered during the appraisal stage.

The Bank monitors environmental and economic impacts of its operations by looking at indicators such as employment, energy efficiency, carbon footprint, and fiscal revenues.

The ELM Decision states that the activities of the EIB in the pre-accession context should take into account the EU priorities to prepare these countries for the obligations and challenges of EU membership. In 2017, the EIB devoted close to a fifth of its advisory resources to institutional capacity building. The primary focus of these activities was to strengthen knowledge and expertise of local institutions for the implementation of future operations. They are not implemented as part of individual operations, but have a more cross-cutting nature.

A summary of the recommendations of the evaluation is presented in the table below.

Area	Recommendations
Economic diplomacy and EU SME internationalisation	<p>Operationalisation of the concepts of economic diplomacy and EU SME internationalisation in the Regional Technical Operational Guidelines for EIB operations under the ELM Decision taking into account ODA eligibility</p> <p>After the concepts are operationalised, adjustment of the current overarching objective on regional integration could be considered in order to include the concept of economic diplomacy in a way that provides synergies with other actions under the ELM, but also with other EU/MS instruments</p> <p>After the concepts are operationalised, the inclusion of the internationalisation of EU SMEs as a specific element of economic diplomacy could be considered</p>
Adjusting to the new high-level objective	<p>Adjustments to the ReM methodology as a result of the inclusion of the fourth high-level objective and introduction of new or customisation of indicators under the ReM, which are relevant to the new objective</p> <p>Provision of more details in the ERI Guidelines on how ERI projects would contribute to enabling refugees, migrants, host and transit communities, and communities of origin to become self-reliant and strengthening humanitarian action and support for creation of decent jobs</p> <p>Provision of considerations in the ERI rationale with regards to the needs and expected effects on refugees/migrants (where applicable) as well as contribution to long-term economic resilience of refugees, migrants, host and transit communities</p>
ReM	<p>Integration of gender indicators in the ReM framework (once developed by the working group established following the adoption of the internal Gender Action Plan)</p> <p>Considering the inclusion of ReM indicators in the annual ELM reports that support the assessment of effects on regional integration</p>

	Inclusion in the ReM Framework methodology of an explanation on how the EIB takes into account the relevant indicators under the Paris Declaration of 2005 for Aid Effectiveness
Climate action	<p>Increased EIB involvement in the early stages of projects with climate action adaptation components</p> <p>Review of the Emissions Performance Standard (EPS)</p> <p>Stepping up actions for special climate windows for loans to SMEs/MidCaps and more broadly for projects funded via financial intermediaries that deliver a climate contribution</p>
Specific implementation modalities	<p>Considering the provision of more information to the EC Services when relevant, such as:</p> <ul style="list-style-type: none"> • a sample of analyses performed / measures taken by the EIB to avoid distortion effects on the financial markets • indicators of improved competition of the financial sector, e.g. effects on second-tier banks. • summary of country documents at time of project submission. <p>Options to consider include: the annual reports to the EC, 19 Article procedures, and/or informal communication.</p> <p>Continuation of the progress with regards to ensuring common EU visibility in all ELM countries</p> <p>Consider new EU financial support for lending in foreign currency under the ELM</p> <p>Develop global envelope for TA, which allows increasing the use of TA under ELM operations</p>

Résumé analytique

Cette évaluation a été réalisée dans le cadre de la mission suivante commandée par la direction générale des affaires économiques et financières: « Évaluation de l'application du mandat de prêt à l'extérieur (MPE) de la Banque européenne d'investissement (BEI) et soutien à l'analyse d'impact des différentes options envisageables pour une proposition législative autonome s'appuyant sur le MPE pour la période de l'après 2020, ou bien pour une nouvelle proposition législative qui s'intègre dans un contexte plus large des instruments financiers extérieurs ». L'évaluation a été réalisée entre janvier et juillet 2018 par Ecorys et CEPS. Elle porte sur l'amendement récemment adopté du MPE [Décision (UE) 2018/412] et inclut des données pour la période d'avril 2014 à décembre 2017.

La méthodologie de l'évaluation comprend une recherche documentaire approfondie, une analyse de portefeuille, un questionnaire en ligne (ciblant les intermédiaires financiers et les délégations de l'UE), des entretiens avec diverses parties prenantes (dont les services de la Commission, BEI, ONG, institutions financières internationales) et un atelier de validation.

Conclusions et recommandations générales

Le MPE et ses objectifs de haut niveau continuent d'être adaptés au contexte géopolitique en mutation et aux objectifs stratégiques au niveau mondial et de l'UE. De plus, les opérations MPE se sont révélées efficaces en contribuant à la réalisation de ces objectifs. La garantie de l'UE a permis à la BEI de transmettre des avantages financiers aux bénéficiaires, tandis que les outils d'évaluation utilisés par la BEI prouvent leur efficacité pour sélectionner des projets pertinents. Le suivi de ces projets et les procédures de gestion et de mise en œuvre de la BEI et de la Commission ont été exécutés de manière efficace. Les opérations MPE sélectionnées sont conformes aux objectifs d'autres politiques et/ou instruments de l'UE et sont généralement cofinancées par d'autres institutions financières européennes et internationales, agences nationales/bilatérales et/ou combinées avec d'autres sources de financement de l'UE.

Parmi les aspects du MPE susceptibles d'être améliorés pendant la période de programmation en cours ou dans le cadre des instruments financiers extérieurs du prochain cadre financier pluriannuel figurent : plus de considération pour les concepts de diplomatie économique et d'internationalisation des PME européennes; adaptation au nouvel objectif de haut niveau pour s'adresser aux causes profondes de la migration et renforcer la résilience économique à long terme des communautés d'accueil et de transit; ajuster le cadre de mesure des résultats (REM) et les indicateurs; augmenter la réserve d'investissements destinée à l'adaptation aux changements climatiques; modalités de mise en œuvre spécifiques, liées à des questions telles que la visibilité conjointe de l'UE et l'utilisation de l'assistance technique.

Des conclusions détaillées sur les critères d'évaluation qui ont été appliqués (pertinence, efficacité, efficience, cohérence et synergies, impact et durabilité) sont fournies ci-dessous.

Pertinence

Les objectifs de haut niveau (OHN) du MPE sont pertinents dans le contexte géopolitique actuel, aux objectifs mondiaux directeurs en matière de développement durable et de changement climatique et aux objectifs de la politique extérieure de l'UE. La législation amendée (Décision (UE) 2018/412) fait preuve de flexibilité nécessaire pour assurer la pertinence du MPE. En effet, elle exige que la BEI se conforme à l'objectif de consacrer au moins 35% de ses opérations de financement dans les économies émergentes et les pays en développement en dehors de l'Union d'ici à 2020, ce qui correspond aux efforts entrepris dans le cadre de l'Accord de Paris et de ses objectifs. En outre, l'introduction d'un objectif de haut niveau concernant la résilience économique à long terme des réfugiés, des migrants, des communautés d'accueil et de transit et des communautés d'origine montre la capacité de réaction face à la crise des réfugiés et à l'évolution du programme de politique extérieure de l'UE.

La diplomatie économique, ainsi que l'internationalisation des PME de l'UE, qui en est un des éléments clés, ne sont actuellement pas explicitement couverts par la législation amendée. De plus en plus d'attention et de reconnaissance sont portées à ces deux concepts, même si les échanges avec diverses parties prenantes ont montré qu'ils ne sont pas suffisamment mis en œuvre dans le contexte du mandat de prêt à l'extérieur. Compte tenu de leur caractère horizontal et des synergies avec les objectifs de haut niveau et du fait que ces concepts sont déjà mis en œuvre par la BEI en tant qu'objectifs sous-jacents, il est recommandé à la BEI: (1) d'opérationnaliser les concepts par le biais d'un processus de coopération entre la Commission européenne et la BEI ; et (2) d'intégrer les concepts dans les Lignes directrices opérationnelles techniques régionales. Une fois cette opérationnalisation réalisée dans le cadre de l'interaction entre la Commission européenne et la BEI, les éléments suivants pourraient être envisagés : (1) ajuster l'objectif global actuel sur l'intégration régionale pour inclure le concept de diplomatie économique ; et (2) souligner l'objectif d'internationalisation des PME de l'UE en tant qu'élément spécifique de la diplomatie économique.

Les indicateurs du cadre de mesure des résultats (REM) sont pertinents et bien alignés sur les objectifs MPE de haut niveau. Le premier pilier du cadre REM analyse et évalue dans quelle mesure le projet est aligné sur les objectifs de haut niveau existants et sur l'objectif sous-jacent de l'intégration régionale. En ce qui concerne ce dernier point, même si les rapports conjoints BEI / Commission européenne sur l'engagement de la BEI et les projets ont une dimension d'intégration régionale, ces informations ne permettent pas de suivre les effets attendus de ces opérations. Par conséquent, il est recommandé que **la BEI envisage des indicateurs permettant de suivre la contribution des opérations MPE à l'intégration régionale, éventuellement à travers les indicateurs existants du cadre REM, comme par exemple les indicateurs sur les routes et les infrastructures énergétiques.**

La BEI s'emploie à harmoniser les indicateurs du cadre REM avec ceux utilisés dans d'autres institutions financières internationales (IFI), en les partageant et en les alignant sur les meilleures pratiques. Cependant, **l'ajout d'un quatrième objectif pour cibler la résilience économique à long terme des réfugiés, des migrants, des communautés d'accueil et de transit et des communautés d'origine comme réponse stratégique aux causes profondes de la migration peut nécessiter des ajustements aux indicateurs et à la méthodologie du cadre REM.** Actuellement, le cadre REM n'inclut pas suffisamment de données ventilées par sexe, et l'utilisation

d'indicateurs d'égalité des sexes est limitée aux actions ciblées uniquement. Néanmoins, le renforcement de la manière dont la BEI mesure son impact sur l'égalité entre les femmes et les hommes est un axe majeur du Plan d'action pour l'égalité des sexes (« Gender Action Plan » (GAP) 1, 2018-20).

Efficacité

Au-delà de leur pertinence, globalement, **les opérations MPE contribuent de manière efficace à l'atteinte des objectifs de haut niveau**. Une part non négligeable des prêts au titre du MPE représente le soutien apporté au **développement du secteur privé, et en particulier aux PME** (OHN1), alors que la croissance de cette part au cours des dernières années confirme l'engagement de la BEI à atteindre cet objectif. Une part importante du portefeuille global du MPE contribue au développement de l'infrastructure sociale et économique (OHN2). Le volume de prêts liés au changement climatique (OHN3) atteint l'objectif de 25% du total des opérations de financement de la BEI en dehors de l'Union et en 2017, le financement lié au climat représentait 32,6% du total des interventions de la BEI dans le cadre du MPE.

En ce qui concerne le troisième objectif, l'analyse du portefeuille révèle que **la plupart des investissements relatifs au changement climatique cible toujours des projets d'atténuation du changement climatique (93,2%)**. À cet égard, la BEI a récemment fait progresser ses travaux sur le dépistage des risques climatiques en commençant à développer un système de gestion des risques climatiques, qui sera intégré dans les processus du cycle de projet de la BEI. En outre, une participation accrue de la BEI aux premiers stades des projets pourrait contribuer à l'optimisation de la composante d'adaptation au changement climatique et, plus généralement, à inclure les considérations relatives au changement climatique dans l'instruction du projet. La norme de performance en matière d'émissions a été élaborée avant l'Accord de Paris et son examen pourrait potentiellement accroître la contribution des opérations MPE à l'action climatique. La Banque a développé une nouvelle approche qui introduit des **volets spéciaux pour les prêts aux PME / MidCaps comprenant des actions** de lutte contre le changement climatique. Une meilleure intégration dans le MPE de cette approche pourrait améliorer et rendre plus transparente l'évaluation de la contribution climatique des projets financés via des intermédiaires financiers.

Considérant l'ajout récent du quatrième OHN et la finalisation en cours des procédures nécessaires et des lignes directrices opérationnelles de l'Initiative Résilience économique (IRE), il est trop tôt pour évaluer la contribution du MPE à l'IRE à long terme des réfugiés, migrants, communautés de transit et d'accueil, et les communautés d'origine en tant que réponse stratégique à la résolution des causes principales de la migration. Les progrès réguliers de l'IRE depuis son lancement récent dans les régions touchées par l'afflux de migrants et d'autres chocs extérieurs démontrent la volonté de la Banque de s'attaquer aux causes profondes de la migration. Dans le même temps, un examen des lignes directrices opérationnelles de l'IRE, de la documentation d'instruction du projet et des fiches IRE montre que **certains ajustements pourraient aider à produire des informations concrètes sur comment les réfugiés et migrants pourraient profiter des opérations IRE, même s'ils ne sont pas toujours les bénéficiaires directs des projets IRE**.

En ce qui concerne l'efficacité à contribuer à l'objectif sous-jacent de la décision MPE, à la fin de 2017, **15,5% du volume de la totalité des opérations signées ont contribué cet objectif**. Conformément à la décision MPE, la grande majorité (82%) du

financement de ces opérations se concentre sur les pays du voisinage ou les Etats en préadhésion. Les projets de transport constituent la catégorie la plus importante, mais les lignes de crédit et les projets énergétiques sont également inclus dans le portefeuille. Il est actuellement difficile d'évaluer les effets réels de ces opérations puisque le cadre REM n'inclut pas d'indicateurs spécifiques pour l'objectif sous-jacent.

La **BEI a réussi à conférer aux bénéficiaires les avantages financiers résultant de la garantie de l'UE**, car les conditions d'emprunt offertes par les prêts MPE sont nettement meilleures que les alternatives du marché. C'est particulièrement le cas des échéances, qui sont considérablement plus favorables que les alternatives disponibles. En conférant ces avantages, la politique d'allocation au titre du MPE est conforme à la politique de notation de crédit définie dans l'accord de garantie conclu entre la Commission et la BEI. La très grande majorité des opérations du portefeuille MPE est réalisée dans des pays qui se situent en dessous du seuil de financement et qui n'auraient pas pu être repris dans le mécanisme sur risques propres de la BEI.

Au cours du processus de consultation de l'évaluation, les personnes interrogées ont souligné deux effets imprévus liés aux avantages financiers des prêts dans le cadre du MPE: le risque d'éviction d'autres sources de financement (IFI) et les effets de distorsion potentiels des opérations du secteur privé sur les marchés financiers. La BEI prend des mesures pour éviter ces deux risques: en finançant (en général) 50% des investissements, en évaluant le positionnement non concurrentiel sur le marché du crédit local et en appliquant des mécanismes de dialogue et de coopération avec les autres institutions financières internationales. Toutefois, afin de prendre note des préoccupations soulevées par certains acteurs concernés, il est recommandé que la BEI fournisse davantage de renseignements aux services de la Commission sur ces mesures à travers les rapports annuels, les procédures de l'article 19 ou des communications informelles.

En ce qui concerne les **obstacles** à la réalisation des objectifs, le **risque de change** est considéré comme un obstacle important à l'efficacité du MPE, car les principaux bénéficiaires préféreraient l'utilisation des devises locales. La Banque a déjà pris des mesures pour résoudre le problème grâce à des accords avec des banques centrales et à des contrats avec des institutions financières privées couvrant le risque de change. Cependant, ces solutions ne sont pas toujours considérées comme rentables. C'est pourquoi il est recommandé d'envisager un nouveau soutien financier de l'UE pour les prêts en devises sous le MPE.

Modalités d'instruction de projets et de rapport

Les outils d'évaluation des projets utilisés par la BEI sont efficaces dans la sélection des projets pertinents car ils comprennent une analyse des besoins des bénéficiaires et des emprunteurs, de leur capacité et de la solidité du projet. De plus, des examens du secteur financier par pays sont effectués pour évaluer les marchés financiers sur lesquels la BEI opère. Ces examens sont pris en compte lors de l'évaluation du projet. En outre, l'instruction du projet tient compte des stratégies du pays auxquelles les opérations contribuent, ce qui montre que la BEI est consciente du cadre stratégique au niveau national et de la manière dont ses interventions s'y intègrent. Un point à considérer est d'expliquer dans la méthodologie du cadre REM comment la BEI prend en compte les indicateurs pertinents de la Déclaration de Paris de 2005 sur l'efficacité de l'aide, mentionnée par la décision n° 466/2014/UE et la décision (UE) 2018/412. La BEI fait expressément mention de cette déclaration dans les

normes environnementales et sociales de la Banque, mais elle n'est pas explicitement reflétée dans le cadre REM.

Dans l'ensemble, les **rapports de la BEI** ont permis à la Commission d'évaluer la conformité des opérations de financement de la BEI avec la décision n° 466/2014/UE. Toutefois, la décision amendée (UE) 2018/412 a apporté quelques modifications en ce qui concerne les éléments sur lesquelles la Commission doit rendre compte. Ainsi, pour améliorer le respect de la nouvelle décision, les futurs rapports annuels de la BEI à la Commission devraient contenir : des indicateurs relatifs aux droits de l'homme et à l'égalité des sexes; des indicateurs spécifiques pour les projets apportant une réponse stratégique aux causes profondes de la migration; rendre compte des mesures visant à maximiser l'engagement local. Afin d'améliorer la communication entre la Commission et la BEI, des mécanismes améliorés au titre de **l'article 19** sont actuellement à examiner, parallèlement à un processus d'amélioration de la communication informelle entre la BEI et des directions générales spécifiques (par exemple DG NEAR).

En ce qui concerne la communication externe, **bien que des efforts aient été faits pour améliorer les activités de communication de la Banque à la suite de la révision à mi-parcours, la visibilité de l'UE auprès des bénéficiaires finaux peut toujours être considérée comme étant faible.** Des communications conjointes de la Commission européenne, du Service européen pour l'action extérieure et de la BEI ont déjà été publiées non seulement au sein des délégations de l'UE, mais également au niveau des directions générales. Cependant, la recommandation de soutenir un « paquet de coopération » (par exemple, des stratégies de communication conjointes entre la délégation de l'UE et les bureaux locaux de la BEI) sur la communication entre les institutions de l'UE reste valable.

Efficiences

Les ressources humaines et financières de la BEI et de la Commission pour la gestion et la mise en œuvre du MPE ont été affectées et utilisées de manière efficace. L'analyse des études de cas montre que la politique de recrutement de la BEI est adaptée à la capacité administrative de l'emprunteur, au type d'instrument et à la complexité du contexte national. Le renforcement de la présence locale de la BEI est un processus continu qui se déroule à travers la colocation de bureaux des délégations de l'UE et de la BEI, ce qui apporte des gains d'efficacité. La charge administrative du financement MPE est considérée comme la moins lourde par rapport aux autres IFI et les intermédiaires financiers (IF) estiment que les charges administratives liées aux financements MPE / BEI sont inférieures ou égales aux autres sources de financement.

Bien qu'aucun problème majeur d'efficacité n'ait été identifié, les leçons tirées des domaines suivants pourraient être utiles pour les activités futures: l'allocation des ressources de surveillance devrait prendre en compte la capacité administrative de l'emprunteur, le type d'instrument et la complexité du contexte national; en général, la valeur de l'assistance technique (AT) dépasse les coûts; une présence locale accrue de la BEI et des efforts de gestion sont des mesures qui augmentent l'efficacité de la mise en œuvre du projet. **Bien que l'assistance technique nécessite des ressources, il est recommandé d'étendre son usage dans le cadre des opérations MPE,** car cela permettrait d'accroître la capacité de gestion des promoteurs et des bénéficiaires, de soutenir la conception des projets (par exemple dans le domaine climatique) et les risques associés aux projets.

Cohérence et synergies

En plus de se conformer aux objectifs MPE et aux stratégies nationales, **les opérations MPE sont conformes aux autres objectifs politiques et / ou instrumentaux de l'UE**. Plus spécifiquement, les opérations de financement de la BEI dans le cadre du MPE contribuent aux priorités de la Stratégie Globale de l'UE en termes de résilience de l'État et de la société et aux objectifs de la Politique européenne de voisinage.

Le MPE est **complémentaire des autres instruments extérieurs de l'UE** en termes de zone géographique (Pays d'Afrique, Caraïbes et Pacifique) et de profil de risque (avec le Fonds européen pour le développement durable (FEDD)). Pour éviter des chevauchements, la BEI travaille en étroite collaboration avec la Commission et d'autres IFI. La complémentarité entre les différentes actions de l'UE est assurée par des échanges entre la BEI et la Commission et la participation de la BEI au conseil stratégique du FEDD ainsi que par le cofinancement d'autres IFI et la combinaison avec d'autres sources de financement de l'UE. Comme la BEI couvre en règle générale jusqu'à 50% des coûts du projet, son activité dans les régions couvertes sous le MPE est souvent mise en œuvre en cofinancement avec d'autres **institutions financières européennes et internationales**, d'autres **agences nationales / bilatérales, tels que KfW ou l'Agence Française de Développement et / ou en combinaison avec d'autres sources de financement de l'UE**.

La combinaison de l'expertise et des connaissances locales des banques nationales de développement ou d'autres IFI avec la capacité financière de la BEI est un moyen pour assurer une **amélioration continue de la cohérence et les synergies du MPE**. De solides relations en matière de cofinancement avec d'autres IFI et banques nationales de développement permettent au MPE de compléter les activités menées par d'autres institutions financières. La mise en commun des ressources est susceptible de générer des économies d'échelle et de diversification et de mutualiser les risques. En même temps, la combinaison de ressources peut prendre plus de temps dans la phase de conception et est parfois associée à de longues négociations. Le temps de conception pourrait être raccourci par la **création d'une procédure pour une dotation globale** pour l'assistance technique au profit des projets prioritaires et / ou des projets dans les régions prioritaires, à l'instar du FEDD.

Impact et durabilité

L'analyse d'impact et de durabilité n'est normalement réalisée que lorsque l'intervention est suffisamment avancée pour permettre une évaluation de ses effets à long terme. Compte tenu de l'état d'avancement de la mise en œuvre du MPE 2014-2020, l'impact et la durabilité ont été évalués prospectivement, c'est-à-dire en termes d'impacts et de durabilité prévus.

La BEI demande à ce que les bénéficiaires se conforment à ses lignes directrices environnementales et aux mesures de durabilité prises en compte durant l'instruction du projet. La Banque surveille les impacts environnementaux et économiques de ses opérations en examinant des indicateurs tels que l'emploi, l'efficacité énergétique, l'empreinte carbone et les recettes fiscales.

La décision MPE prévoit que les activités de la BEI dans le contexte de la préadhésion devraient tenir compte des priorités de l'UE pour préparer ces pays aux obligations et aux défis de l'adhésion à l'UE. En 2017, la BEI a consacré près d'un cinquième de ses ressources de conseil au renforcement des capacités institutionnelles. L'objectif principal

de ces activités était de renforcer les connaissances et l'expertise des institutions locales pour la mise en œuvre des opérations futures. Ils ne sont pas mis en œuvre dans le cadre d'opérations individuelles, mais ont un caractère plus transversal.

Un résumé des recommandations de l'évaluation est présenté dans le tableau ci-dessous.

Domaine	Recommandations
Diplomatie économique et internationalisation des PME de l'UE	<p>Mettre en œuvre des concepts de diplomatie économique et d'internationalisation des PME de l'UE dans les lignes directrices opérationnelles techniques régionales pour les opérations de la BEI dans le cadre de la décision MPE, compte tenu de l'éligibilité à l'APD</p> <p>Après la mise en œuvre des concepts, l'ajustement de l'objectif global actuel sur l'intégration régionale pourrait être envisagé afin d'inclure le concept de diplomatie économique de manière à créer des synergies avec d'autres actions dans le cadre du MPE, mais aussi avec d'autres instruments UE / Etats membres.</p> <p>Après la mise en œuvre des concepts, l'inclusion de l'internationalisation des PME de l'UE en tant qu'élément spécifique de la diplomatie économique pourrait être considérée</p>
Ajustement au nouvel objectif de haut niveau	<p>Ajuster à la méthodologie du cadre REM résultant de l'inclusion du quatrième objectif de haut niveau et de l'introduction de nouveaux indicateurs ou d'une personnalisation des indicateurs du cadre REM, qui sont pertinents pour le nouvel objectif</p> <p>Détailler dans les lignes directrices de l'IRE sur la manière dont les projets IRE contribueraient : à l'autosuffisance des réfugiés, migrants, communautés d'accueil et de transit et communautés d'origine ; au renforcement de l'action humanitaire ; et au soutien à la création d'emplois décents</p> <p>Renseigner dans la justification de l'IRE sur les besoins et les effets escomptés sur les réfugiés / migrants (le cas échéant) ainsi que sur la contribution à la résilience économique à long terme des réfugiés, migrants, communautés d'accueil et de transit</p>
Cadre REM	<p>Intégration des indicateurs de genre dans le cadre REM (à développer par le groupe de travail créé suite à l'adoption du Plan d'Action interne sur l'égalité des sexes)</p> <p>Considérer l'inclusion des indicateurs REM dans les rapports annuels MPE qui soutiennent l'évaluation des effets sur l'intégration régionale</p> <p>Inclure dans la méthodologie du cadre REM une explication sur la méthode de la BEI pour prendre en compte les indicateurs pertinents dans le cadre de la Déclaration de Paris sur l'efficacité de l'aide de 2005</p>
Changement climatique	<p>Participation accrue de la BEI aux premiers stades des projets avec des composantes d'adaptation aux changements climatiques</p> <p>Examen de la norme de performance en matière d'émissions</p> <p>Augmenter les efforts pour des volets spéciaux consacrés aux actions de lutte contre le changement climatique pour les prêts aux PME / MidCaps et pour les projets financés par des intermédiaires financiers apportant une contribution à la lutte contre le changement climatique</p>
Modalités spécifiques de mise en œuvre	<p>Envisager de fournir plus d'informations aux services de la Commission européenne, le cas échéant, telles que:</p> <ul style="list-style-type: none"> un échantillon d'analyses réalisées / mesures prises par la BEI pour éviter les effets de distorsion sur les marchés financiers

- des indicateurs de l'amélioration de la concurrence dans le secteur financier, par ex. effets sur les banques de second rang
- résumé des documents du pays au moment de la soumission du projet

Les options à considérer comprennent: les rapports annuels à la Commission, procédures au titre de l'Article 19 et / ou communication informelle

Continuer le progrès en vue d'assurer une visibilité commune de l'UE dans tous les pays MPE

Envisager un nouveau soutien financier de l'UE pour les prêts en devises dans le cadre du MPE

Développer une dotation globale pour l'AT, ce qui permet d'étendre l'usage de l'AT dans les opérations MPE

1 Introduction

This final report presents the results of the research carried out in the framework of the 'Evaluation of the application of the European Investment **Bank's External Lending Mandate (ELM)**' including support for input regarding the **impact assessment** of possible options for a stand-alone legislative proposal building on the ELM for the post-2020 period or a new legislative proposal as part of a larger framework for external financing instruments'.

This report presents the evaluation element of the assignment, while the final report for the input study for the impact assessment has been submitted separately.

The report follows the requirements of the Terms of Reference and the subsequent discussions with DG ECFIN and the evaluation Steering Committee during the Inception phase of the assignment. In particular, it presents:

- the ELM background, including objectives and geographical scope, and results of previous evaluation and impact assessment exercises (chapter 2);
- a description of the purpose and methodology of the evaluation (chapter 3);
- the portfolio analysis of ELM operations (chapter 4);
- the analysis and answers to the evaluation questions (chapter 5);
- overall conclusions and recommendations (chapter 6);
- Annexes: Intervention logic, Targeted stakeholder survey results, Workshop minutes, References, EIB compliance with Aid Effectiveness indicators, and Risk pricing without EU Guarantee.

2 The ELM: background and objectives

This chapter provides a description of the External Lending Mandate and it introduces some of the key concepts and elements of the ELM that form the basis of this evaluation.

2.1 Introduction to the External Lending Mandate (ELM)

The core mission of the EIB is to finance investments in the European Union. Additionally, some of the operations of the EIB are in targeted third countries to support EU external policies. These operations are performed under the following legal frameworks:

- **External Lending Mandate (ELM)**, currently covering 63 countries and/or territories in four regions¹: Pre-Accession countries; the EU Southern and Eastern Neighbourhood and Russia (MED and EAST); Asia and Latin America (ALA); and the Republic of South Africa²;
- **Own Risk Facilities (ORF)**, which cover operations in Pre-Accession and Neighbourhood countries, as well as globally in support of climate and strategic investments. Under ORF, the EIB lends at its own risk for investment-grade operations;
- **The Cotonou Partnership Agreement**, which covers operations in the 78 African, Caribbean and Pacific (ACP) states and Overseas Countries and Territories (OCTs) with the overarching objective to reduce and eventually eradicate poverty.

The current ELM was established on 16 April 2014 (Decision 466/2014/EU³) and the current mandate covers financing operations signed during the period 2014-2020⁴. The operations performed under the ELM aim to leverage EIB financing and enhance the impact in third countries. The ELM entails a guarantee from the EU to the EIB, which is administered by the European Commission and protects the second from potential financial risks linked to these operations. The guarantee allows the EIB to preserve its credit rating, while expanding the lending portfolio in support of EU external policies and maintaining attractive lending rates.

The need for this guarantee stems from the EIB obligation under its statutes to ensure adequate security for all its lending operations and the need to safeguard its creditworthiness in general. The guarantee allows the EIB to preserve its high credit rating despite its higher leverage in comparison to other International Financial Institutions (IFIs) and the significantly higher risk of lending in third countries, which otherwise would potentially put the high credit rating at risk and consume more capital or reduce lending.

¹ Excluding Africa, Caribbean and Pacific.

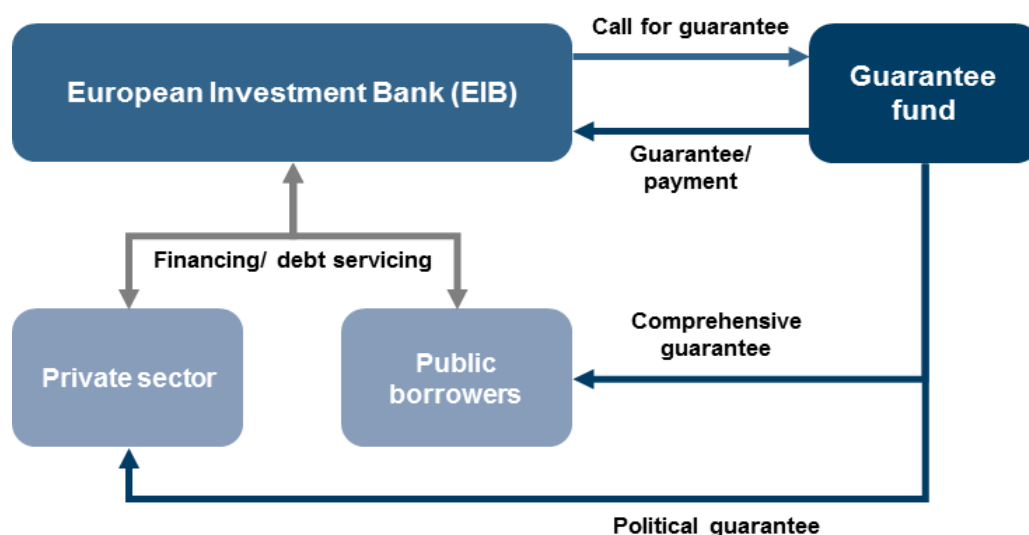
² The full list of eligible countries is listed in Annex III of Decision 466/2014/EU.

³ Amended by Decision (EU) 2018/412 of the European Parliament and of the Council of 14 March 2018.

⁴ The current ELM is the renewal of the previous period 2007-2014, which was established by Decision 1080/2011/EU of 25 October 2011.

The Guarantee Fund for external actions⁵ has been established to form a buffer between calls under facilities such as the ELM and other instruments and the EU budget. The fund covers defaults on loans and loan guarantees granted to non-EU countries or for projects in non-EU countries.⁶ The lending operations covered by the guarantee relate to three different instruments: European Investment Bank (EIB) External Lending Mandate, Euratom loans and Macro-Financial Assistance. The Guarantee Fund is currently maintained at 9% of outstanding loan disbursements.

Figure 2-1 Simplified overview guarantee under External Lending Mandate⁷



Source: Authors' elaboration

An overview of the functioning of the guarantee under the External Lending Mandate is presented in the figure above. In principle, the EIB grants or issues loans, loan guarantees and debt capital market instruments for eligible EIB investment projects. The guarantee covers either sovereign or non-sovereign counterparts lending. The Public sector is covered by the comprehensive guarantee, which is provided for financing operations where the borrower (or a guarantor) is a local, regional or central government or corporations under state control or benefitting from a State guarantee (Public borrowers). In addition, the comprehensive guarantee has been extended to the private sector under Economic Resilience Initiative (ERI). The political guarantee is provided for cases not covered by the comprehensive guarantee. It only covers non-payment due to non-transfer of currency, expropriation, war or civil disturbance, and denial of justice upon breach of contract.

The size of the fund depends on the liabilities under the ELM. For the period 2014-2020, the original maximum ceiling of the ELM financing under the EU Guarantee of €30 billion was broken down into a fixed ceiling of a maximum amount of €27 billion and an optional additional amount of €3 billion. As explained further below, a change in the ceiling (increase up to €32.3bn) was recently adopted in March 2018.

⁵ Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009. See <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009R0480&from=EN>.

⁶ The GF pays creditors in the event of default by a beneficiary that received a loan or guarantee by the EU.

⁷ Special cases of guarantee coverage (i.e. operations falling under the Economic Resilience Initiative and APEX loans) might differ from the logic depicted here, and are discussed further in the report.

2.1.1 ELM objectives and geographical scope

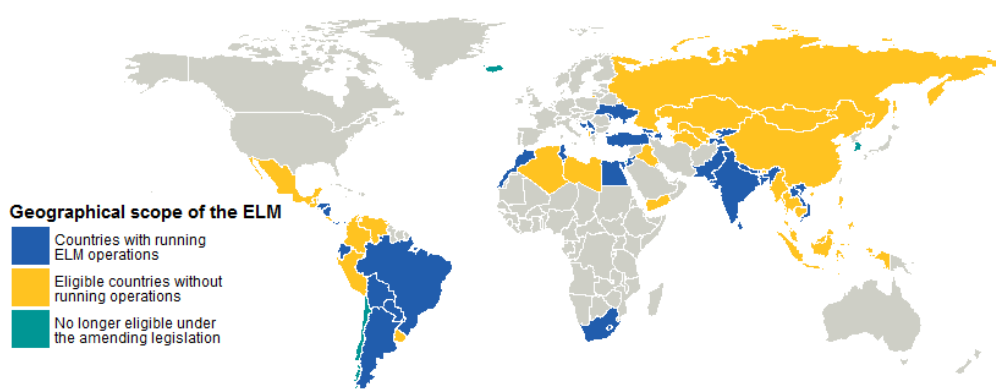
According to Decision (EU) 2018/412 amending Decision No 466/2014/EU⁸, the ELM operations need to fit under at least one of the following high-level objectives:

1. **Local private sector development**, in particular support to small and medium-sized enterprises (SMEs);
2. **Development of social and economic infrastructure**, including transport, energy, environmental infrastructure, information and communication technology;
3. **Climate change mitigation and adaptation**;
4. 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.

The operations may also contribute to the **underlying objective of regional economic integration**, in particular economic integration between Pre-Accession countries, Neighbourhood countries and the EU.

The figure below shows the geographical distribution and focus of EIB loans under the ELM. The figure shows the scope of eligible countries, countries with running ELM operations and countries no longer eligible under the current mandate. The list of eligible countries opens the possibility of lending to these countries. The EIB's decision to lend under the ELM are guided by the EU external action priorities, its allocation policy and are subject to the signature of a framework agreement with the country.

Figure 2-2 Geographical distribution of EIB loans under the ELM



Source: Ecorys

In order to ensure the most effective use of the EU guarantee, some of the ELM eligible countries are covered by the bank's ORFs. These funds complement the ELM and maximise the leverage of the EU guarantee allowing the Bank to operate in countries and with counterparts where the allocation policy invites EIB to lend at its own-risk and where the Bank would not otherwise be able to operate. For each of its operations in ELM regions, the EIB decides whether to solicit or not the EU guarantee according to its allocation policy and informs the European Commission accordingly. The criteria for soliciting of the EU guarantee are defined in the ELM Guarantee Agreement and take into account the nature of the counterparty, the credit risk rating of the project in accordance with the Bank's Credit Risk Guidelines. It also takes into account the risk

⁸ Article 3 of the DECISION (EU) 2018/412 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 March 2018 amending Decision No 466/2014/EU

absorption capacity and the country limits if applicable (See section 4.9 on Credit rating analysis).

2.1.2 Changes in the amending legislation

A number of changes to the initial set-up of the ELM were recently brought about with the adoption of the Decision (EU) 2018/412 (amending Decision No 466/2014/EU) in March 2018, which expanded the EIB's External Lending Mandate both quantitatively and qualitatively. Such an expansion was prescribed by the need to align EU external investment with new external action priorities to respond to the migration crisis.

In line with the External Investment Plan (EIP)⁹ and the EIB Economic Resilience Initiative, the amending legislation therefore adapts the ELM framework to the new EU external challenges. These include the refugee crisis, the UN Sustainable Development Goals and the fulfilment of the climate objectives under the Paris Agreement. The changes aim to efficiently mobilise and leverage sustainable public and private investments for these purposes.

The main amendments provided in the 2018 amending legislation are as follows:

- Addition of **a new (fourth) high-level objective addressing 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**¹⁰ for the remaining ELM period. The amending legislation states that complementarity and coordination with EU initiatives addressing root causes of migration should be ensured, including with EU support for the sustainable reintegration of returned migrants in the countries of origin;
- The EIB will develop and implement indicators for strategic projects addressing the root causes of migration as needed, and integrate them in its Results Measurement Framework;
- Extension of the EU Guarantee by raising the ceilings to €32.3 billion (as part of the MFF mid-term review):
 - A maximum of €30 billion under the general mandate, of which €1.4 billion earmarked for projects in the public sector directed to refugees and/or host communities in Pre-Accession and Mediterranean countries;
 - An additional €2.3 billion for operations earmarked for projects in the private sector in support of migration-related actions and refugees and/or host communities;
- The comprehensive EU guarantee is set for operations in the private sector addressing the long-term economic resilience of refugees, migrants, host and transit communities, and communities of origin as a strategic response to addressing the root causes of **migration**;
- Increased flexibility for the EIB to switch amounts under the regional ceiling allocations¹¹, but only in the direction of high priority regions;
- Reviewing the list of eligible countries. In detail, Iran is to be added to the list of potentially eligible regions and countries, while some high-income and high-investment grade countries are to be removed (Brunei, Iceland, Israel, Singapore, Chile, South Korea, and Hong Kong and Macao);
- The EIB shall endeavour to sustain a high level of lending in support of climate-related investment. EIB financing under the ELM shall be consistent with reaching a

⁹ See EC (2016a), COM(2016) 581 final, [here](#)

¹⁰ Next to local private sector development, the development of social and economic infrastructure and climate change mitigation and adaptation.

¹¹ From currently 10% between regions to 20%.

target of at least 35% of total EIB financing operations in developing countries by 2020, in line with the efforts undertaken under the Paris Agreement;

- As a key component of the EIB Economic Resilience Initiative, the expansion of the ELM should contribute to fulfil the objectives of the 2030 Agenda for Sustainable Development;
- A provision is added regarding the Guarantee Fund, that in case it exceeds 10% of the EU's total outstanding capital liabilities, the surplus shall be paid back to the general budget of the EU. This is in contrast to the previous situation where surplus exceeding 9% of the total outstanding liabilities would return to the budget.

2.2 Evaluation baseline: the previous impact assessment of the ELM

The current Lending Mandate established in 2014 brought about changes compared to the previous Mandate. The decision for changes was based on the findings from an impact assessment published in 2013, which explored several policy options and compared them to a baseline scenario, in which the previous Mandate would have been continued without any changes. The Better Regulation Toolbox (Tool #46) specifies that where there is a prior impact assessment, it should be the preferred comparison point for the evaluation. Following this approach, this section will present the key elements of the 2013 IA baseline.

The 2013 impact assessment¹² identified shortcomings under the baseline scenario with regards to the **lending mandate's contribution to the external policy objectives of the EU**. Shortcomings were especially identified with regards to **the differentiation policy in Neighbourhood countries**. In the baseline scenario, a risk was identified that it would become increasingly difficult for the Lending Mandate to target less developed countries. A shift of the EIB towards a focus on operations within the EU was expected to **reduce the EIB financing set aside by the Bank for operations with a higher risk**. As a consequence, the Bank would have faced greater difficulties to continue the support of a similar amount and volume of riskier projects, especially in the local private sector. The assessment identified that this would have affected regions, countries, sectors and companies with the greatest need for additional support.

Under the baseline scenario, the impact assessment identified shortcomings with regards to the policy objective on climate action. Incentives to raise the number and volume of operations targeting climate action and reduction of greenhouse gas emissions were missing. While a certain part of the overall volume of the lending mandate (7% or EUR 2 billion) was committed to climate action projects, there was a risk that this would not translate into an adequate reflection of the objective in the allocation of funds. The impact assessment concluded that the volume of the EIB financing to support climate action was too small and noted that **incentives to allocate financial support to climate action projects were lacking**.

Furthermore, the lending mandate described in the baseline scenario was missing out some areas of activity for the EIB, which were of potential interest. **The assessment found that the EIB offers lending options that add value, e.g. due to longer maturities**. However, it also found **shortcomings, especially with regards to the**

¹² EC (2013), Impact Assessment – EIB external mandate 2014-2020, Accompanying the document 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, European Commission. Available [here](#)

support of microfinance. The impact assessment found that under the baseline scenario financing these operations would be difficult, due to a low creditworthiness of potential beneficiaries in the countries targeted.

The lending mandate in the baseline scenario was deemed not fit to meet changing financing needs, with regards to projects in the local private sector in general and with regards to supporting SMEs in particular. The impact assessment identified that the private sector and SMEs were of growing importance to effectively lower unemployment and improve the economic situation of the countries targeted by the lending mandate. In the baseline scenario, where the lending mandate continued to focus on projects of the public sector, such as projects on infrastructure (e.g. transportation, energy, etc.), it would have become increasingly difficult to fully meet the needs from the local public and private sector.

To further address the financing needs of the new group of potential beneficiaries – local public and private entities and SMEs – the assessment identified that in the baseline scenario **the range of operations for which the EU could guarantee was too small.** In addition to microfinance projects mentioned before, this was **particularly the case for “activities linked to the development of an inclusive financial system”,** and the financing of projects, which provide a regulatory and institutional framework that helps to improve the financial systems of the targeted countries.

2.3 Results of the previous evaluations

In addition to the previous IA, preceding evaluations (the 2010¹³ Mid-term evaluation of European Investment Bank External Mandate and the 2016 Mid-term evaluation¹⁴) are also considered under this assignment. The purpose of this section is to present the findings of previous evaluations and a summary of the steps taken by the EIB to address them. More detailed assessment of the steps undertaken with regards to the recommendations, which are also relevant to the scope of this evaluation, is included in the responses to the evaluation questions (Chapter 5).

The key conclusions of the 2010 mid-term evaluation are presented in the table below.

Table 2-1 Key conclusions of the 2010 mid-term evaluation

Key theme	Key conclusions
Relevance	<ul style="list-style-type: none"> The broadness of the ELM introduces the risk that some operations have only a marginal value added and that some key EU policy objectives are not sufficiently targeted. An exception is Eastern Partners Mandate, where EIB operations comply in full with the EU policy objectives
Effectiveness	<ul style="list-style-type: none"> Too many objectives, limited access to concessional funds and limited staff capacity are identified as impediments to effectiveness of the ELM Absorption capacity varies across regions from very high in Asia and Latin America to rather low in other regions. Shortage of EIB staff and TA available for project development are identified as primary causes Monitoring of contractual requirements is found to be unsatisfactory

¹³ COWI (2010), “EIB’s external mandate 2007-2013 Midterm Review”, the Evaluation of the Guarantee Fund for External Actions (March 2010), DG ECFIN, Copenhagen, available at [here](#)

¹⁴ PwC (2016), Final Report for the External evaluation of the application of the European Union Guarantee for the EIB lending operations outside the European Union. Luxembourg, 08 June 2016. Available [here](#)

Key theme	Key conclusions
	<ul style="list-style-type: none"> • Excessively cautious attitude to risk taking and targeting less complex projects with larger financing tickets were found to reduce the Programme effectiveness • Value added to public sector is provided through longer maturity and grace periods, while the additionally of EIB loans to private sector is particularly present in countries with less developed financial markets • Socio-economic and thus development oriented objectives on the mandate cannot be feasibly reached under the external framework conditions under which the EIB operates • Environmental and procurement standards were found consistent with EU policies
Cooperation and Coherence	<ul style="list-style-type: none"> • The early consultations between the Commission and the EIB for strengthened consistency with the external policy objectives of the EU were identified as important • In terms of coherence, in the present mandate co-financing with the Commission has been more limited than under the previous one • Coherence is also limited by the relatively low level of EIB lending to environmental infrastructure projects • High level of cooperation and co-financing with other IFIs reflects EIB statutory provision
Efficiency	<ul style="list-style-type: none"> • Staff productivity in terms of signed loan volumes per staff has increased but this has been at the cost of prioritising less complex and larger operations • The mutual reliance agreement with the KfW and AFD has been likely to improve its efficiency through delegation of appraisal and monitoring to one of the three institutions.

Source: Authors' elaboration based on COWI (2010)

Based on the above findings, the 2010 Mid-term review provided the following recommendations:

- 1) The feasibility and number of objectives should be reviewed and amended to better take into account the instruments available to the EIB and the sizes of the regional mandates;
- 2) Stronger operational content should be developed. For instance, undefined horizontal objectives (such as "environmental sustainability") should be specified through **appropriate operational guidelines**;
- 3) EIB should develop **multiannual financing strategies** for each regional mandate based on the operational guidelines;
- 4) Mandates ceilings should not be considered targets, but only as maxima and the concentration risk of the ELM portfolio should be controlled to reduce portfolio risk;
- 5) EU guarantee cover under the ELM should not be available to investment grade borrowers;
- 6) To improve effectiveness and ensure higher added value to beneficiaries, the EIB staff in terms of number and expertise as well as TA resources should be assessed and **EIB local presence should be strengthened**;
- 7) The procedure of **dialogue and early consultation between the Commission and the EIB** introduced for better consistency of EIB mandate loan operations with EU external policy should be strengthened and made committing for both parties;

- 8) The EIB/EC consultations should include among the consultation documents explicit and clear information on the **contribution of the operation to EU policy objectives** at an operational level.

Overall, most of the above recommendations have already been addressed. Currently the distribution of operations manages to cover all objectives, which means that their number is not unfeasible (1). Environmental issues (2) have been operationalised in a number of guidance documents, while the EIB also develops and submits to the EC multiannual financing strategies at regional level (3). As shown in the portfolio analysis for some of the regions the signed amounts are close to the ceilings, but this is not the case for all of them, so ceilings are not treated as targets (4). The lists of eligible regions and countries and potentially eligible regions and countries was modified by Decision (EU) 2018/412 in order to exclude high-income regions and countries with high credit ratings, namely Brunei, Chile, Iceland, Israel, Singapore, South Korea and Taiwan (5). The EIB local presence and the use of TA are increasing, but as noted also in this evaluation, these processes can be further strengthened (6). The procedures for dialogue and consultation between the EC and the EIB have been strengthened, but their improvement can be considered as work in progress. As for the information on contribution to EU policy objectives – such information is included in the ReM framework (8).

The 2016 mid-term evaluation is of particular importance for this evaluation. It provides conclusions and recommendations based on an analysis of the portfolio of the operations conducted by the EIB under the ELM for the period July 2014-December 2015. The conclusions are structured across five main themes, which are presented below.

Table 2-2 Key conclusions of the 2016 mid-term evaluation

Key theme	Key conclusions
ELM design	<ul style="list-style-type: none"> • full alignment of the ELM operations with the three objectives defined in the Decision • alignment with the Sustainable Development Goals • support for the EU external policy agenda, flexibility and reactivity to geopolitical challenges • compliance with the ELM allocation policy
ELM management	<ul style="list-style-type: none"> • compliance with the requirements of the Decision and contribution to the effective use of the EU guarantee • ReM is absorbing good practices from other IFIs • enhancement of the reporting system are possible • overall efficiency - the management cost induced by the ELM are not higher than the management cost of other comparable operations
ELM added value	<ul style="list-style-type: none"> • without the EU guarantee, the EIB would not have financed most of the projects under consideration • the added value of the ELM financing operations is substantial compared to private sector both in terms of the interest rate and maturity • the existence of the foreign exchange risk drags on the demand for the ELM loans and partially offsets the financial added value of the ELM

Key theme	Key conclusions
Climate change mitigation and adaptation	<ul style="list-style-type: none"> substantial contribution, which exceeds the quantitative target of 25%
The communication and the ELM contribution to the visibility of the EU	<ul style="list-style-type: none"> communication efforts allowed informing the borrower of the EU support, but did not ensure that the visibility of the EU is ensured at the final beneficiary level

Source: Authors' elaboration based on PwC (2016)

Based on the above findings, the mid-term review provides the following recommendations:

- 1) Consider the **review of the eligible countries** list specified in the Decision 466/2014/EU according to the country risk profile;
- 2) **Better target the External Lending Mandate on the EU priorities** in order to improve the response to external policy objectives;
- 3) The ELM would have more impact if there were a consistent **joint EC-EIB strategy communicating on all projects in a country** taken together;
- 4) EEAS should be better associated to the elaboration of the Regional Technical Operational Guidelines¹⁵;
- 5) Consider a **consolidated reporting approach** in order to get a more consistent and more comprehensive picture of the ELM and the use of the blending mechanisms.

The first recommendation of the 2016 evaluation echoes one of the recommendations of the 2010 evaluation and has been mostly addressed via Decision (EU) 2018/412 (see section 2.1.2). Responsiveness to external policy objectives (2) is a continuous process and in terms of geopolitics the ELM operations can be considered as responsive to policy objectives. As noted in this evaluation, the dimension of EU economic diplomacy (also mentioned by the 2016 evaluation), although economic diplomacy is not defined or explicitly included as objective in the ELM Decision, the financing operations under the ELM contribute to it (see the response to EQ1). There is substantial progress on the EC-EIB communication activities (3), but addressing this recommendation is still work in progress (see the response to EQ13). The involvement of the EEAS in the process of developing guidelines documents is growing and their opinion will be considered in the update of the Regional Technical Operational Guidelines (4). The reporting has not been identified as a major problem during this evaluation (5), but there is room for improvement of the use of Technical Assistance under the blending mechanisms (see the response to EQ25).

¹⁵ EC (2015a), "Regional Technical Operational Guidelines for EIB operations under Decision 466/2014/EU", Commission Staff Working Document.

3 Purpose and methodology of the evaluation

The evaluation covers the recently adopted amendment of the ELM and includes data for the period from **April 2014 until December 2017**. The evaluation criteria that are covered by the evaluation, its limitations, and methodology are presented in the following sections.

3.1 Evaluation criteria and key questions

This section presents the five evaluation criteria, and looks into the areas covered by them.

Relevance

The main goal of the assessment of relevance is to analyse the extent to which the high-level ELM objectives are relevant considering the changing global context. More specifically, the following dimensions of the context are covered:

- External economic, social and political environment in the country of intervention;
- External EU priorities and policy agenda, including sustainable development, climate change and EU response to migration crisis.

Combined together, the above elements provide a complete picture on the extent to which the Mandate is relevant to the latest geopolitical developments. Another dimension of relevance concerns the set of indicators and criteria in the Results Measurement Framework (ReM) for the assessment of the achievement of the high-level objectives.

Effectiveness

Overall effectiveness is the extent to which the implementation of the ELM is contributing to the defined objectives. It has several key dimensions:

- Contribution of the ELM to supporting private sector development;
- Contribution of the ELM to supporting the development of social and economic infrastructure;
- Contribution of the ELM to climate change mitigation and adaptation;
- Contribution of the ELM to the underlying objective of regional integration;
- Expected contribution to the newly added fourth high-level objective;
- Financial advantages of the EIB financing under the ELM;
- Effectiveness of the tools and methods used by the EIB to select appropriate projects;
- Effectiveness of communication.

Cross-cutting dimensions include the identification of potential unintended effects, the overall appropriateness of the allocation policy (in terms of focus and ceilings), and EIB reporting requirements.

Efficiency

This evaluation criterion focuses on the extent to which the ELM implementation has been performed in a cost-effective manner. The key dimensions of efficiency include:

- Use of the human and financial resources, both at Commission and EIB side, considering all requirements set-out in the Decision and related agreements (including in comparison to operations in which EIB blends its own resources with EU budget grants);
- Reasonability of the costs for beneficiaries.

Coherence and synergies

The coherence criterion focuses on the extent to which ELM operations are complementary to other EIB, EU, and Member States interventions. The evaluation also covers specific elements of potential coherence and synergies (e.g. as concerns the compliance to the EIB Gender strategy, the EFSD, the EU energy security strategies, and EU tax policies on non-cooperative jurisdictions).

Impact and sustainability

Considering the status of implementation of the 2014-2020 ELM the impact and sustainability can only be assessed prospectively, i.e. in terms of expected impact/sustainability. This affects the discourse of the evaluation questions as they mostly focus on procedures for ensuring sustainability, role of technical assistance, and fulfilment of environmental and economic requirements by beneficiaries.

3.2 Limitations of the evaluation

In the process of data collection and analysis the research team has identified several key challenges and limitations for the evaluation. These, including the impact they may have had on the evaluation itself, are described in the table below.

Table 3-1 Issues and limitations for the evaluation and the current report

Issue or limitation	Description
Confidentiality	There are some aspects of the ELM operations that require confidential treatment. For instance, while it is possible to acquire general information about interest rates and pricing of the loans, the exact figures cannot be disclosed along with other information contained in the database of operations. However, overall conclusions can be drawn at an aggregate level based on the figures available to the research team.
Limited ELM outreach and number of responses to the online questionnaire	In spite of all the efforts to distribute the questionnaire to the relevant Financial Intermediaries (FIs) and EU Delegations (EUDs), including via EIB and EC channels), there are a number of limitations as concerns the online questionnaire results, which had to be considered in the evaluation process: <ul style="list-style-type: none"> - The online questionnaire was originally sent out to the available contacts of FIs in ELM countries, EUDs in these countries, and international financial institutions (IFIs) - 194 invitations altogether. In order to increase the number of respondents, the EC Services and the EIB also distributed the questionnaire to additional contacts. In total 46 responses were received (33 from FIs and 11 from EUDs and two IFIs¹⁶), of which 24 reached the end of the questionnaire, despite

¹⁶ Considering the low number of responses from IFIs, they are not included in the analysis of the survey results.

Issue or limitation	Description
	<p>additional interventions of the European Commission and the EIB.</p> <ul style="list-style-type: none"> - In addition, not all respondents to the questionnaire were aware of the ELM (12 of the respondents, of which 3 EUDs and 9 FIs, claim they are not aware of the ELM). For the FIs, to some extent, this is understandable as not all FIs that were approached have been involved in ELM operations. Overall, EUDs reported basic (5 responses) or no knowledge (3 responses) of the ELM (2 respondents with fair knowledge and 1 respondent who did not specify knowledge level), which shows that the awareness of ELM, in particular within EUDs, offers rooms for improvement (an issue that is further analysed in the evaluation). <p>Considering the above limitations, in the analysis, we have only considered the responses of FIs who were involved in ELM operations (17 respondents) and EUDs with ELM knowledge (7 respondents) to avoid hearsay opinions, which are not founded on direct experience and knowledge.</p> <p>Despite the low response rate the homogeneity of the responses was relatively high, which strengthens the robustness of the assessment of the answers. Furthermore, the spread of responses was acceptable covering approximately a third of the countries with active ELM operations. Taking note of the above limitations, the results of the online questionnaire have been used mostly in triangulation with the findings based on desk research and interviews. The online survey allowed taking stock of the opinion of FIs and EUDs and thus brought valuable input for answering the evaluation questions.</p>
Limited number of case studies	<p>As per the ToR, the number of case studies performed under the evaluation is ten (5 new ones and an update of 5 cases from the mid-term evaluation in 2016). While, the sample selected in the Inception phase is considered representative, it should be kept in mind that the number of cases reviewed is limited as compared to the overall number of ELM operations. In order to address this limitation, the evaluation team also performed a portfolio analysis.</p>
Interviews with borrowers/promoters were also attended by EIB staff	<p>Interviews with borrowers/promoters took place for the selected case studies and provided input for the findings of the evaluation. Note should be taken that the interviews were also attended by EIB staff, which is considered by the Bank as a standard practice for interviews with EIB clients. In order to diminish possible influence of the responses of the interviewees, the interviews were attended by EIB staff not involved in ELM implementation. In addition, during the interviews, the EIB staff had an observer role, i.e. they did not take part in asking, or answering questions. Nevertheless, it cannot be excluded that the mere presence of the EIB has had an influence on the responses of the interviewees.</p>
Quantification of efficiency	<p>Similarly to the 2016 evaluation, there are currently no data that allow for quantification of efficiency. To some extent this evaluation relied on numbers provided by the EIB and EC on man/days for monitoring and FTEs, but the assessment of efficiency has been mostly qualitative.</p>
Limitations to assessing impact and sustainability, as well as the new fourth high-level objective	<p>Usually impact and sustainability are assessed a few years after the completion of operations. Considering the current stage of progress of ELM operations, the assessment of impact and sustainability mostly relies on assessment of procedures and mechanisms expected to ensure impact/sustainability, including on issues like</p>

Issue or limitation	Description
	<p>impact on financial market, rather than the actual measurement of impacts.</p> <p>Similar limitations apply for the fourth objective added by the amending legislation. Since it was only recently adopted, (entry into force in April 2018) there is currently no sufficient implementation data that would enable a thorough analysis of the achievement of this objective. Therefore, the analysis only relies on the information that is currently available.</p>

In spite of the above limitations, the gathered data and opinions throughout the evaluation allow sufficient input for answering the evaluation questions. The online survey results are treated carefully with a clear presentation of the number of responses and respondents. The limits of quantifying efficiency and assessing impacts and sustainability are also clearly stated in the text.

3.3 Methodology

This section describes the data collection and the analytical tools used to answer the evaluation questions. Several data collection tools were employed to cover the topics required to answer the evaluation questions. To ensure that different opinions are adequately represented, the evaluation team **reached out to a large number of stakeholders**. Besides the extensive **desk research, case studies** were conducted to shed light on topics of particular relevance or importance for the evaluation. In addition, the database of ELM operations provided by the EIB formed the basis of the **portfolio analysis**.

3.3.1 Data collection

Data collection for the assignment had already begun at the inception stage. Many of the activities, and in particular **desk research, stakeholder consultations** and the **analysis of the database** of ELM operations progressed relatively fast in order to meet the needs of the shortened duration of the impact assessment. Subsequent data collection activities included the **review of the documentation for the case studies** and the design and launch of the **targeted stakeholder survey**. Finally, interviews at the EIB premises enabled a more in-depth discussion on topics identified in the interim report.

3.3.2 Desk research

The desk research included the review of strategic documents (legal texts, strategy plans or other official documents), previous evaluations and impact assessments, reports and other policy or academic sources. The desk research also included a portfolio analysis of the ELM operations, based on the database described in the following section and project documentation. The full list of references used is presented in Annex 3.

3.3.3 Database

The database used for the portfolio analysis contains data on all of the 132 operations under the External Lending Mandate, reflecting their status as of 31.12.2017. It has information on:

- General description and identifiers of the project (operation and contract numbers, name, country, region and sector);
- Status (signed, approved, etc.);
- Guarantee type and mandate;
- Signature dates;
- Approval time in months;
- Types of beneficiaries;
- Financial characteristics (currency, volume, project cost, percentage of EIB contribution, disbursements, financing type, etc.);
- Climate Change indicator (as a percentage of EIB financing operations signed, the extent of their compliance with Climate Action definitions, sectors and activity types);
- Cooperation with other IFIs/DFIs/co-financers (co-financing, blending with grants, technical assistance source).

In addition to the information above, the EIB has provided more detailed information on some of the specific aspects of the operations. This includes a comprehensive sectoral breakdown of the operations, with NACE classification name and volume of the loans (signed). In addition, a separate table was provided with an overview of the operations with an investment grant component. This also contains information on the organisations administering them. Data on climate indicators, operations addressing regional integration and under the Economic Resilience Initiative (ERI) come from separate databases, also made available by the EIB. The additional data provided on specific aspects of ELM operations made it possible to provide more detailed answers to the respective evaluation questions.

3.3.4 Stakeholder consultation

The consultation activities of the evaluation/IA as included in the proposal were adjusted during the Inception phase due to the changed requirements for the study and resulted in a Consultation strategy, which has been submitted earlier to DG ECFIN. The consultation activities cover the five main evaluation criteria: effectiveness, efficiency, relevance, coherence, and EU added value.

The evaluation relies on several consultation activities to ensure the completeness of the information gathered. The consultation strategy was designed to collect responses from a wide array of stakeholders and ensure that a more complete representation of the diverse views and interests is taken into account as part of the assignment.

The **interviews** carried out were semi-structured in order to allow for exploring and probing of issues that may come up during the conversation. In order to ensure the soundness of the design, the feasibility and completeness of the evaluation and the impact assessment, **scoping meetings/interviews** were carried out in the inception and interim phases with DG ECFIN and the EIB.

Besides the EC, **fourteen stakeholders were invited for in-depth interviews**. This includes 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.

During these interviews, both topics covering questions related to the evaluation and the input study for the impact assessment were covered.

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 consultation 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 high number of EIB officials. The second visit also included meetings with relevant officers responsible for the ten operations covered by the case studies.

As part of the data collection, a **targeted online survey was launched in April**. 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 (see Annex 2). Because of the wide-ranging experience of the stakeholders consulted, the targeted consultation consists of more specific and detailed questions that can be used to add further details to the answers to the evaluation questions.

The total number of respondents for the targeted online survey was 46 (initially 194 invitations were sent to different contacts). Out of this, 24 reached the end. The large majority (70%) claim to have at least basic knowledge of the ELM. The responses cover 13 different countries¹⁷, more than third of the total (i.e. countries with active ELM operations). As mentioned in the limitations (section 3.2), considering the limited number of responses and the limitations in ELM awareness of the participants, the main purpose of the targeted stakeholder survey is to complement the input received through in-depth interviews, and therefore any further information gathered through it contributes to the completeness of the evaluation.

Table 3-2 Consultations by type of institution/stakeholder and activity

Type of stakeholder	Interviews	Visits	Follow-up interviews	Targeted online survey	Stakeholders involved
EIB	0	2	4	0	46
European Commission	6	0	1	0	9
EEAS	1	0	0	0	2
IFIs & DFIs	1	0	1	2	4
NGOs	1	0	0	0	1
Other	1	0	0	1	2
Financial intermediary	0	0	0	33	33
Beneficiary	10	0	0	0	10
EU delegation in third country	0	0	0	11	11
Total	20	2	6	46	118

¹⁷ These are: Turkey, Georgia, Serbia, Kyrgyzstan, Moldova, Ukraine, Argentina, Armenia, Montenegro, Palestine, Tunisia, Vietnam

A workshop was organised after the submission of the draft final report to validate the conclusions of the evaluation and to formulate recommendations. The participants represented NGOs and the research community, as well as the EIB and the EC. The minutes of the workshop can be found in Annex 6.

An overview of the stakeholder/institution groups (to be) consulted for the various activities and the indicative sequencing of the activities is provided in Table 3-3.

Table 3-3 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 intermediaries		X	
Researchers			X

3.3.5 Analytical tools and answers to the evaluation questions

The analysis carried out in Chapter 5 is based on the data gathered at the data collection stage (i.e. **analysis of the results of the desk research, the database and stakeholder consultation**). Generally, **descriptive statistics** are particularly applicable to answer questions under the effectiveness and efficiency evaluation criteria. The **intervention logic** (see Annex 1) was used to guide the analysis and mainly informed the analysis on relevance and coherence.

Descriptive statistics - portfolio analysis

The portfolio analysis builds on the database described above and mainly consists of descriptive statistics applied to specific characteristics of the ELM operations. The key aspects of examined in the portfolio analysis are:

- geographical and sectoral distribution;
- progress and characteristics of the operations falling under the Economic Resilience Initiative
- financing type;
- beneficiary type;
- the duration of appraisal;
- disbursement rate;
- co-financing and blending;
- climate action indicators;
- credit rating analysis of the EIB-funded projects.

In addition, it also contains information on the average total volume of the project, the average size of EIB contribution and the, average EIB contribution as a percentage of the total financing needs.

Intervention logic analysis

As noted in the Better Regulation Toolbox, the intervention logic is a tool, which helps to explain and visualise the different steps involved in the intervention, and their dependencies through a representation of the expected "cause and effect" relationships. The mid-term review in 2016 included the development of the intervention logic of the ELM in cooperation with DG ECFIN and the EIB during a dedicated workshop. In the Inception stage of this assignment it has been slightly modified in order to include the new objective of the amending legislation (on migration). The revised intervention logic is included in Annex 1.

The intervention logic provides a framework for the analysis, helps to assess whether needs were sufficiently addressed, and whether the objectives have been reached. The intervention logic is also vital for the identification of EQs, as it points out relationships and processes that could be further investigated. The evaluation matrix therefore also builds on the ELM intervention logic.

Case studies

In addition to the use of the portfolio database as presented above, case studies are used to shed light on the complexity and practical details of the ELM implementation. They are a step further from the portfolio analysis and focus on 10 specific projects: update of five case-studies of EIB financing operations from the 2016 Mid-term evaluation and five new case studies.

Although their number is limited (as mentioned in section 3.2), the cases have a broad geographical and sectorial coverage, and take into consideration the variety of financial instruments and types of guarantees used. Furthermore, they cover the high-level objectives of Decision No 466/2014/EU and the amendment recently adopted.

Based on the above criteria, we used the following 10 desk-based case studies for the evaluation:

Table 3-4 Case studies

Operation name	Update/New	Country	Region	Sector	Financing Type	Objective(s)
SAO PAULO ROLLING STOCK	Update	Brazil	Latin America	Transport	Investment Loan	2 and 3
ZIRAAT BANK IPARD MBIL	Update	Turkey	Candidate countries	Agriculture, fisheries, forestry	Multibeneficiary intermediated Loan	1 and 3
OUARZAZATE III (TOWER)	Update	Morocco	Mediterranean countries	Energy	Investment Loan	2 and 3
IDF LOAN FOR SMES & PRIORITY PROJECTS II	Update	Montenegro	Candidate countries	Credit lines	Multibeneficiary intermediated Loan	1
ARMENIA APEX LOAN FOR SMES	Update	Armenia	Russia, East.Europe,South. Caucasus	Credit lines	Multibeneficiary intermediated Loan	1
CAIRO METRO LINE 3 (PHASE 3)	New	Egypt	Mediterranean countries	Transport	Investment Loan	2 and 3
UKRAINE HIGHER EDUCATION	New	Ukraine	Russia, East.Europe,South. Caucasus	Industry, Education	Framework loan	2 and 3
APEX LOAN FOR SMES & MID-CAPS (UKRAINE)	New	Ukraine	Russia, East.Europe,South. Caucasus	Credit lines	Multibeneficiary intermediated Loan	1
LEBANON PRIVATE SECTOR SUPPORT	New	Lebanon	Mediterranean countries	Credit lines	Multibeneficiary intermediated Loan	1 and 4
FOOD & DRINKS BUSINESS DEVELOPMENT MOROCCO	New	Morocco	Mediterranean countries	Industry	Investment Loan	1 and 4

The following documents, which cover different stages of project cycle, were reviewed:

- Preliminary Information Notes (PIN);
- Appraisal reports;
- Appraisal Fact Sheets;
- ReM fact sheets;
- Board of Directors reports;
- Annual Project Monitoring Reports (PMR) and Progress Reports.

The data gathered was used to create a matrix with evaluation criteria, judgement criteria, indicators and the assessment of elements covered. As described above, the second visit to the EIB yielded further information on each operation.

Overall, the material gathered from the case studies contributed (to varying degrees) to answering the questions covering effectiveness, efficiency, coherence and synergies, and impact and sustainability criteria.

4 Portfolio analysis of ELM operations

4.1 Regional distribution

The ELM Decision (Decision No 466/2014/EU)¹⁸ specifies ceilings split on a regional basis for the allocation of EIB financing covered by the guarantee. It stipulates that these ceilings should not be interpreted as targets, but rather as a spending cap. The Decision also allowed for some flexibility in this distribution: “Within the overall fixed ceiling, the EIB governing bodies may decide, after consulting the Commission, to reallocate an amount of up to 20 % of the sub-regional ceilings within regions and up to 10 % of the regional ceilings between regions.” In the 2018 amending legislation¹⁹, this flexibility is increased so that the proposed reallocation could reach “an amount of up to 20% of the sub-regional ceilings within regions and up to 20% of the regional ceilings between regions.”

The 2018 amending legislation contains important changes concerning regional distribution. The revised ceilings are higher for all but one region, namely candidate and potential candidate countries. This reflects the already large credit exposure in Turkey and the new EU policy toward Turkey, the main EIB borrower of the Bank among the candidate and potential candidate countries. The ceilings are pivoted towards the Southern Neighbourhood (Mediterranean) to absorb the expected additional lending under the Bank’s new Economic Resilience Initiative, as well as the Eastern Neighbourhood (Caucasus, Eastern Europe and Russia). The regional ceiling in Latin America increases slightly (by 405m) but remains stable in the overall weighting of the regions, as it represents some 8.5% of both the current and amending legislation ceilings. The three regions that receive lower support from the EU guarantee (Central Asia, Asia, and South Africa) together represent only 5.7% percent in the Decision and the amending legislation.

Figure 4-1 shows the ceilings for both the current ELM and the amending legislation, alongside the volumes in terms of both signed and Board of Directors-approved EIB lending operations as of December 2017. In addition to information on the respective weights given to the regions, it also reflects the level of progress of the operations in the respective regions.

When comparing the volumes of lending operations to the ceilings, the Bank generally reports on net signed volumes. However, for operations falling under the Economic Resilience Initiative, the Bank also reports approved EIB financing to show the progress achieved in this relatively new Initiative. Approved volumes tend to be higher than the figures for signed operations to allow for the normal attrition rate from approved projects or tranches that might not materialise in signatures for various reasons.

¹⁸ 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. Available here

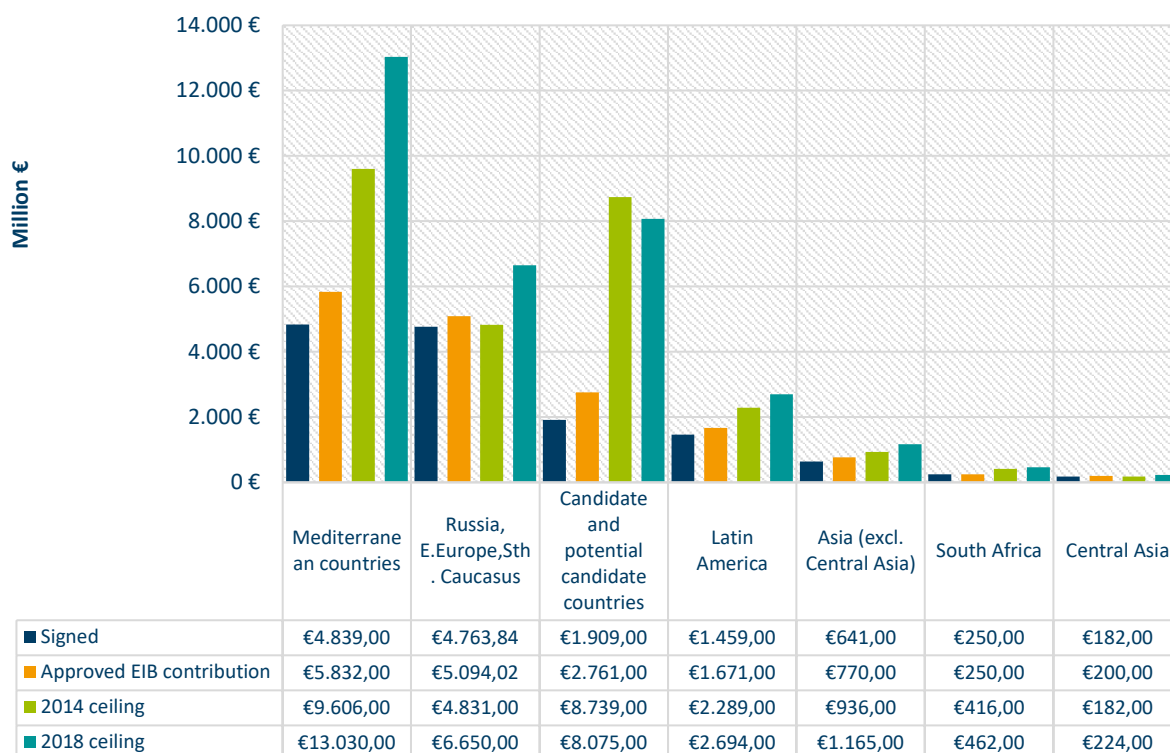
¹⁹ Decision (EU) 2018/412 of the European parliament and of the Council of 14 March 2018 amending Decision No 466/2014/EU. Available here

The volumes of **net signed** (i.e. after cancellations) operations reveal that the 2014 legislation ceilings are almost completely exhausted in two regions (Eastern Europe, South Caucasus and Russia and Central Asia). Conversely, **Candidate and potential candidate countries lag behind other regions with just 22% of the authorised ceiling value signed**. These different utilisation rates reflect, on one side, the impact of the Ukraine Action Plan launched in 2014 to mobilise EUR 3bn in response to the prevailing geopolitical tensions at the time, frontloading the mandate utilisation. On the other side, Turkey has traditionally absorbed a significant share of the Candidate countries regional ceiling. The overall risk exposure to the country has reached the Bank's concentration limits and the evolution of the political momentum between Turkey and the EU, which translated into a significant reduction in average lending. The rest of the regions attained somewhat similar levels, ranging from 50% to 68%. All of the figures are within the levels earmarked in the amending legislation and show a lower percentage of signed volume versus the 2020 ceiling, with the notable exception of candidate and potential candidate countries, which was the sole region to have its ceiling decreased (to adjust for Turkey's lower absorption of the funds).

Comparing the **approved** EIB contributions to the ceilings shows a similar pattern. The 2014 ceilings were surpassed in two regions, namely Eastern Europe, South Caucasus and Russia and Central Asia. However, for the rest of the regions, the EIB operations up to December 2017 have remained below the 2014 ceiling. These values range from Central Asia's 82% to 32% in the case of candidate and potential candidate countries.

In terms of EIB contribution volumes, the regions rank similarly to the situation at the end of 2015. This shows the stability of the EIB's geographical objectives, especially taking into account the fact that the volume of EIB financing has increased by 25-146 percentage points, depending on the region. The fact that Mediterranean countries (second in 2015) overtook Eastern Europe, South Caucasus and Russia in terms of approved volumes is partly due to the launch of the Economic Resilience Initiative in 2016. It can also be explained by a reduced lending to Russia following the sanctions that were imposed after the breakout of the Crimea crisis. The region also saw a significant increase in its ceiling, which also reflects the importance attributed to the ERI. The impact of the initiative becomes more salient when looking at the country-level data (Figure 4-3), described below.

Figure 4-1 EIB operations (net signed and approved) per region compared to the 2014 ceiling and the ceiling proposed in 2018

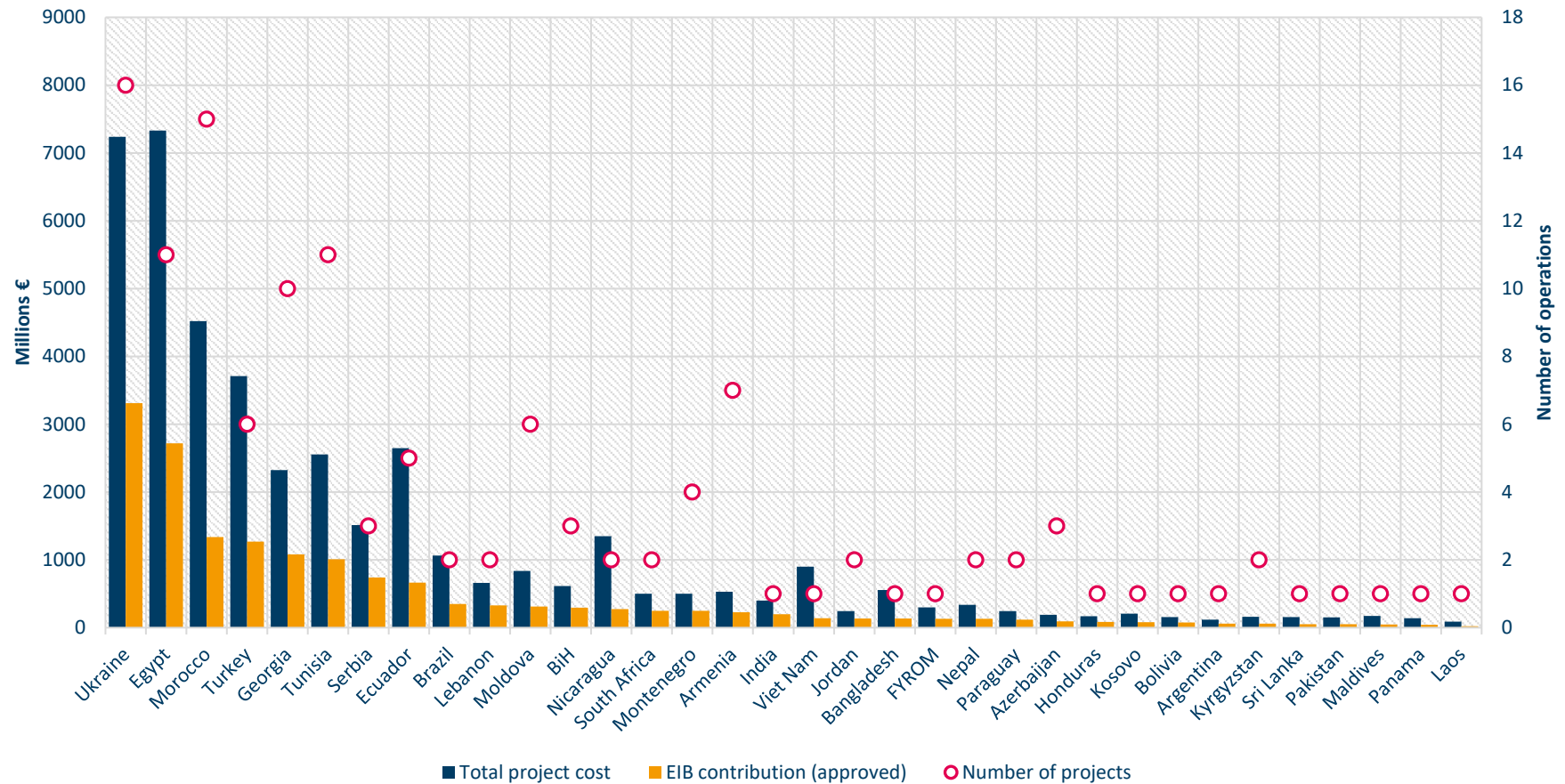


Source: Ecorys based on EIB

Figure 4-2 presents the country-level breakdown of total project costs, the EIB's share of the approved lending, along with the number of projects in the respective countries funded by the Bank. While two years ago the top three countries accounted for some 57% of the total EIB contribution, this figure has dropped to 46%. Nevertheless, the only change in the list of the first four recipients is that Morocco and Turkey swapped their ranks as third and fourth biggest recipients. The next group of countries (Georgia, Tunisia and Serbia) collectively make up 21%. This shows the geographical focus imposed by the ELM regulation that prioritises investments in Neighbourhood and partnership countries. While overall there are no major changes in the current ranking as compared to two years ago, there are some new entries in the list, which deserve some attention. While not present in the previous list, **the fact that Lebanon, and to some extent Serbia, have become important beneficiaries of ELM operations since the time of the mid-term review can be attributed to the launch of the Economic Resilience Initiative.** This Initiative was launched in late 2016. At the end of 2017, 82% of the EIB's contribution to Lebanon, and 27% in the case of Serbia were already associated with this new initiative. In other regions, progress has also been achieved despite the novelty of the Initiative, the challenging environment and the effort and time required to build-up a pipeline of relevant projects in the recipient countries. ERI-related financing already makes up 19% of the operations in Morocco. However, it shows slower progress in those countries where the investment environment is more difficult, like Egypt where ERI related projects represent only 0.7% of the current signatures.

Figure 4-2 presents approximately 97% of the total volume of approved lending. The remaining 3% corresponds to regional operations. Therefore, the figure shows 34 countries instead of the overall 36 that had received EIB financing during the current ELM period.

Figure 4-2 Detailed distribution of financing operations per country



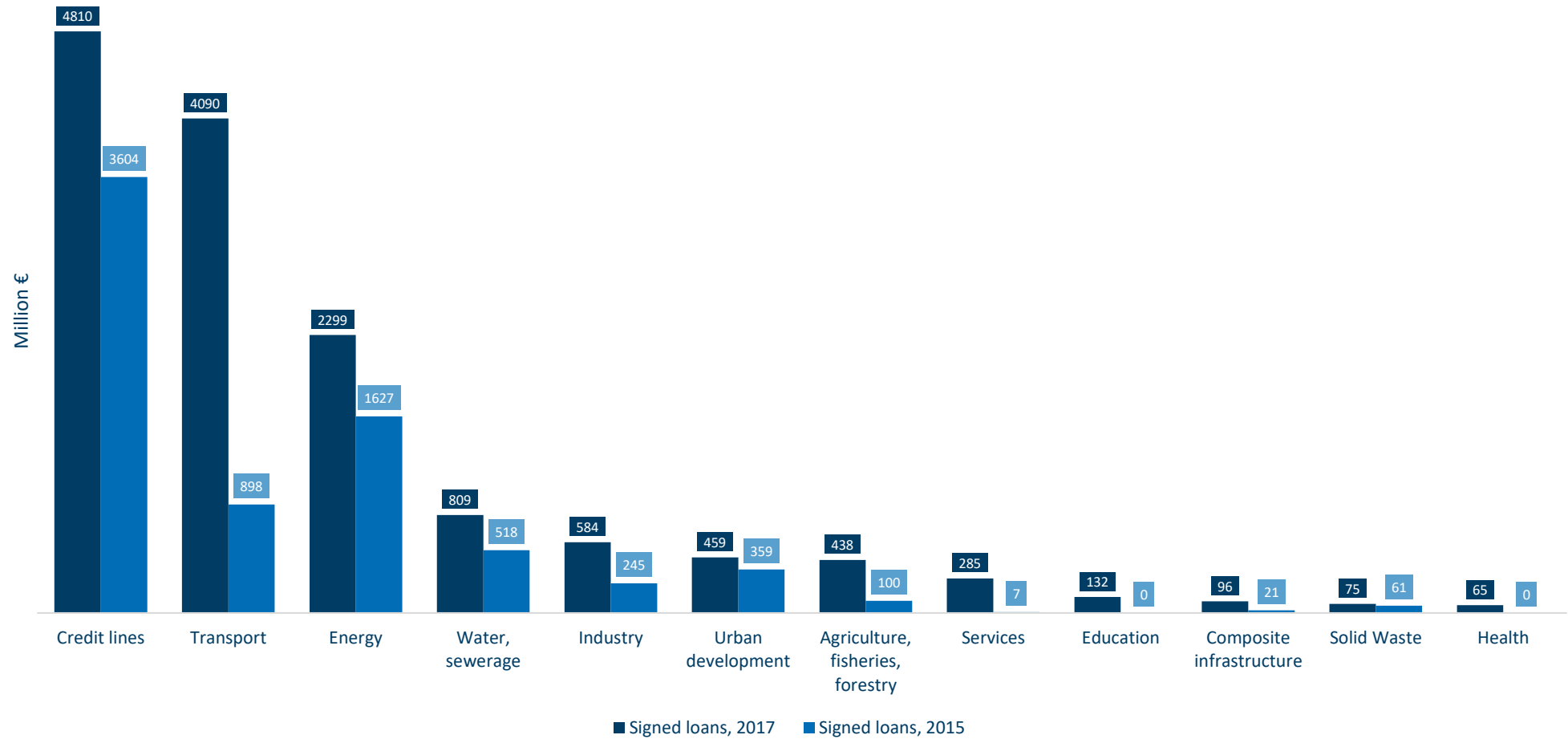
Source: Ecorys based on EIB

4.2 Sectoral distribution

The sectoral breakdown of operations under the ELM reveals a marked concentration in just three key areas. These categories, namely **credit lines, transport and energy collectively make up 79% of the total volume of signed loans**. The first three categories have stayed virtually the same since the end of 2015 (the time of the mid-term review), where they constituted 82% of the total. This reflects EIB core objectives under the Mandate i.e. local private sector development and development of social and economic infrastructure (transport and energy among others). In addition, transport projects contribute to the cross-cutting objective of economic integration between Pre-Accession and Neighbourhood countries and the Union. It is noticeable the significant increase in the number of operations over the same period, from 57 to 132 at the end of 2017. Neither the Decision itself, nor the Regional Technical Operational Guidelines specify target values or breakdown for the sectors.

Figure 4-3 demonstrates that there was a significant push in particular in terms of investment in the transport sector. It moved from third to second position, with €898 million signed in 2015 to €4090 at the end of 2017. This is explained by the fact that, in addition to its contribution to the objectives mentioned above, public transport projects are also related to the climate change and mitigation objective, so this particular sector brings additional co-benefits as some of these projects are aimed at developing lower carbon transport alternatives. In any case, it needs to be noted that sectoral lending may show large variations from year to year. This irregular performance is due to the relatively modest number of signatures achieved on an annual basis and the strong inertia of public sector investment programmes, which means that any single large investment or public investment program over a number of years can significantly skew annual reporting data and result in large swings in reported results.

Figure 4-3 Sectoral breakdown of EIB operations (signed volumes) in 2015 and 2017



Source: Ecorys based on EIB

There are considerable differences in the breakdown of the sectors supported by ELM operations in different regions. For instance, as shown in Table 4-1, while “potential candidate countries” are almost exclusively targeted by transport investments (93%), a more balanced distribution of sectoral support is applied in Candidate countries and Eastern Europe, South Caucasus and Russia, where the sector makes up 42% and 28%, respectively. It is interesting to note that, on average, these ratios are not markedly higher than in other regions (e.g. Asia or Latin America) in Neighbourhood countries, even though some of these transport projects directly contribute to the underlying objective of economic integration mentioned in the Decision. This is mostly because projects under this category differ in nature and objectives in the different geographical areas covered. While the majority of transport projects in Asia and Latin America are urban public transport projects contributing to climate change mitigation, many of those in the Neighbourhood and Western Balkans support the extension of the TEN-T network (and thus regional integration).

Support to Mediterranean countries is dominated by credit lines (45%), as well as transport (23%) and energy (20%) investments, while the top three categories for Candidate Countries are transport (42%), credit lines (30%) and services (12%). This implies that, while the general outlines of the sectoral distribution show similarities, the overall different needs of the beneficiary countries are indeed taken into account when allocating funds to eligible candidates.

As a conclusion, the sectorial split of the mandate is mainly influenced by the priority put on Climate Action, notably in financing strategic infrastructure and the support to private sector, including the effort on ERI.

Table 4-1 Sectoral distribution of EIB operations (signed volumes) by region

	Candidate countries	Potential candidate countries	Med. countries	Russia, E.Europe, Sth.Cauc.	Latin America	Asia (excl. Central Asia)	Central Asia	South Africa
Credit lines	30%	0%	45%	31%	16%	23%	0%	100%
Transport	42%	93%	23%	28%	30%	35%	0%	0%
Energy	0%	0%	20%	16%	15%	35%	77%	0%
Water, sewerage	2%	0%	5%	7%	10%	8%	8%	0%
Solid waste	1%	0%	0%	1%	0%	0%	3%	0%
Industry	0%	0%	1%	6%	16%	0%	0%	0%
Agriculture, fisheries, forestry	11%	0%	0%	4%	0%	0%	12%	0%
Urban development	0%	0%	3%	5%	7%	0%	0%	0%
Services	12%	0%	0%	1%	0%	0%	0%	0%
Education	0%	0%	1%	0%	5%	0%	0%	0%
Composite infrastructure	0%	0%	0%	2%	0%	0%	0%	0%
Health	3%	7%	0%	0%	0%	0%	0%	0%

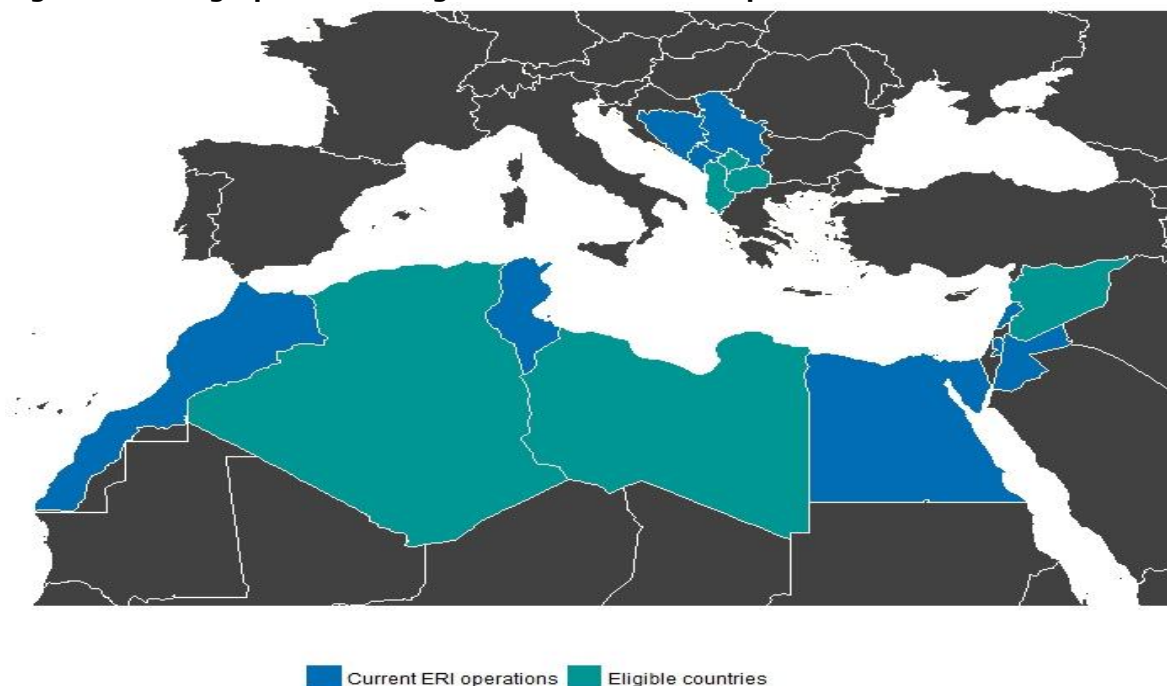
Source: Ecorys based on EIB

4.3 ERI

Projects falling under the Economic Resilience Initiative form part of the EU's response to address the challenges caused by migration. Because of this, they have a special importance in light of the introduction of the fourth high-level objective in the regions within its focus. The aim of the initiative is to mobilise financing in support of the capacity of economies in the Southern Neighbourhood and Western Balkans regions to absorb and respond to crises and shocks (including the refugee crisis) by investing in infrastructure, developing the private sector and stimulating growth and job creation. Out of the total of 132 ELM operations, there are 20 that are initially earmarked²⁰ under the ERI. Thus, they constitute roughly 15% of all operations, making up some € 1,432 million (approx. 10%) of the total signed EIB contribution with an average size of an operation equal to € 71 million.

²⁰ Pending final acceptance of the European Commission after signature of the new ELM Guarantee agreement in the 2nd half of 2018.

Figure 4-4 Geographical coverage of ERI and current operations



Source: Ecorys based on EIB

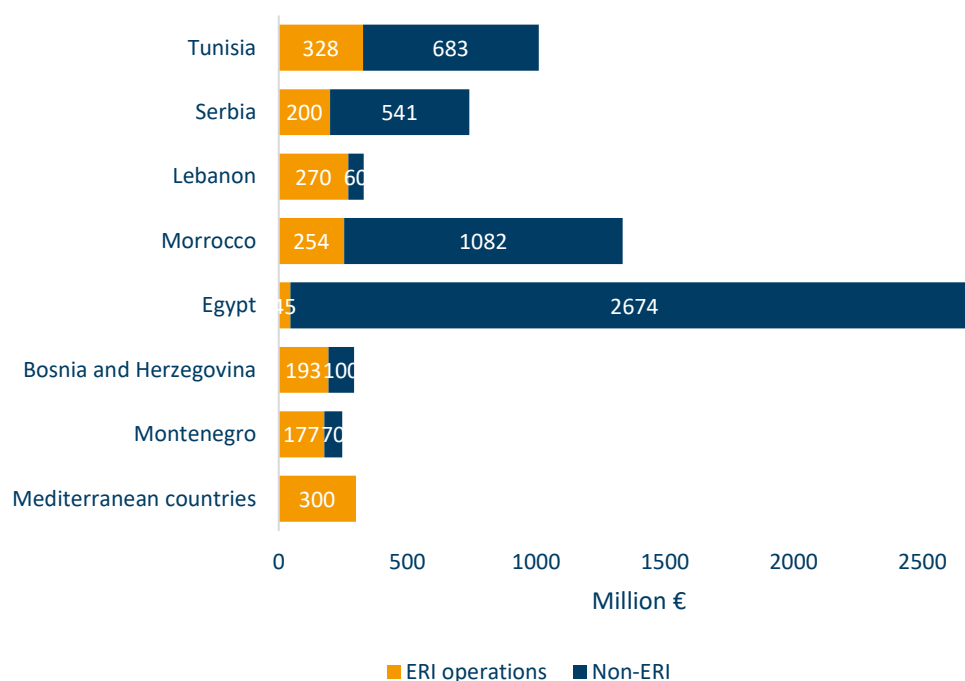
The amending legislation's provisions deal specifically with the targets set for ERI initiative. Since addressing the root causes of migration and the needs of transit and host communities is considered to be of high importance, a large share of the additional funds is earmarked for this purpose. The proposal therefore states that if by the end of June 2019 the EIB concludes that it is not possible to achieve its forecasted target under the ERI, "the total amount of €1 400m earmarked from the general mandate dedicated to public sector projects and €2 300m earmarked under the private sector lending mandate may be reallocated up to 20% within and/or between the regions "Pre-Accession Countries and Beneficiaries" and "Neighbourhood and Partnership Countries".

21 According to the state of play as of 31 December 2017, the EIB has approved operations to be financed under ERI of €1,088.4m (or roughly 47% of the target) doing more of the same under ELM and the comprehensive guarantee for the public sector, and €678.6 m under the comprehensive guarantee for the private sector (about 48% of the target). Taking into account the fact that the Economic Resilience Initiative has only been launched in late 2016, these data show that the Bank has been steadily progressing towards achieving these targets.

The figure below provides an overview of the ERI and non-ERI ELM operations in the countries within the scope of the new initiative. Out of the seven countries concerned, already three have ERI operations that represent more than half of their total EIB financing under the ELM. More precisely, 90% of the funds allocated to Lebanon are related to ERI, Montenegro has a rate of 71.7% and for Bosnia and Herzegovina it currently stands at 65.9%. On the other hand, this percentage is much lower in Morocco (19%), while ERI operations only constitute 1.7% of the total ELM financing in Egypt.

²¹ Decision (EU) 2018/412

Figure 4-5 Breakdown of EIB financing under the ERI project²²



Source: Ecorys based on EIB

4.4 Financing types

The EIB uses different financing types under the ELM. These take into account several aspects of the operations to be supported, including types and number of beneficiaries, sectors or whether or not there will be intermediaries. With the exception of the one guarantee, ELM financing comes exclusively in the form of loans. The EIB financing types relevant for the ELM are:

- **Framework loans (FL):** loans falling within this category typically target one public beneficiary, but for several projects, and can apply to different sectors and areas. It is intended to cover different activities within a pre-defined geographical and sectoral scope;
- **Investment loans (IL):** used for key investments in specific sectors. This loan follows the logic of one loan and one project for one beneficiary;
- **Multi-beneficiary intermediated loans (Multi-BI loan):** awarded to intermediaries, this type of financial product is then passed on to either national public financial intermediaries (such as banks) or private financial intermediaries. These can in turn lend to various final beneficiaries (such as SMEs, Mid-Caps, etc.);
- **Guarantee:** in the context of the ELM, used only in an exceptional case when urgent disbursement of funds was needed. There was only one case in Ukraine under the current ELM.

Setting aside the one guarantee in the portfolio, **framework loans represent the smallest category in terms of the number of projects and approved EIB contribution.** Only 18 of the total of 132 operations fall under this category, and projects financed under it are also the smallest in terms of volume. The €270 million average marks a significant decrease from the €408 million just two years ago. There

²² Kosovo has not been included in the figure, because the two operations directed exclusively to it were not ERI project, while those related to the initiative were among the funds allocated for several Mediterranean countries.

are 43 multi-beneficiary intermediated loans, with a total cost of €13bn and an EIB financed part of €6.2bn. While the number of projects almost tripled in the past two years, the €133 million average approved EIB contribution remains at similar levels as before. The largest category by far is that of investment loans, with 70 operations with a total project cost of €24bn. This financing type is characterised by its relatively low EIB contribution rates. While the average project cost is the highest among the three abovementioned types, the average EIB contribution is only €109 million. The distribution of the financing types is presented in Table 4-2.

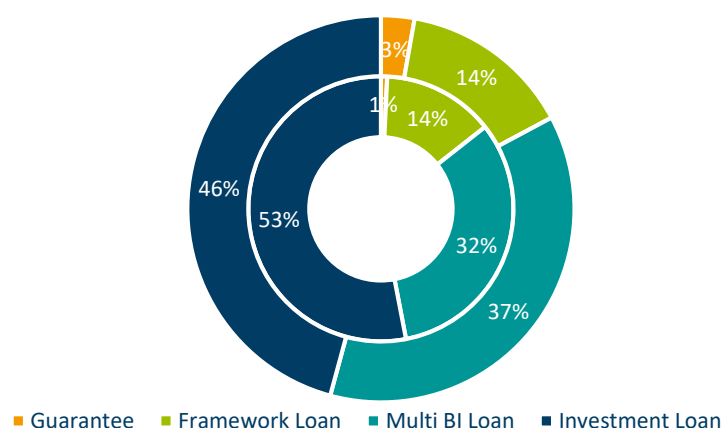
Table 4-2 Number of operations, project costs and approved EIB contribution by type of financing

Type	Number of operations	Average project cost (Million €)	Total project cost (Million €)	Average EIB contribution (Million €)	Total EIB contribution (Million €)
Guarantee	1	1551	1551	466	466
Framework Loan	18	270	858	133	2400
Multi BI Loan	43	306	13151	144	6177
Investment Loan	70	346	24241	109	7634

Source: Ecorys based on EIB

Figure 4-8 presents the number of operations (inner circle) and EIB contribution (outer circle) by type of financing. Overall, the distribution of the type of EIB financing has remained comparable to the situation in 2015, with **investment and multi-beneficiary intermediated loans constituting the bulk of financing operations**. Combined, the first two categories make up 83% of all EIB funding, while framework loans in this portfolio cover around 14%. This marks a substantial increase from the 65% of two years ago (for ILs and Multi-BI loans).

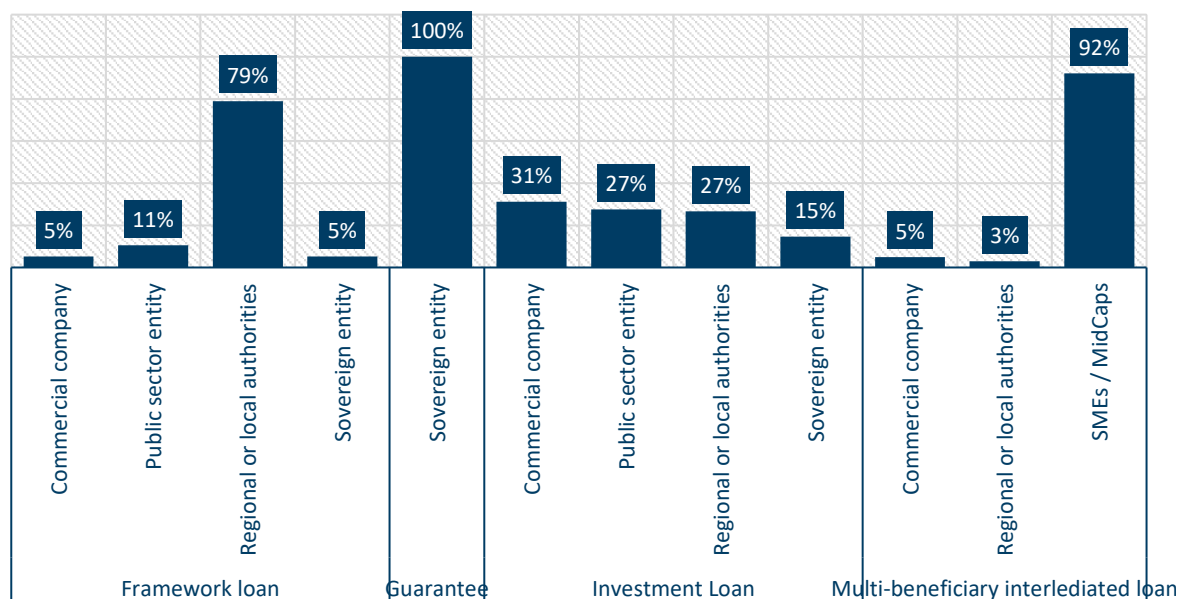
Figure 4-6 Type of EIB financing by number of operations (inner circle) and EIB contribution (outer circle)



Source: Ecorys based on EIB

The next figure presents the beneficiaries concerned by each of the financing types. **The final beneficiaries of framework loans are predominantly regional or local entities** (in 79% of the overall for this financing type). On the other hand, investment loans are almost evenly distributed between regional or local authorities (27%), public sector entities (27%), commercial companies (31%) and to a lesser extent sovereign entities (15%). **As for multi-beneficiary intermediated loans, the large majority (92%) of the loans go to SMEs or Mid-Caps.** Another 5% go to other private sector entities, clearly showing the focus for this financing type.

Figure 4-7 Distribution of the four different financing types by final beneficiaries

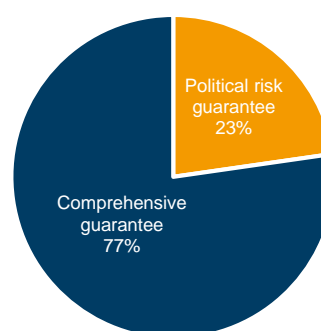


Source: Ecorys based on EIB

4.5 Types of beneficiaries and guarantee

An interesting comparison between the current state of play and the situation at December 2015 is the share of EU Guarantees limited to political risks and the share of comprehensive guarantees. While previously, political risk guarantees, aimed at supporting the private sector, constituted only 19% of all ELM operations (11 out of 57 operations), they now make up 23% of the overall number (30 out of 132). This rise was primarily driven by an increase in multi-beneficiary loans to private sector, which grew from 18 (by December 2015) to 43 (by December 2017). Commercial companies, SMEs and MidCaps are the beneficiaries for this type of risk coverage. This implies a slightly more balanced approach towards granting funding to public and private entities (the first being the target of comprehensive guarantees). It should however be noted that the distinction

Figure 4-8 Breakdown of the overall number of operations by risk coverage type



Source: Ecorys based on EIB

between private and public sector does not hold in all cases. This is because ERI operations are somewhat special in this respect, since they can also target private sector beneficiaries under comprehensive guarantees.

4.6 Project timelines

4.6.1 Project cycle

Before describing the timelines of EIB operations, in this section we present the EIB project cycle, which is visualised in the figure below.

Figure 4-9 Project cycle



Source: EIB

Step 1 Proposal

A project under the ELM is initiated by a proposal from a project promoter to the Operations Directorate of the EIB, including a description of their capital investment and prospective financing arrangements. Based on this proposal, several preliminary assessments are made. Amongst others, the Services conduct a preliminary eligibility check. This check verifies that the project and client are eligible, it is a new project (not refinancing) and it is not excluded from EIB lending activity²³. In particular for the ELM, further restrictions limiting selection to specific sectors and activities may apply,²⁴ and projects need to fit under the high level objectives of the ELM:

- Local private sector development (in particular SMEs);
- Development of social and economic infrastructure;
- Climate change mitigation and adaptation;
- Strategic response to addressing the root causes of migration by supporting long-term economic resilience of refugees, migrants, host and transit communities, and communities of origin (which has been proposed in the ELM amending legislation as an additional objective).

²³ Excluded from EIB lending activities are: "Ammunition and weapons, military/police equipment or infrastructure", "Projects which result in limiting people's individual rights and freedom, or violation of human rights", "Projects unacceptable in environmental and social terms", "Ethically or morally controversial projects", "Activities prohibited by national legislation", "Projects with a political or religious content". For more information see: <http://www.eib.org/about/documents/excluded-activities-2013.htm>

²⁴ In particular from Decision 2018/412 amending Decision No 466/2014/EU.

Following internal assessment on the basis of preliminary information the Management Committee authorises the appraisal of the project. At this stage, projects are included in the "Projects to be financed list".²⁵ Know-Your-Customer due diligence is initiated at this stage, as well as integrity and compliance checks (including tax due diligence, if relevant) in close cooperation between the services and the Office of the Chief Compliance Officer (OCCO).

Step 2 Appraisal

Following Management Committee's authorisation, project appraisal phase can be started. During this time, based on information submitted by the promoter, the EIB Services with different expertise (engineers, economists and financial analysts) in cooperation with other teams (e.g. from Legal Department, Risk Management Department, Economics Department and OCCO) prepare a comprehensive documentation including the Results Measurement Framework (REM) "package". This report evaluates whether the project fulfils the following criteria for appraisal:

- **Eligibility criteria** which verifies if the project contributes to EU policy objectives²⁶ (e.g. promoting economic and social cohesion, climate action, etc.);
- **Overall quality and soundness criteria** which evaluate the project based on its technical scope, capability to be implemented, capability of the promoter to operate and maintain the project, its compliance with applicable procurement legislation and EIB guidelines, its environmental impact, its products/services demand over its life; its costs and detailed components and its financial and economic profitability;
- **Additional controls** include due diligence practices, such as, assessing reputational risks and integrity controls, involvement of weakly regulated, non-transparent and uncooperative jurisdictions in the project structure, capability of the promoter or intermediaries to implement anti money laundering and terrorism financing measures as well as involvement of Politically Exposed Persons.

For a project to be approved it must meet at least one of the ELM's objectives, be technically sound, financially viable show an acceptable economic return and comply with environmental protection and procurement regulations.

Step 3 Approval

The results of the aforementioned appraisal are submitted for approval to the Management Committee that authorises the transmission of the proposal to the Board of Directors for approval. Upon approval from the EIB Governing Bodies there is a green light for the signature of the contract(s).

Step 4 Signature

Negotiations may take place before the contract(s) signature. These negotiations refer to the interactions between the EIB and promoter to reach an agreement on the specific terms and conditions of the financial contract. Once an agreement has been reached and upon the approval of the Board of Directors, the final contract can be signed.

Step 5 Disbursement

Following the contract signature, in accordance with the contract and implementation progress, funds are disbursed according to the needs of project. Disbursement may be subject to fulfilment of all relevant pre-disbursement conditions. Disbursement can take

²⁵ See: <http://www.eib.org/projects/pipelines/index.htm>

²⁶ For more details on the EU policy objectives, see: <http://www.eib.org/projects/cycle/appraisal/project-appraisal-eligibility.htm>

place at once or in several tranches. This means that following the first disbursement, several amounts may be disbursed based on the progress of project implementation.

Step 6 Monitoring and Reporting

Monitoring and reporting requirements depend on the characteristics of the project and are conducted in accordance with Article 9 of the Decision 466/2014/EU. The EIB monitors the project from the signature of the contract until the loan is paid back in full. Project promoters are contractually required to report on results indicators. The two types of monitoring EIB conducts are:

- Physical monitoring (in the case of framework loans and investment loans), which is conducted by the Projects Directorate and entails monitoring of the implementation of the project, its performance during the first few years of operation and the social, environmental and human rights impacts of the project. Physical monitoring of the project may also be conducted in the course of the duration of the loan;
- Financial monitoring entails monitoring of contractual events under its responsibility, as well as on distressed transactions, to protect EIB's financial interests and reputation.

Step 7 Repayment

Repayment depends on the loan tenor or maturity, repayment terms and amortisation profile, which are negotiated prior to the signature of the financial contract. Loan repayment is normally on a semi-annual or annual basis. In some cases grace periods for capital repayment may be granted.

4.6.2 Appraisal time

The term appraisal time refers to the period of each operation from the Preliminary Information Note (PIN) until the signature of the first finance contract for the operation and is measured in months.²⁷ This period entails the evaluation of the criteria for appraisal in terms of eligibility (consistency with the EU's priority objectives) as well as the overall quality and soundness (i.e. technical viability, implementation, operation, procurement, environmental, social and economic impact, investment cost and economic and financial sustainability).

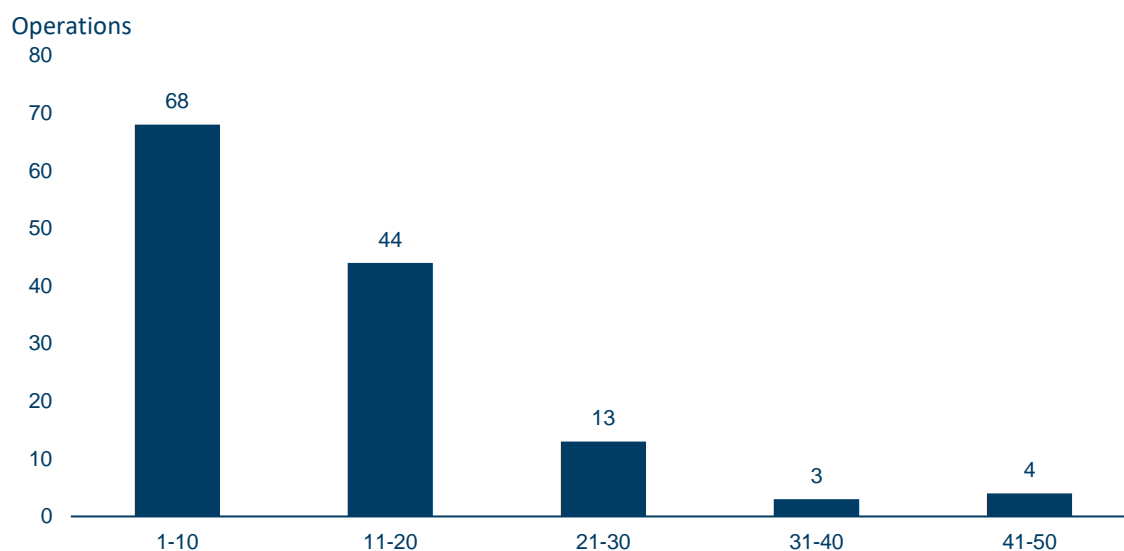
The appraisal is essential in the lifecycle of an operation, as it provides key information on an operation such as potential performance, economic, technical, environmental, social and financial viability of the project, its procurement, as well as legal framework. However, longer appraisal times also mean longer delays for the signature of contracts and disbursement of funds, which has a negative impact on the timely implementation of operations. On the other hand, the complexity of the due diligence is often derived from the complexity of the project and from its institutional context, therefore lengthy appraisal time is justified by the required due diligence.

Out of the 132 ELM operations, the average appraisal time is 13 months and the median is 10 months. Figure 4-13 illustrates the appraisal time distribution, indicating that the appraisal time was 1-10 months for approximately 1 in 2 operations and 11-20 months for approximately 1 in 3 operations. The shortest appraisal time was 1 month, while the longest one lasted for 46 months. This latter corresponds to a large corridor in the

²⁷ The measurement of the Appraisal time was previously calculated from the "Agreement to appraise" milestone until the signature of the first finance contract. This modification in the measurement occurred in 2016 and as a result, appraisal times may appear longer and should not be compared with those reported before the adaptations in the project cycle.

Western Balkans, which has been signed in different tranches (the first one in 2011 and the last one in 2016) and construction has been recently completed and inaugurated. The second longest appraisal (43 months) is a railway project in Ukraine that has required significant technical assistance for the feasibility studies and procurement process and whose financial contract is still awaiting ratification from the national Parliament. These are just two examples that reflect the many different dimensions of the projects financed by the EIB. Large appraisal times result from the complexity, size or project implementation issues often out of the EIB's control.

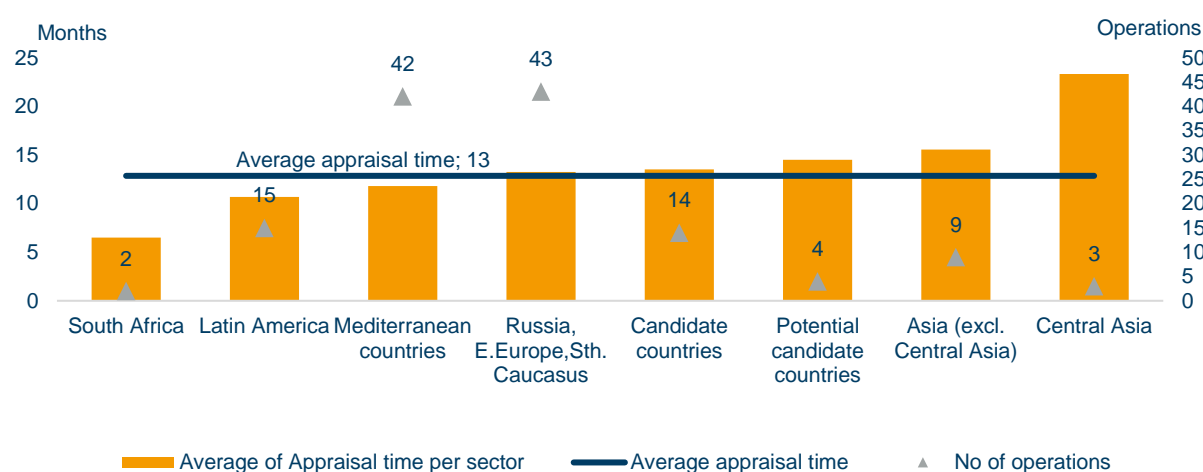
Figure 4-10 Distribution of appraisal times for 132 operations (time in months)



Source: Ecorys based on EIB

Figures 4.11-12 below present the average appraisal time by region, financing type, and type of beneficiary. At a first glance, it is noted that relatively wider discrepancies in the average appraisal times occur when comparing different sectors or types of beneficiaries of operations, compared to smaller discrepancies in terms of average appraisal times by region or financing types.

Figure 4-11 Average appraisal time by region (time in months)

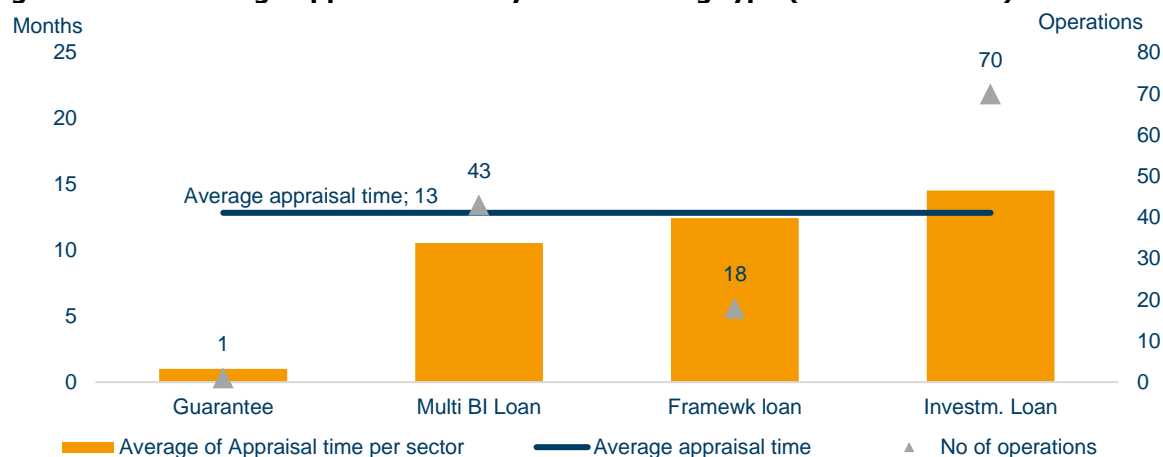


Source: Ecorys based on EIB

Figure 4-11 indicates that average appraisal time in operations located in Central Asia (3 operations) is relatively high (23 months), while for those located in South Africa (2

operations) average appraisal time is only 7 months. In the other six regions, average appraisal times are 11-16 months. Due to the low amount of operations occurring in the regions with the most extreme values, no conclusions can be drawn based on the average appraisal time per region for those two regions. Excluding these two regions, the average appraisal time of 13 months is fairly representative for the ELM operations.

Figure 4-12 Average appraisal time by EIB financing type (time in months)



Source: Ecorys based on EIB

4.6.3 Disbursement rate

According to the data provided by the EIB, up to date (December 2017) in 63 out of 154 contracts (under 132 operations) full or partial disbursement occurred. This represents 41% of contracts. Broken down further, full disbursement occurred for 25 contracts and partial disbursement for 38 contracts. In terms of the amount disbursed for those contracts, it accounts for more than €3.5 billion or 25% of the signed amount of all operations. Disbursements are often linked to the implementation or construction of the project so it is normal to have low disbursements rate or partial disbursements.

Disbursement rate is the amount disbursed as a share of the amount signed for a specific contract. Table 4-3 illustrates the disbursement rate for contracts in different regions. The overall disbursement rate stands at 25%. The highest disbursement rate is in candidate countries (46%), followed by Russia, E. Europe and South Caucasus and Mediterranean countries. None of the signed amounts of operations in Central Asia have been disbursed as of 31 December 2017. Among the reasons explaining the time lag from signature to first (and subsequent) disbursements there are the exchange rate risks (for instance, operations in Central Asia have been delayed by recent devaluations), unexpected delays in the construction and implementation of projects, emerging geopolitical tensions, unmet (environmental, procurement, other) conditions for disbursement, etc. It should be acknowledged that there are potentially many distinct events that can alter the disbursement pace of any operation.

Table 4-3 Contracts with EIB funding disbursed per region

Operations	No contracts	Amount signed € M	Amount disbursed € M	Disbursed as % of net signed
Candidate countries	17	1.702	787	46%
Latin America	15	1.459	447	31%

Operations	No contracts	Amount signed € M	Amount disbursed € M	Disbursed as % of net signed
Asia (excl. Central Asia)	10	641	180	28%
Mediterranean countries	52	4.839	1.144	24%
South Africa	4	250	50	20%
Russia, East.Europe,South. Caucasus	48	4.864	906	19%
Potential candidate countries	4	207	10	5%
Central Asia	4	182	0	0%
Total	154	14.143	3.523	25%

Source: Ecorys based on EIB

4.7 Co-financing and blending with IFIs

4.7.1 Co-financing

The EIB normally finances up to 50% of total project cost, and thus its operations need to be co-financed by third parties. This section uses the term co-financing to refer to operations that involve financing support from other international financial institutions next to EIB.

Of the 132 operations (154 contracts), 69 operations (more than half) are co-financed with other 17 different financial institutions. Of these, five institutions are located in and (partially) financed by EU Member States, including Multilateral Development Banks (MDBs) such as the European Bank for Reconstruction and Development, as well as four national development banks (Table 4-4). Eleven financial institutions are owned or financed by non-EU countries and spread across different regions of the world.

Table 4-4 Location of financing institutions

Origin of FI	Name	Number
EU	<ul style="list-style-type: none"> - Agence Francaise de Developpement group (AFD), including Proparco - European Bank for Reconstruction and Development (EBRD) - Kreditanstalt für Wiederaufbau group (KfW), including Deutsche Investitions- und Entwicklungsgesellschaft (DEG) - Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV (FMO) - Nordic Environment Finance Corporation (NEFCO) 	6
Non-EU	<ul style="list-style-type: none"> - African Development Bank (AfDB) - Arab Fund for Economic and Social Development (AFESD) - Asian Development Bank (ADB) - Banco Centroamericano de Integracion Economica (BCIE) - Corporación Andina de Fomento (CAF) 	11

Origin of FI	Name	Number
	<ul style="list-style-type: none"> - Inter-American Development Bank (IADB) - International Bank for Reconstruction and Development (IBRD) - International Finance Corp (IFC) - Islamic Development Bank (IDB) - Japan Bank for International Cooperation (JBIC) - OPEC Fund for International Development (OFID) 	

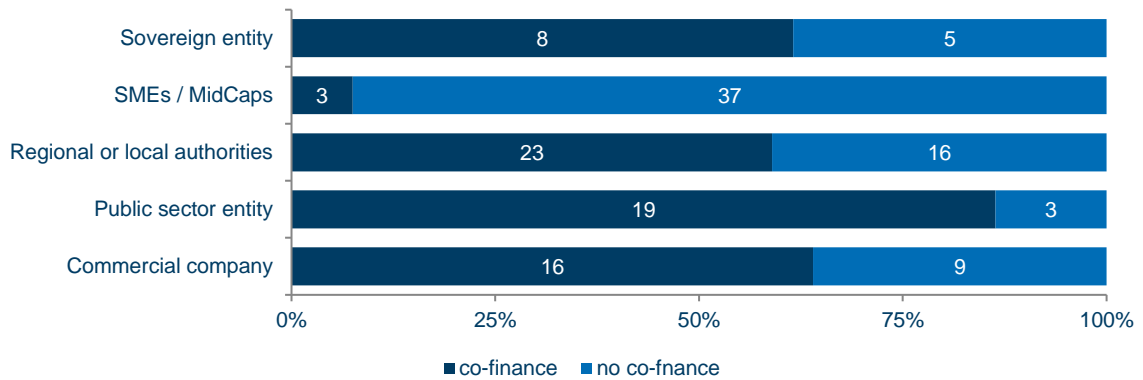
Source: Ecorys based on EIB

The largest number of co-financed operations receive funds from the EBRD (22 operations). The EIB also cooperates with the AFD group for 16 operations, for 13 operations with the KfW group and 12 for the WB Group (IBRD), respectively. Almost three quarters of all co-financed operations (50) are co-financed by one other financial institution. There are 10 operations that are co-financed by two other institutions, and 7 operations where three financial institutions contribute to the financing of the EIB. There are **clear regional patterns in cooperation derived from the regional focus of the different IFIs or MDBs with whom EIB partners**. For example, operations co-financed by the French development bank are almost exclusively found in the Mediterranean region. Similarly, there is a strong focus of operations co-financed by the German KfW group in this region. Close to two thirds of operations that are co-financed by the EBRD are located in Russia, Eastern Europe and the Southern Caucasus, while Asian Development Bank co-finances projects in Asia. These patterns are aligned with the individual institutions' objectives and areas of expertise. For example, the EBRD is supposed to focus on countries in Eastern Europe, while the French and German development banks are heavily involved on the African continent. The EIB can thus rely on their financial institutions' expertise and knowledge. An overview of the co-financed operations per region and the financial institutions contributing to these operations is provided in Table 4-5.

Operations in all regions but South Africa are co-financed by other international financial institutions. As it has already been stated in the mid-term evaluation (2016), there are differences in the involvement of other financial institutions depending on the region of the operations. While the share of projects co-financed by other institutions is rather small in some geographical areas (e.g. 21% for candidate countries and 45% of operations in the Mediterranean), 8 out of 9 operations in Asia and 10 out of 15 operations in Latin America are co-financed.

Operations for all types of final beneficiaries are co-financed by other financial institutions. However, the share of operations that are co-financed varies. For example, 19 out of 22 operations for which the final beneficiaries are public sector entities are co-financed. Contrary to this, 3 out of 40 operations benefitting SMEs and Mid-Caps are co-financed by other IFIs.

Figure 4-13 Share of co-financing per type of entities



Source: Ecorys based on EIB

With regards to the size of the operations, **co-financed operations tend to have larger project costs**. On average, operations not co-financed cost about €321m, while operations that are co-financed by financial institutions cost about € 342m. The higher average cost of an operation that is co-financed is partly driven by a number of very costly projects. The share the EIB contributes to the total value of an operation is about 39% for co-financed operations. As one would expect, this is a smaller share than for operations that are not co-financed. Here, the EIB contributes on average almost half of the total funds.

Table 4-5 Financial institutions involved in co-financing by region

Region	AFD	EBRD	KfW	FMO	AfDB	AFESD	ADB	BCIE	CAF	IADB	IBRD	IFC	IDB	JBIC	OFID	NEFCO
Asia (excl. Central Asia)	2		2				6				1		1		1	
Candidate countries		1	1									1				
Central Asia		1	1								1					
Latin America								3	4	3	3					
Mediterranean countries	14	4	7	1	3	1					1					
Potential candidate countries		2														
Russia, E.Europe, S. Caucasus		14	2	1			4				6			1		1
Total	16	22	13	2	3	1	10	3	4	3	12	1	1	1	1	1

Source: Ecorys based on EIB

4.7.2 Blending

Forty-seven of the 132 operations (about 30%) have been blended with support from other institutions, which in addition to co-financing, may involve grants or technical assistance. More specifically, there are 26 operations that receive only grants, 7 operations with only technical assistance and 14 operations that combine grants and technical assistance. Of the 47 operations that include blending support 35 operations are also co-financed by other financial institutions (23 grants only, 1 TA only, and 11 grants and TA). An overview of the operations that include a blending component is provided in Table 4-6.

Table 4-6 Operations with a blending component

Operation number	Operation name	TA	Grant	Co-financing
20150811	MONTENEGRO RAILWAYS III		Yes	
20130440	ZIRAAT BANK IPARD MBIL		Yes	
20140379	KYRGYZ AGRICULTURE AND FOOD VALUE CHAIN		Yes	Yes
20090711	NEPCO GREEN CORRIDOR	Yes	Yes	Yes
20160017	UNIVERSITE EURO-MEDITERRANEENNE DE FES (UEMF)		Yes	
20080321	GCT MISE A NIVEAU ENVIRONNEMENTALE		Yes	Yes
20080079	VARDNILI & ENGURI HYDRO REHABILITATION		Yes	Yes
20140323	KUTAIISI WASTE WATER	Yes	Yes	Yes
20140374	CAUCASUS TRANSMISSION NETWORK		Yes	Yes
20140041	FRUIT GARDEN OF MOLDOVA	Yes	Yes	
20070316	CORRIDOR X ROAD PROJECT		Yes	Yes
20100544	WIND FARM GULF OF SUEZ		Yes	Yes
20100613	CAIRO METRO LINE 3 (PHASE 3)	Yes	Yes	Yes
20140054	DEPOLMED		Yes	Yes
20080194	MOLDOVA ROMANIA ELECTRICITY INTERCONNECTION		Yes	Yes
20120197	UKRAINE RAILWAY MODERNIZATION	Yes	Yes	Yes
20130274	MOLDOVA RAIL INFRASTRUCTURE AND ROLLING STOCK FL		Yes	Yes
20130294	UNGHENI-CHISINAU GAS PIPELINE		Yes	Yes
20120407	NEPAL GRID DEVELOPMENT PROGRAMME		Yes	Yes
20130587	VIENTIANE SUSTAINABLE URBAN TRANSPORT	Yes	Yes	Yes
20130260	ILLER BANK URBAN TRANSPORT AND ENVIRONMENT LOAN	Yes	Yes	
20050221	MONTENEGRO WATER AND SANITATION	Yes	Yes	Yes
20140105	WATER SUPPLY SEWERAGE AND SOLID WASTE		Yes	Yes
20140610	TECHNICAL AND TECHNOLOGICAL INSTITUTES PROGRAMME		Yes	Yes
20160406	POST-EARTHQUAKE RECONSTRUCTION FRAMEWORK LOAN	Yes		
20130342	OUARZAZATE II (PARABOLIC)		Yes	Yes
20130468	OUARZAZATE III (TOWER)		Yes	Yes
20140150	WADI AL ARAB WATER SYSTEM II PROJECT		Yes	Yes

Operation number	Operation name	TA	Grant	Co-financing
20150699	PROGRAMME NATIONAL ASSAINISSEMENT 2 (PNA 2)		Yes	Yes
20130476	CORRIDOR VC POCITELJ - BIJACA		Yes	Yes
20150124	YEREVAN ENERGY EFFICIENCY	Yes	Yes	
20120493	UKRAINE HIGHER EDUCATION	Yes	Yes	Yes
20140161	CHISINAU ENERGY EFFICIENCY	Yes	Yes	Yes
20110563	BORDER CROSSING AND INFRASTRUCTURE		Yes	Yes
20130469	NORTH MOLDOVA WATER		Yes	Yes
20150017	YEREVAN SOLID WASTE		Yes	Yes
20140532	UKRAINE EARLY RECOVERY	Yes		
20150503	UKRAINE URBAN PUBLIC TRANSPORT FL	Yes		Yes
20120110	EGYPTIAN POLLUTION ABATEMENT(EPAP) III	Yes	Yes	Yes
20120684	FEMIP SUSTAINABLE ENERGY FACILITY		Yes	Yes
20140045	ARMENIA APEX LOAN FOR SMES	Yes		
20150450	GEORGIAN AGRI-FOOD VALUE CHAINS ²⁸	Yes		
20150476	UKRAINE AGRI-FOOD APEX LOAN	Yes		
20040340	CLINICAL CENTERS		Yes	Yes
20140048	HONDURAS SUSTAINABLE ROADS	Yes	Yes	Yes
20150308	MODERNISATION ROUTIERE II	Yes		
20110566	ARMENIA M6 INTERSTATE ROAD	Yes	Yes	Yes

Source: Ecorys based on EIB

In those cases where EIB operation have been blended with grants, funds from the EIB are used in parallel to grants from nine different facilities. More than half of all operations receiving grants, receive those under the Neighbourhood Investment Facility. One operation receives grants from two different facilities, all other rely on a grant from only one facility. The different facilities that give out grants have a regional focus. It is therefore not surprising that grants for individual operations are received from corresponding facilities. For example, under the Asian Investment Facility two operations in Asia have received grants, and the grants from the Neighbourhood Investment Facility went to operations in Russia, Eastern Europe and the Southern Caucasus and the Mediterranean countries. **Operations with a blending component cover all types of beneficiaries and a wide range of sectors.**

4.8 Climate change

4.8.1 Climate change related investments

The EIB is committed to sustain a significant volume of climate-relevant operations, as climate change mitigation and adaptation constitute one of the high-level objectives laid down for the ELM. For this purpose, the 2014 Decision framing the EIB action under the ELM sets an overall target of at least 25% of the total EIB financing operations to be targeted to climate-related projects outside the Union over the period covered by the Decision, tracked as EIB's climate action investments. Moreover, according to the amending legislation EIB financing operations should also be consistent with reaching a

²⁸ This operation was ultimately cancelled.

minimum target of 35% of all external lending dedicated to climate action in emerging economies and developing countries outside the EU to be met by 2020²⁹.

For the scope of this objective, the EIB Climate Strategy document defines climate action activities as falling within one of the following sub-headings, and as harmonised with the MDB methodologies for Climate Finance tracking:

- Energy efficiency (EE);
- Renewable energy (RE);
- Nuclear energy;
- Transport;
- Solid waste;
- Urban development;
- Forestry and land use;
- Research, development and innovation in the areas of energy efficiency and low-carbon technologies, including the deployment of breakthrough innovation;
- Any other activity in a sector not included, but with demonstrable substantial reductions in GHG emission;
- Adaptation.

The table below shows an overview of climate related EIB investments compared to the total EIB intervention for each region and in total. The climate action indicator is calculated as the share of climate change mitigation and adaptation in the total project expenditure.

Table 4-7 Breakdown of EIB’s climate change related investments in the current ELM (€M)

Regions	EIB financing contribution	Climate change related investments	Number of operations	Climate action indicator %
Asia (excl. Central Asia)	769.9	586.6	9	76.2%
Candidate countries	2388	1057.4	14	44.3%
Latin America	1670.7	732.1	15	43.8%
Russia, E.Europe,Sth. Caucasus	5194	1405.4	43	27.1%
Mediterranean countries	5832	1536.5	42	26.3%
Potential candidate countries	373	80	4	21.4%
South Africa	250	21.5	2	8.6%
Central Asia	200	12.6	3	6.3%
Total	16677.7	5432.2	132	32.6%

Source: Ecorys based on EIB

It can be noted that the ≥25% target is fulfilled overall, as the amount of climate action financing constitutes 32.6% of the total EIB intervention under the ELM. Although the 25% target does not apply at regional level, it is worth analysing some regional

²⁹ Decision (EU) 2018/412

differences emerging from this overall picture as only five out of eight regions reach the 25% climate action target.

Climate action does not appear to be geographically concentrated but rather mainstreamed across most of the regions, although some of them are more advanced in terms of contribution to climate objectives. More specifically, we can identify three different groups of regions according to their climate action indicator:

- In Asia (excl. Central Asia), candidate countries and Latin America, the share of climate related financing ranges from 43.8% to 76.2%, thereby showing a higher concentration of climate change mitigation operations in these regions. Asia (excl. Central Asia) in particular, represents a strategic and high-potential region of intervention. Some of the top carbon emitters are Asian countries (China, India, and Indonesia) and emissions reduction is a high strategic priority in this area;
- Mediterranean countries, potential candidate countries and the region comprising Russia, East Europe and South Caucasus present a value of climate action indicator falling within a 21.4% to 27.1% range, with the only potential candidate countries below the ideal 25% target;
- A group of regions lagging behind constituted by Central Asia and South Africa, with a share of climate action investments of 6.3% and 8.6% respective, still well below the target for the entire programme. However, it is worth noticing that these two regions represent areas of relatively limited intervention of the EIB due to the geographical prioritisation of the ELM, both in terms of number of operations and EIB financing (they overall account for 2.9% of total EIB contribution under the ELM), so they have a limited impact on the overall climate action indicator. Indeed, as suggested by the overall indicator, non-fulfilment of the target in these regions is compensated by more extensive climate related intervention in other areas.

Over the last two years, actions targeted at climate change and mitigation have increased substantially in absolute terms (graph below), but not at the same pace as the total EIB financing contributions. In fact, while the total EIB financing has risen from €8.1bn at the end of 2015 to the current €16.6bn (+106.7%), climate change related financing has increased from €3.1bn to €5.4bn (+70.8%). Hence, the climate action indicators attached to some of the regions have experienced a decrease over this period. Overall, the objective of 25% of financing operation related to climate change is still fulfilled, as the climate action indicator stands at 32.6%. Nevertheless, it should be noted that it has decreased over the last two years down from 39% in 2015 (table below).

Table 4-8 Evolution of climate action indicators in the current ELM portfolio by region and in total

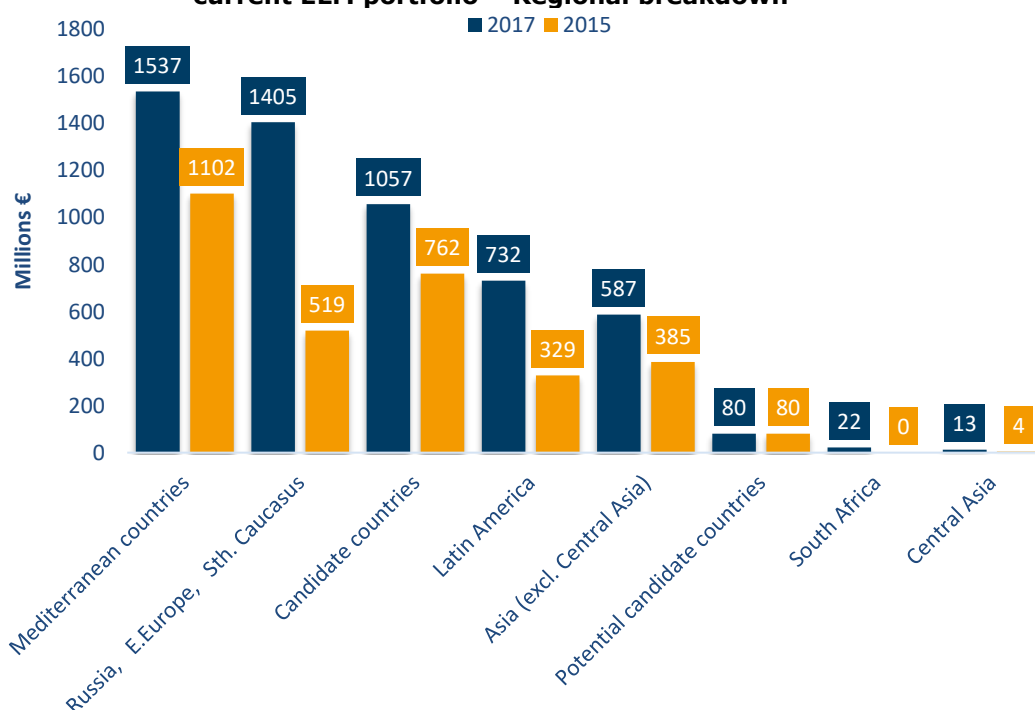
Regions	Climate action indicator %	
	2014-2015	2014-2017
Asia (excl. Central Asia)	73%	76%
Latin America	43%	44%
Candidate countries	66%	44%
Mediterranean countries	47%	27%
Russia, Eastern Europe, South Caucasus	19%	26%
Potential candidate countries	44%	21%
South Africa	2%	9%
Central Asia	0%	6%
Total	39%	32.6%

Source: Ecorys based on EIB

Once broken down to regions, it can be noted that Asia (excl. Central Asia) has seen its climate action financing increase from €385 million to €587 million throughout the last two years, likewise its climate action indicator has risen from 73% to the current 76%. This finding confirms once again the high priority given to climate change in the region and the considerable contribution of the area in terms of support to climate objectives.

We observe an upward trend in both absolute and relative terms also in Latin America and especially in the region comprising Russia, East Europe, South Caucasus, for which climate related investments recorded the highest increase among the regions of intervention, which is in line with top EU priorities in these regions. In fact, climate financing in Russia, East Europe, South Caucasus region has risen by over € 886m (+171%) and the climate action indicator attached to the region has grown from 19% in 2015 to the current 26%, thereby fulfilling the minimum target level of 25%.

Figure 4-14 Evolution of EIB’s total climate change related investments in the current ELM portfolio – Regional breakdown



Source: Ecorys based on EIB

The candidate and Mediterranean countries experienced a massive increase in absolute terms, but their related climate action indicators dropped significantly over the last two year, while still fulfilling the 25% target. Likewise, the climate action indicator for potential candidate countries has more than halved within the same period. These figures however have to be nuanced by taking into account recent geopolitical developments. The introduction of ERI implies that some trade-offs between different objectives (strategic response to addressing root causes of migration and climate change mitigation and adaptation) in certain regions such as Mediterranean countries will have to be made, which may have an impact on achievement of climate change target.

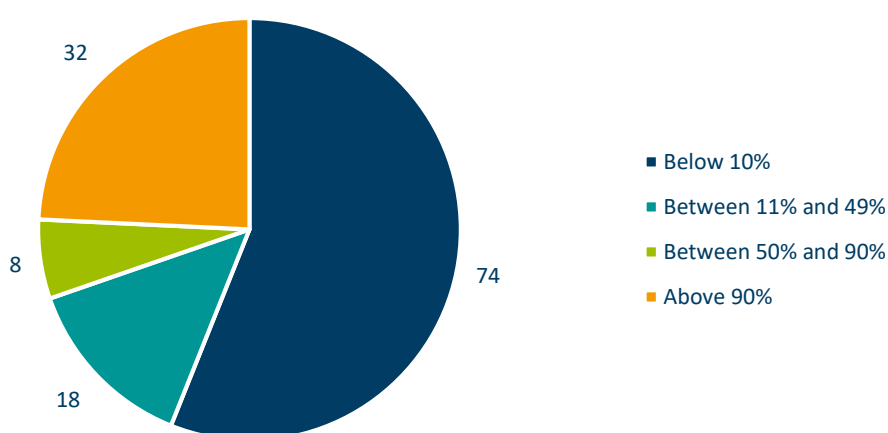
As opposed to this downward tendency, we observe an increasing trend in South Africa and Central Asia, although the increase has been rather limited in absolute terms and

the climate action indicator remains still well below the minimum target of 25% in these regions.

Overall, an additional effort will be required in the next few years in order to match the expectations of the EIB so that the ELM regions contribute to its objective of an overall 35% target of financing operations targeted to climate change mitigation and adaptation for their external actions by 2020.

The graph below illustrates how climate action is distributed across the overall number of operations. In this regard, it can be clearly noticed that climate action is still concentrated on a relatively small set of operations.

Figure 4-15 Number of operations according to their climate action indicator



Source: Ecorys based on EIB

As shown in the graph, we observe a high concentration of operations at the top and bottom values (below 10% and above 90%) that account for roughly 80% of the total number of operations. Compared to 2015, climate action appears to be even more driven by a rather limited number of climate-intense projects, as operations with a major/exclusive climate component (above 90%) represent 24.2% of the total number of projects under the ELM. However, these figures are also influenced by the high number (29, or 22% of the overall) of MBILs, where the Bank accounts for 2% across all non-dedicated operations.³⁰ Additionally, adaptation is usually a small % of typical infrastructure investments and some adaptation investments may fall into “below 10%” grouping.

From a sector perspective, **climate change mitigation contribution appears to be extensively targeted to the transport and energy sectors**, which account collectively for 79% of total climate financing (69% in 2015). Together with land use, transport and energy concentrate the largest share of global GHG emissions so these represent strategic sectors of intervention in this sense and are the logical destination of most of the climate financing. For this reason, both transport and energy show a high climate action indicator, as climate component plays a major role in operations targeted to these sectors. Further to this, credit lines and agriculture, fisheries and forestry attract

³⁰ The inclusion of the ex-ante estimate of likely climate action content is based on an analysis carried out by the EIB on previous allocations (using specific climate NACE codes). The aim of this 2% is to account for the ‘hidden’ CA component of MBILs, which can thus contribute to the achievement of the climate target.

most of the remaining climate financing (table below). Nevertheless, it is worth emphasizing that climate investments are well above the ELM 25% target (and the overall EIB financing target of 35% in developing and emerging countries outside the EU) only in the transport, energy, agriculture, fisheries and forestry sectors, whereas the climate share of credit lines directed to SMEs and of projects focusing on other industries and services (including education) is very low. **Hence, climate objectives are currently pursued mostly through lending targeted to energy, agriculture, water and transport-related projects.**

Table 4-9 Climate change related investments according to sector (EUR M)

Sector	EIB financing contribution	Climate change related investments	Climate action indicator (%)	Share of sector on total climate change related investments (%)
Transport	4801	3221	67	59.3
Energy	2583	1088	42	20.0
Credit lines	5937	385	6	7.1
Other (Industry, Services, Education, Solid waste, Health, Urban development)	2186	310	14	5.7
Agriculture, fisheries, forestry	459	294	64	5.4
Water, sewerage	712	134	19	2.5
Total	16678	5432	32.6	100

Source: Ecorys based on EIB

Climate related financing is provided mainly through one type of financing instrument, i.e. investment loans. Investment loans account for nearly 75% of all climate related investments under the ELM (72% in 2015). Operations carried out under this financing type bring a higher level of contribution to climate change objectives, as their average share of climate action investments on the total contribution stands at 54%, which has remained almost stable since 2015.

To the opposite, multi-beneficiary loans contribute to climate objectives to a very limited extent, as only 8% of financing under this instrument is targeted to climate related operations. The contribution of multi-beneficiary loans in this sense has steadily decreased in relative terms over the last two years, as in 2015 the share of climate action investments in total financing under this instrument stood at 15%. The nature of this type of financing guarantees less control over projects selection, as it relies on the presence of different financial intermediaries and multiple recipients, although approval from the EIB is still required.

Guarantee is of less interest because as we explained earlier in our study, it represents an exception under the ELM (it accounts just for 1.4% of total climate related investments). As concerns framework loans, these represent roughly 15% of the total contribution to climate action investments, with an average climate component standing at 32.8%.

Table 4-10 Climate action investments according to EIB financing type (EUR M)

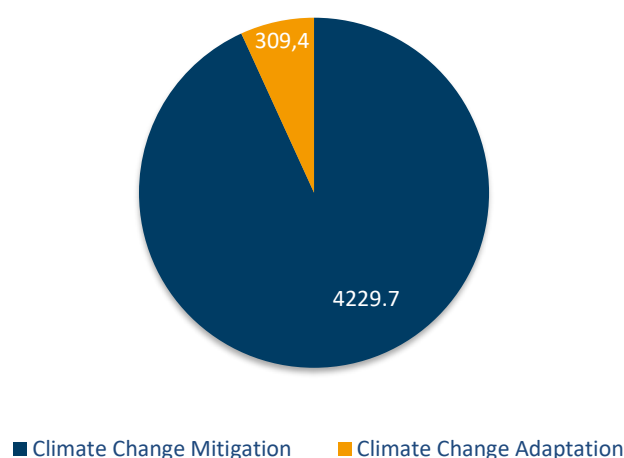
EIB financing type	Number of operations	Total EIB contribution	Climate change related investments	Climate action indicator (%)
Framework Loan	18	2,399.80	786.8	32.8
Guarantee	1	466.16	74.6	16.0
Investment Loan	70	7,634.41	4083.2	53.5
Multi BI Loan	43	6,177.31	487.6	7.9
Total	132	16,677.7	5432.2	32.6

Source: Ecorys based on EIB

4.8.2 Climate change mitigation and adaptation

The portfolio analysis (based on the signed operations, as no breakdown was available for approved operations) reveals that the shares of climate related investments under the ELM dedicated to climate change mitigation and adaptation has changed to a very slight extent compared to the data used for the 2016 evaluation (i.e. 2015). Most of the investments in this sense are still targeted to climate change mitigation investments (93.2%).

Figure 4-16 EIB contribution to climate change mitigation and adaptation (amount signed in EUR M)



Source: Ecorys based on EIB

Therefore, as shown in the graph above, operations financed under **the ELM framework still contribute to climate objectives mostly through their involvement in climate change mitigation, whereas contribution to climate change adaptation is still rather limited in relative terms**. It should be noted that under the Joint MDB Climate Finance Tracking methodology, lending to adaptation reflects just the incremental cost of making projects more resilient to the expected climate impacts, or of providing services needed because of climate change. This often results in a low financial figure, which is not always reflective of the impact of the intervention which can be substantial in terms of losses avoided and population resilience to such impacts, including avoided losses of human lives. Even if volumes are small, building this kind of climate resilience into projects requires a massive effort to identify project vulnerabilities and to design and implement the correct measures to

address them. According to the EIB, cost-effective adaptation may be done by non-investment activities such as insurance or operational changes. In this case, the adaptation may escape climate finance accounting and goes unquantified. The Bank has an intention to increase climate change adaptation investments and it is one of the three core pillars under the ELM Climate Strategy. A Climate Risk Management system is under implementation, designed to systematically identify climate change risks, increase the climate-resilience of the Bank's clients and projects across its portfolio and hence increase the lending volume towards adaptation of all projects.

Overall, investments targeted to climate change adaptation have increased by over €111m (amount signed) over the last two years, up from the €198m in 2015, but the share on the total climate action (6.8%) has slightly dropped (8.2% in 2015) due to the bigger increase of the climate change mitigation component.

In total, currently 16 operations have a dimension related to climate change adaptation, compared to the eight operations with such a component in 2015. It is worth noticing that none of these projects is dedicated in its entirety to climate change adaptation, as this component generally constitute only a minor part of the overall operation (on average roughly 21% of total amount signed).

These projects deal with a wide variety of activities such as agricultural modernisation and innovation, wastewater collection/treatment, water transport, support activities to agriculture and post-harvest crop activities.

Important projects targeting almost 50% of the amount signed to climate change adaptation include:

- Georgian agri-food value chains for the upgrade of the horticulture and wine sectors in the country (total amount signed equal to €100m, of which €45m dedicated to climate change adaptation)³¹;
- Greater Colombo wastewater project, which supports the improvement of wastewater collection and treatment facilities. The project aims at improving resilience to severe storms and reducing emissions through increased pumping efficiency (total amount signed equal to €50m, of which €25m targeted to climate change adaptation).

Once broken down to regions (table below), we can observe that investments related to climate change adaptation are mainly concentrated in Russia, East Europe, South Caucasus (66%). This finding is mainly driven by the Ukraine agri-food apex loan, which in absolute terms remains the most significant when it comes to climate change adaptation.

Further to this, Candidate and Mediterranean countries follow with €36m and €32.6m dedicated to climate change adaptation, although this represent roughly 4% and 3% respectively of total climate financing in these regions. South Africa shows a relative higher share of climate change adaptation, but the contribution is rather limited in absolute terms.

³¹ This operation was ultimately cancelled.

Table 4-11 Climate change adaptation and mitigation in EUR M (signed)

Region	Total climate action	Climate change mitigation	Climate change adaptation	Share of climate change adaptation (%)
Asia (excl. Central Asia)	496	471	25	5
Candidate countries	995.4	959.4	36	3.6
Central Asia	9	9	0	0
Latin America	529.7	520.4	9.3	1.7
Mediterranean countries	1070.5	1037.9	32.6	3
Potential candidate countries	42	42	0	0
Russia, E.Europe, Sth. Caucasus	1375	1170.9	204.1	14.8
South Africa	21.5	19	2.5	11.6
Total	4539.1	4229.7	309.4	6.8

Source: Ecorys based on EIB

4.9 Key observations

- While the regional ceilings set in the 2014 Decision were almost exhausted in two regions at the end of 2017, the new ceilings are in all cases above the net signed volumes of operations. The absorption of financing in candidate and potential candidate countries lags behind the rates of other regions, mainly because of the reduced lending in Turkey;
- Response to geopolitical events has shown that the ELM is flexible. For instance, lending was ramped up in response to the Ukraine crisis, while financing in Turkey decreased after the onset of political turmoil in 2016 (more details under the analysis of EQ1);
- The breakdown of ELM operations by sector revealed a marked concentration in just three key areas. These categories, namely **credit lines, transport and energy collectively make up 79% of the total volume of signed loans**;
- Albeit it was only launched in late 2016, the data indicate that the Bank has been steadily progressing towards achieving the targets set under the Economic Resilience Initiative;
- More than a half of the operations are co-financed by other international financial institutions, and about a third involve blending with grants or technical assistance;
- The overall volume of climate change lending (32.6%) **fulfils the 25% target** set in the ELM Decision. The portfolio analysis showed that **most climate investments are targeted at climate change mitigation projects (93.2%)**, while contribution to climate change adaptation is still rather limited in relative terms.

Further references and details related to the portfolio analysis are provided in the following chapter.

5 Analysis and answers to the evaluation questions

This chapter presents the results of the analysis per evaluation criterion (relevance, effectiveness, efficiency, coherence and synergies, impact and sustainability) and relevant evaluation question. For each evaluation question we provide in a concise form the conclusions and the analysis that underpins them.

5.1 Relevance

1. Are the four high-level objectives set out in the Decision (EU) 2018/412 of the European Parliament and of the Council amending decision No 466/2014/EU still relevant considering the changing context, in particular with regard to (i) geopolitics, (ii) the 2030 Agenda for Sustainable Development, (iii) the EU external policy agenda, (iv) the Paris Agreement adopted under the United Nations Framework Convention on Climate Change and particularly (v) the new objectives regarding 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?

Conclusions

The high-level objectives envisaged in the ELM are still relevant considering the changing context. The amending legislation requires that EIB financing operations should 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, which is in line with the efforts undertaken in the framework of the Paris Agreement and its objectives. Besides climate objectives, support to private sector and social/economic infrastructure development under the ELM aim to drive sustainable and inclusive growth, thereby supporting a number of SDGs in the context of the 2030 Agenda. Moreover, the objectives are responsive to geopolitical dynamics, including the refugee crisis, showing a high degree of flexibility and adaptation to support the EU external policy agenda.

A specific EU external policy objective of growing importance is EU economic diplomacy with the internationalisation of EU SMEs as one of its key elements. These concepts are not explicitly covered by the amending legislation. However, considering their growing significance as a first step they should be operationalised and as a second step they may be included as underlying objectives.

Analysis

The analysis performed for this question includes an assessment of the relevance of the ELM Decision as concerns: the 2030 Agenda for Sustainable Development and the Paris Agreement; geopolitics, the refugee crisis, and the EU external policy agenda.

Relevance to the 2030 Agenda for Sustainable Development and the Paris Agreement
The EU has played a key role in shaping the **2030 Agenda for Sustainable Development**, adopted by world leaders in September 2015 at the United Nations. The Agenda calls for an ambitious and universal plan to deliver poverty eradication and sustainable development for all within the next 15 years. Among the objectives laid down, the Agenda also specifically envisages accomplishing 17 Sustainable Development Goals (SDGs), which are closely interlinked and balance all the different dimensions of sustainable development – social, economic and environmental.

The ELM is broadly aligned with the 2030 Agenda for Sustainable Development and the related SDGs. As set out in the Decision, support to sustainable economic development is envisaged as one of the key priorities of the ELM. For this purpose, EIB financing operations under this framework back investment projects intended to safeguard long-term and sustainable economic development in beneficiary countries, thereby pursuing the fulfilment of the Agenda's objectives.

In addition to that, the amending legislation lays down a qualitative and quantitative expansion of the ELM (e.g. increased ceilings, inclusion of a fourth HLO). Such an expansion is referred to as a key component of the ERI and intends therefore to contribute to the achievement of the 2030 Agenda objectives.

Although clear references to SDGs are made in the amending legislation, no specific or legally binding targets explicitly linked to SDGs are foreseen in this respect, except for the presence of specific targets for the share of climate change mitigation/adaption related investment. Nevertheless, the legal document refers to a number of sectors of intervention (water, renewable energy, climate action, industry) that are related to SDGs.

Therefore, ELM operations are likely to contribute directly to a number of SDGs such as:

- Clean water and sanitation, through financing of projects intended to ensure availability and sustainable management of water and sanitation;
- Industry, innovation and infrastructure, by supporting the development of efficient transportation services and driving economic development;
- Climate action through its commitment to sustain a significant volume of climate-relevant operations;
- Affordable and clean energy by sustaining multiple projects aimed at ensuring access to affordable, reliable and sustainable energy;
- Sustainable cities and communities by promoting investments related to sustainable urban development.

With the adoption of the **Paris Agreement** under the United Nations Framework Convention on Climate Change, the EU and the international community have committed to take all the steps needed to pursue climate change mitigation and adaptation by limiting global warming to well below 2°C above pre-industrial levels. The agreement sets out a global action plan to reduce GHG emissions with the best available means and to strengthen societies' ability to deal with the impacts of climate change.

The ELM is aligned with the aforementioned objectives, as climate change mitigation and adaptation are listed among the four high level objectives to be achieved by ELM operations. In this respect, the amending legislation states that the ELM shall address climate change and contribute to the overall objectives of the UNFCCC and of the Paris Agreement, by avoiding or reducing GHG emissions and increasing resilience to the adverse impacts of climate change on vulnerable countries, sectors and communities.

The Decision initially foresaw an overall target of at least 25% of the total EIB financing operations to be targeted to climate-related projects. The amending legislation reinforced the climate change dimension of the ELM even further by:

- Explicitly referring to the need to fulfil the objectives of the UN 2030 Agenda for Sustainable Development and of the Paris Agreement;
- Setting out that EIB financing under the ELM should be consistent with reaching a new minimum target of 35% of all external lending dedicated to climate issues in emerging economies and developing countries outside the EU to be met by 2020.

The **EIB Climate Strategy** acknowledges that “climate change is arguably the greatest global challenge of our time”³². The strategy aims to guide the EIB’s medium to long-term actions to help channel finance into projects with a positive climate impact, in all regions of operation, including the ones covered by the ELM. It provides references to the Sustainable Development Goals and the anticipated the forthcoming Paris Climate Agreement.

The EIB is committed to sustain a significant volume of climate-relevant operations under the ELM and climate action represents the only objective for which the Mandate Decision requests a dedicated strategic document. The **ELM Climate Strategy**³³, published in 2015, is aligned to the EIB Climate Strategy and establishes the following priorities:

- Reinforcing the impact of EIB climate financing;
- Increasing resilience to climate change;
- Further integrating climate change considerations across all of the Bank’s standards, methods and processes and collaborating with other financial institutions.

As mentioned in Decision (EU) 2018/412, the eligibility criteria for climate action projects are defined in the EIB Climate Strategy. The first version of the list was included as Annex I of the EIB Climate Strategy and it was revised in 2017³⁴ to bring definitions into line with the Multilateral Development Banks’ Joint Methodologies for tracking Climate Finance.

Based on the above, it can be concluded that both the ELM Decision and the EIB/ELM climate strategy are aligned with both the 2030 Agenda for Sustainable Development and the Paris Agreement. Moreover, the strategy documents of the EIB show a high-level of dynamism and consideration of the policy context with regards to climate actions.

³² EIB (2015a), EIB Climate Strategy. Mobilising finance for the transition to a low-carbon and climate-resilient economy. Luxembourg, September 2015., p.I Available [here](#)

³³ EIB (2015b). External Lending Mandate. Climate Strategy. Luxembourg, December 2015. Available [here](#)

³⁴ EIB (2017a). European Investment Bank Climate Action List of eligible sectors and eligibility criteria. Luxembourg, December 2017. Available [here](#)

Geopolitics, the refugee crisis and the EU external policy agenda

In recent years, the EU external political agenda has been shaped by important **geopolitical events**, (in particular in the EU Neighbourhood) which have redefined EU external priorities. The EIB response to those events has shown the ELM flexibility as it has been efficiently mobilised to deal with the crises. For example, in response to the crisis in Ukraine, the EU has committed to support the country's recovery and the EIB has substantially contributed to that goal with **an expansion in lending to Ukraine**. In **Turkey**, on the other hand, **the EIB lending activities have decreased** substantially after the political turmoil in July 2016. While in 2014-2015 period the EIB contributed close to €1 billion to 5 projects in Turkey, since the July 2016 the EIB signed only 1 new project contributing €250 million. An additional sign that the ELM can adapt to geopolitical developments is related to the increased cooperation and communication between the EU and **Iran**, and the ensuing inclusion of Iran as a potential candidate country in the amending legislation.

The EU and the international community have been recently facing an unprecedented migration and **refugee crisis** which demands all actors involved to play their part in order to respond and address the associated challenges. For this reason, migration has gained an increasingly important role in the EU's foreign policy agenda. In 2015, the EC set the European Agenda on Migration, which identified the four pillars of structural actions to address migration concerns: reducing incentives for irregular migration, border management, developing a strong common asylum policy, and a new policy on legal migration. The agenda set out a number of short and long-term priorities, from immediate response to humanitarian concerns in the Mediterranean to the development of structural actions that look beyond crises and emergencies and aim to help EU Member States to better manage all aspects of migration.

Building on the European Agenda on Migration, the EC launched the Migration Partnership Framework in June 2016 designed to promote tailor-made partnerships with key third countries of origin and transit and to help third countries' development in order to address root causes of irregular migration.

The changing context urged to use all policies and instruments at the EU's disposal to achieve concrete results and, among these, to increase financial and operational support and to invest in long-term economic and social development, security, rule of law and human rights in order to tackle the drivers of migration. In this perspective, in March 2018 the EU published the amending legislation which introduced a **fourth high level objective addressing root causes of migration** in the form of pursuing **long-term economic resilience of refugees, migrants, host and transit communities and communities of origin**. The new legal amendments state that the expansion of the EIB's ELM is a key component of the ERI.

At present, the Bank and the Commission are working on the guidelines for implementing this high-level objective. Upon recent approval of the amending legislation, the Commission is expected to revise the Regional Technical Operating Guidelines (RTOGs) in order to incorporate the new high-level objective and to describe how to target 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 practice.

The **EU external policy objectives** as laid out in the EU Global Strategy (EUGS) document focus on five areas: the security of the Union, state and societal resilience, an integrated approach to conflicts, cooperative regional orders and global governance for 21st century³⁵. The general objectives of ELM contained in the amending Decision (including the new objective of the long-term economic resilience of refugees, migrants, host and transit communities, and communities of origin) as well EIB's Economic Resilience Initiative are relevant to the EU external priority of **state and societal resilience**. Moreover, in the EUGS a particular focus is placed on resilience in the EU's Eastern and Southern neighbouring countries. The amending legislation appears to address it as the regional ceilings for these two regions have been increased to account for this EU external policy priority. Finally, the amending legislation allows for the greater flexibility in ELM lending in case of external priority changes as the ceiling for reallocation between the regions was increased from 10% to 20%. This ensures that the activities under the ELM stay relevant to the changing external objectives.

A specific EU external policy objective is **economic diplomacy**. Recognising the growing importance of this objective, an inter-service group on economic diplomacy was set up in April 2015, with representatives of the Commission's services, the EU External Action Service and the EIB. While lacking an EU-wide definition, economic diplomacy is widely understood to have three key strands: 1) facilitating access to foreign markets for national businesses; 2) attracting foreign direct investment (FDI) to a national territory; and 3) influencing international rules to serve the national interest³⁶. In other words, economic diplomacy is understood as to entail the support of EU businesses willing to do business abroad (internationalisation), improving investment climate, and promoting common EU standards for businesses. Economic diplomacy is a cross-cutting EU policy goal, which does not only seek to defend the EU's strategic economic interests (mentioned in the three points above), but is also compatible with EU development policy. The importance of EU Economic Diplomacy has been recognised in the Commission's Reflection Paper on Harnessing Globalisation adopted in May 2017³⁷, which mentions that economic diplomacy requires more coordination between the EU, Member States and financial institutions such as the European Investment Bank. The Reflection Paper also states that EU delegations in the world should help European businesses, especially SMEs, to succeed on global markets, i.e. to internationalise.

Decision (EU) 2018/412 touches upon internationalisation under article 3(5), by stating that: EIB financing operations supporting the general objectives "shall endeavour to also enhance its support for investment projects run by **SMEs from the recipient country and from the Union**, enabling access to finance for new investment projects run by SMEs. EIB financing operations shall allow SMEs to take advantage of, inter alia, market access for SMEs in the eligible countries and their integration into global value chains and shall further contribute **to enhancing competitiveness of Union companies**". However, the **internationalisation of EU SMEs is not explicitly laid out in Art.3, while the broader concept of economic diplomacy is also not included in the Decision**.

³⁵ EEAS (2016), Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy. Available [here](#)

³⁶ Imbert, FI. (2017). EU economic diplomacy strategy. In-depth Analysis. Directorate-General for External Policies. European Parliament. DG EXPO/B/PolDep/Note/2017_66. Available [here](#)

³⁷ EC (2017c), Reflection Paper on Harnessing Globalisation, COM(2017) 240, Available [here](#)

While there is wide acknowledgement among stakeholders on the growing prominence of the issues of economic diplomacy and European SMEs internationalisation in the EU external policy, there is no common agreement on the form in which these concepts should be reflected and operationalised in the ELM Decision. Most stakeholders consider both **economic diplomacy and the internationalisation of EU businesses as underlying objectives, rather than specific high-level objectives**. For example, supporting the internationalisation of European businesses is expected to bring investment and green technologies in third countries, stimulate business-to-business cooperation with local partners, improve the local business environment and contribute to reducing poverty, migration pressure, and refugee unemployment.

Considering their horizontal character and synergies with the high-level objectives and the fact that these concepts are already implemented by the EIB as underlying objectives it is recommended to:

- Operationalise the concepts through a cooperation process between the EC and the EIB; and
- Integrate the concepts in the Regional Technical Operational Guidelines (RTOG).

Once this operationalisation is performed in interaction between the EC and the EIB, the following could be considered:

- Adjusting the current overarching objective on regional integration to include the concept of economic diplomacy; and
- Highlighting the objective of internationalisation of EU SMEs as a specific element of economic diplomacy.

To a great extent the EIB already considers economic diplomacy and internationalisation of SMEs as underlying objectives, as explained in EQ8.

The high-level objectives of the ELM are still relevant considering the changing context and they seem to serve more as guiding principles for selecting relevant projects, allowing some flexibility in the implementation of the programme. The ELM mandate foresees regional ceilings and a climate action target, but it does not contain restrictions on the division between different priorities. This grants the EIB a certain degree of flexibility and allows selecting projects that contribute most towards all EIB and EU objectives, along with favouring a quick response from the Bank at the moment that EU policy objectives change, for example due to crises in the Neighbourhood regions.

2. What is the relevance of the set of indicators and criteria developed by the EIB, the "REsults Measurement framework (ReM)" for the high-level objectives?

Conclusions

The ReM indicators are relevant and well aligned to the objectives stated in Decision (EU) 2018/412. However, the inclusion of a fourth objective to target 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 may require adjustments to the ReM indicators and methodology. Currently the ReM does not include sufficient sex disaggregated data, and the use of gender equality indicators is limited to targeted actions only even though strengthening how the EIB measures its impact on gender equality is a strong focus of the Gender Action Plan. The first ReM pillar assesses and rates the extent to which the project is aligned to the

existing high-level objectives and the underlying objective of regional integration. Tailored criteria and specific indicators in line with the best practices of other financing institutions grant a clear link to the objectives pursued under the mandate.

Analysis

The Result Measurement Framework (ReM)³⁸, launched in 2012, is the methodology used by the EIB to provide concrete criteria for ex ante assessments of the contribution of projects to ELM objectives, but also to monitor and report on the ongoing projects and to assess results of the financing operations under the ELM. Ex-post assessments entail measurement of the performance against expected outcomes set at the beginning of projects and they take place both upon completion of project and three years after completion.

The ReM framework consists of three pillars. The **first pillar** (Contribution to EU policy) evaluates and rates the extent to which the project is aligned to the existing high-level objectives and the underlying objective of regional integration. It also assesses the consistency and contribution to EU priorities and country development objectives. For this purpose, a number of indicators are used.

The **second pillar** (Quality and Soundness of the Project) evaluates the quality and soundness of projects, along with their expected results. This pillar encompasses the notions of financial & economic sustainability – measured by the economic rate of return (ERR) and the internal rate of return (IRR) – as well as the environmental & social sustainability, measured by the e-rating (environmental safeguards assessment) and s-rating (social safeguards assessment). The analysis draws on separate sets of guidelines and takes into account different dimensions according to financing types. In addition, under this pillar time and cost of implementation are monitored.

Lastly, the **third pillar** (Technical and Financial Contribution) deals with the added value of the EIB intervention with respect to the baseline situation. It assesses the notion of EIB's financial contribution, by identifying the extent to which the loan makes a difference for the beneficiary in terms of maturity, economic life of the project, the use of local currency funding and subsidies. Moreover, it deals with the concept of EIB's 'financial facilitation', which relates to the extent the EIB can contribute to raising project standards and attracting other financiers. Finally, via its institutional framework and technical expertise, the third pillar covers the EIB's technical assistance to support project preparation, the structuring of an operation or project implementation.

The ReM indicators and criteria are well aligned to the objectives stated in the Decision, as a clear link between the objectives and specific indicators considered is ensured in practice under the first pillar of this framework.

³⁸ EIB (2017b). The ReM framework methodology. Luxembourg, September 2017. Available [here](#)

Table 5-1 Correspondence between the HLOs, the underlying objective, and indicators used in the ReM

Decision objectives	ReM indicators (non-exhaustive)
Local private sector development, in particular support to SMEs	<ul style="list-style-type: none"> • Number of sub-loans to SMEs, micro-, small- medium enterprises, Mid-caps, other (expected value at the end of allocation) • Average size of sub-loans to SMEs (micro, small, medium), midcaps and others • Average cost of sub-projects financed • Employment sustained – SMEs (micro, small, medium), midcaps, others
Development of social and economic infrastructure	<ul style="list-style-type: none"> • Passengers benefiting daily from improved urban and rail transport • People benefiting from improved sanitation services • Patients treated per year in new or rehabilitated hospitals • Additional students enrolled in higher education facilities
Climate change mitigation and adaptation	<ul style="list-style-type: none"> • Energy – efficiencies realized (Energy saved MWh) • Heat/Refrigeration produced from renewable energy sources • Renewable Energy capacity rehabilitated
Regional integration among countries, including in particular economic integration (underlying objective)	<ul style="list-style-type: none"> • Time to connect two countries/economic centres (hrs)

Source: EIB Results Measurement

At the appraisal stage, each objective is assigned a percentage reflecting the project's contribution and tailored criteria are provided in the project selection to serve this purpose. According to the Report from the Commission to the European parliament and the Council on the 2016 EIB external activity with EU budgetary guarantee³⁹, in 2016, all new projects were rated at least 'good' under Pillar 1, signifying that they are in line with ELM objectives.

ReM sheets from the case studies clearly identify the HLOs that the projects are intended to serve, along with an assessment of the expected contribution in this sense (in percentages).

The mid-term evaluation in 2016 has concluded that the ReM framework was developed building on an assessment of indicators and models existing among the IFIs. Moreover, in 2013 the EIB signed a MoU in the context of the HIPSO working group with 25 other IFIs to harmonise indicators. The **EIB is engaged in harmonising the indicators under the ReM with the ones used across other IFIs**, sharing and aligning to best practices.

³⁹ EC (2017c). Report from the Commission to the European parliament and the Council on the 2016 EIB external activity with EU budgetary guarantee. COM/2017/0767 final. Brussels, 15.12.2017. Available [here](#)

Therefore, ReM indicators and criteria are largely in line with the best practices of other financing institutions. In addition, several interviewees confirmed that best practices of existing indicators and evaluation frameworks from other IFIs have been incorporated into the ReM. Nevertheless, as acknowledged by the EIB in the ReM methodology, the framework requires a process of continuous improvement and harmonisation with other IFIs and the EC.

An area that requires adaptation of the ReM to the high-level objective is the inclusion of the fourth HLO - 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. Thus, additional work is expected from the EIB on the development of guidelines for its implementation (the current ReM framework methodology does not mention the fourth objective), including introduction of new or assignment of existing indicators under the ReM for this purpose. According to Decision (EU) 2018/412 (Art.11), the “EIB shall develop indicators for projects providing strategic response addressing root causes of migration and building long-term economic resilience of host and transit communities, taking into account the views of stakeholders, civil society, affected communities and non-governmental organisations.”

The case studies review did not identify application of indicators customised to the refugee crisis, but rather focusing onto building economic resilience as the refugee crisis has highlighted underlying and pre-existing vulnerabilities. For example, the “Lebanon Private Sector Support” project includes the following binary indicator, which is linked in the ReM framework sheet to the refugee crisis: “Credit line targeted to underserved market (e.g. women, rural, poor, underdeveloped sector)”. However, it does not provide sufficient information with regards to addressing the fourth HLO.

The above findings are not surprising considering the ongoing work on finalising the procedures as concerns addressing the fourth HLO – see EQ11. Furthermore, as established by the ERI’s rationale (see Annex 7), the Bank considers that building the economic resilience of the Southern Neighbourhood and Western Balkan countries will contribute to sustainable development and in turn to tackling the root causes of migration. In this effort, the “root causes of migration” are understood to be those bottlenecks identified by the ERI rationale (inadequate vital and social infrastructure, weak institutional capacity, insufficient access to finance for private sector development and unemployment amongst other macro and micro economic challenges). The impact of the operations on addressing these challenges are to be captured via the qualitative description provided in the ReM and the ERI rationales.

For specific and directly refugee-focussed operations or other contexts where this topic is of specific relevance, the EIB is expected to report on tailored indicators (such as number of new refugee / asylum seeker places provided in new or refurbished reception centres or temporary accommodation facilities, or number of refugees accommodated). The Bank may provide estimates of the numbers of refugees or other migrants where reliable data are available. However, in many cases the EIB might not be able to disaggregate between migrant and host communities, due to the difficulties in identifying and differentiating the communities and the possible sensitivities or even risks that such identification might entail. Technical Assistance and grants can play a key role overall in deepening the understanding of beneficiaries, as it will not only help in collecting relevant data but it can also contribute to strengthening the data collection systems of promoters.

Another area, highlighted by Decision (EU) 2018/412 (Art.11) are **indicators for gender equality**, which shall be developed in line with the EIB's Gender Strategy⁴⁰ and Gender Action Plan (GAP)⁴¹. They shall reflect the promotion of equality between women and men, and, where possible, shall be evaluated ex post by disaggregating data by sex. Interviewees also pointed out the need for dedicated ReM indicators and gender indicators are currently not mentioned in the ReM framework methodology. Nevertheless, the GAP mentions the need to explore and test methodologies and indicators to track sex disaggregated and gender-specific results on a pilot basis, in selected projects. In other words, the development of specific indicators is foreseen under the GAP pillar 4. An internal working group has already been created and its members are working on these indicators. **Once developed and tested, these indicators are expected to be integrated in the ReM framework.**

On **sex disaggregated results**, the EIB Group Gender Strategy (December 2016) makes a commitment to develop "a system for ongoing sex disaggregated data collection, results measurement and monitoring, as appropriate". The intention is for the Bank to be able to:

- Where appropriate, provide sex disaggregated data on final beneficiaries and on employment created and sustained. In some cases this will be estimated - appropriate methodologies will need to be developed, particularly for data-poor environments;
- Whenever possible and relevant, report gender-specific results⁴² of a particular operation.

As mentioned, over the duration of the EIB Group Gender Action Plan 1 (2018-20), the Bank will be piloting and suggesting approaches to measuring gender equality and women's economic empowerment, where relevant and feasible, and this will include a focus on ERI operations. The Bank will consider methodologies that can be used, including in data-poor environments, for sex disaggregation, and indicators may be developed to assess gender specific results. Indicators will be developed with the intention of building a menu that can be used under a variety of operations to assess gender specific results where there is a willingness and scope to do so.

5.2 Effectiveness

3. Are the tools and methods used by the EIB effective to select appropriate projects?

Conclusions

The project appraisal tools used by the EIB are effective in selecting appropriate projects as they include an assessment of the needs of the beneficiaries and borrowers, their capacity, the soundness of the projects and the financial market, when relevant. A possible area for consideration is to explain in the ReM Framework methodology how

⁴⁰ EIB (2016). The EIB Group Strategy on Gender Equality and Women's Economic Empowerment. Luxembourg, December 2016. Available [here](#)

⁴¹ EIB (2018). The EIB Group Gender Action Plan. Luxembourg, January 2018. Available [here](#)

⁴² Results of specific operations that are deemed particularly relevant to gender quality and women's economic empowerment and/or of operations targeting gender equality and women's economic empowerment as a specific outcome.

the EIB takes into account the relevant indicators under the Paris Declaration of 2005 for Aid Effectiveness.

Analysis

The EIB's appraisal process is geared towards ensuring that the projects it finances are generally sound and that the borrowers and beneficiaries are capable of handling the difficulties arising from implementation. It is also aimed at establishing the appropriate set of indicators to be able to keep track of whether the intended impacts have been reached.

To assess the **financial needs of the beneficiaries**, the EIB reviews several aspects of the projects. The case studies show that the assessment varies by the type of operation. It includes:

- the broad macroeconomic, institutional and political context;
- an analysis of the financial sector;
- an analysis of the private sector;
- due diligence of the intermediary.

In doing so the EIB assess risks, but also market gaps and development needs (including through the ReM).

The Bank also looks at the ERR and IRR at the appraisal stage in order to assess the economic and financial sustainability of the projects to be financed.

EIB assessment is based on the Financial Sector Review (FSR). This is a country-specific financial sector analysis. FSRs are a regular part of the due diligence process of the EIB's intermediated lending and they feed into several operational documents. These are largely internal approval documents, although some of them lead to more in depth studies and get published.

In order to ensure that the beneficiaries will be able to cope with the administrative challenges resulting from project implementation, the **administrative capacity of the borrower is also analysed**. This includes an assessment of several aspects, such as for example, implementation risk, the level of corruption, the governance structure, management competences and experience in managing similar projects. When the result of this appraisal indicates it is necessary, the EIB offers technical assistance, or sets up a project implementation unit to reduce the risks associated with project implementation.

In addition to the above, the loan provided by the EIB is compared against a commercial alternative. The aim of this exercise is **to ensure that the financing provided is more advantageous than what is already available to the borrower** (e.g. longer maturity). Financing from other IFIs is also taken into account. The third pillar of the ReM looks at the share of total IFI contribution compared to private sector funding.

The review of the case studies, which cover the ERI show that refugee considerations are present in the internal approval documents mostly with regards to increasing employment opportunities. However, the documents do not provide details on the **specific needs of the host/transit/refugee communities**, which could be an area of improvement. More information on this topic is provided in the response to EQ11.

Both Decision No 466/2014/EU and Decision (EU) 2018/412 include as a requirement (Art.11) for the EIB indicators to take into account the relevant indicators under the **Paris Declaration of 2005 for Aid Effectiveness**⁴³. More specifically, Art.11 (b) of Decision (EU) 2018/412 stipulates that “the EIB shall use outcome indicators in relation to development, environmental and social aspects, including human rights and gender equality aspects, of projects funded, taking into account the relevant indicators under the 2005 Paris Declaration on Aid Effectiveness”. The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action aid aim to support partner country efforts to strengthen governance and improve development performance. They include, for example, indicators on strengthening capacity by coordinated support, avoiding parallel PIUs, and percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint. The 2011 review on the progress in implementing the Paris Declaration⁴⁴ found that only the target of the first indicator has been met, while the others have not been met by 2011.

The EIB has this Declaration specifically referenced and reflected in the EIB Environmental and Social Standards⁴⁵. A detailed explanation on how the EIB is considering and complying with the Aid Effectiveness indicators is provided in Annex 4. However, **these considerations are not explicitly stated in the ReM Framework methodology.**

The ReM has more than 100 indicators, in order to allow tracking the specificities of the operations financed by the EIB. In order to compare the outcomes for similar projects and to facilitate monitoring activities, the ReM framework includes core standard indicators, e.g. on employment generated and energy efficiency.

Going beyond the appraisal stage, the ReM framework indicators ensure that the EIB is able to report on the achieved project results. Such information is provided in “The EIB outside the EU”⁴⁶ reports and includes information, for example on indicators like number of total loans and jobs sustained. Furthermore, considering the increased number of completed projects, the report for 2017 is expected to include more information on the results achieved via infrastructure projects, e.g. on generation capacity from renewables, animal feed production capacity, and broadband.

The reporting obligations of borrowers are established during the appraisal process and include project progress reports (PPR) and project completion reports (PCR). The frequency of progress reports differs for the different operations: quarterly, semi-annually, annually. **The reason for non-standardising the reporting is due to the complexity of individual projects and that the EIB would like to consider the promoter capacity in order to monitor any risks identified.**

4. Does the EIB pass financial advantages resulting from the EU guarantee on to final beneficiaries - partially or in full?

Conclusions

Borrowing terms offered by ELM loans are considerably better than market alternatives, which ensures that financial advantages resulting from the EU guarantee are fully

⁴³ OECD (2008). The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. Available [here](#)

⁴⁴ OECD (2012). Aid Effectiveness 2011: Progress in Implementing the Paris Declaration, Better Aid, OECD Publishing. Available [here](#)

⁴⁵ EIB (2009). The EIB Statement of Environmental and Social Principles and Standards. Available [here](#)

⁴⁶ For example, EIB (2017). The EIB outside the EU – 2016 Report. Available [here](#)

passed to beneficiaries. Interest rates and in particular maturities are considerably more favourable than the alternatives available.

Analysis

The pricing for ELM operations is considered differently for the two types of guarantees applied under the ELM (described in chapter 2). For the comprehensive guarantee, this pricing reflects essentially funding and administrative costs, and occasionally modulation to adjust to market conditions. This is to ensure that the funding comes at the lowest rates possible, to make public services affordable and to avoid compromising the beneficiaries' debt sustainability levels. For private sector loans, an additional risk (the commercial risk) is priced. Based on the reconstruction of the risk pricing for 25 projects (i.e. the 20 case studies carried out by the mid-term review and the five new ones examined as part of this assignment), these can range from around 10 basis points to less than 215.

The mid-term evaluation found that **borrowing terms offered by ELM loans are considerably better than market alternatives**. In particular, SMEs and Mid-Caps would face higher interest rates and shorter maturities without EIB financing. The interviews carried out for this evaluation have confirmed that the EIB passes on the advantages of the guarantee. The review of the ten case studies and the interviews confirms that **interest rates and maturities are considerably more favourable than the alternatives available**. In general the EIB offers the longest maturity terms among IFIs, hence it is often most financially advantageous for beneficiaries. In some of the reviewed cases, availability of non-IFIs funding to the State was restricted in terms of maturity and sovereign bond issuance in foreign currency do not usually exceed 10 years, whereas the EIB may offer a significantly longer maturity.

The advantages of the interest rates and maturities have been confirmed also by the participants in the online survey - **none of the respondents claimed that there were more advantageous options available on the market** (Q21). Interest rates, maturity, and tenor were pointed out as the biggest advantages of EIB financing under the ELM. The **interviewed beneficiaries/borrowers from the case studies confirmed that the loans under the ELM were financially advantageous as compared to alternatives**. Currency, on the other hand was not seen as advantageous by all participants in the survey due to the general preference of borrowers to receive financing in local currency. More information on this issue is provided in EQ14.

In addition to the financial advantages, the EIB financing provides diversification of financing sources and provides a facilitation effects in attracting other investors, including from the private sector.

5. How does the allocation policy contribute to the effective use of the EU guarantee?

Conclusions

The new ceilings introduced in Decision (EU) 2018/412 are higher than the volume of the loans in all of the regions within the scope of the ELM. Furthermore, an allocation for EIB new financing under this decision or under ORF is set in the Guarantee Agreement between the Commission and the EIB, which leads to an effective use of the

EU Guarantee. The project appraisal includes a consideration of the country strategies that the operations contribute to, which shows that the EIB is aware of the country-level strategic framework and how its interventions fit into them.

Analysis

Adherence to regional ceilings and the guidelines on the allocation policy were examined in the portfolio analysis (sections 4.1 and 4.9, respectively). Regarding regional ceilings, the analysis has revealed that although allocations came close to the 2014 ceilings in two regions (Central Asia and Eastern Europe, Russia, and Southern Caucasus) net signed volumes remained within the threshold. **The ceilings specified in the amending legislation were respected both for approved and signed volumes.**

Regarding the allocation policy, the analysis in section 4.9 shows that **89% of all operations were signed in countries that fall below the threshold where the EIB can lend at its own risk.** In addition, four out of the seven countries that were rated investment grade (i.e. above Moody's Baa3) have seen their ratings fall into the speculative area since the signature of the contract. Therefore, it can be stated that **the allocation of operations complies with the allocation policy set in the Guarantee Agreement between the Commission and the EIB.**

As described in the related section, the baseline noted that "in the absence of a clearer method in the mandate to decide whether operations are to be financed or not with the EU guarantee, less creditworthy potential beneficiaries [...] would be negatively affected".⁴⁷ In line with the requirements of the Guarantee Agreement, the results of the portfolio analysis have shown that in fact, ELM operations are allocated to countries with lower credit ratings than at the end of 2011. **The current situation therefore represents an improvement compared to the baseline situation.**

The alignment of the allocation of financing with the strategies of the respective beneficiary country is reviewed under the first pillar of ReM, under the "Contribution to EU priorities and country development objectives" heading. It is important to note here that objectives defined in the Decision have the foremost importance when considering ELM allocations. Based on the ten case studies, the assessment of the projects includes an appraisal of how the operation under consideration fits into the country strategy. Nine out of the ten had a reference a strategic document of the country in question, with some even mentioning several. While none of these documents are discussed in detail, this implies that **the Bank is aware of the country-level strategic framework and how its interventions fit into them.**

The finding has been confirmed by the results of the online questionnaire as the large majority of the respondents (16 out of 19 respondents to Q11) state that **the allocation of financing under the ELM is in line ('fully' or 'to a large extent') with the strategies of the respective country of operation.** The interviewed borrowers/promoters also expressed the opinion that the ELM operations are aligned to national objectives. No negative responses have been received on the relevance of ELM allocation to national strategies.⁴⁸ All respondents also confirmed that the three high-level objectives are relevant to the contexts of the countries (20 respondents to Q8).

⁴⁷ EC (2013), p.25

⁴⁸ 2 'Somewhat' responses and 1 'Don't know'

6. Have there been any unintended effects on stakeholders and, if so, how can the ELM take these into account?

Conclusions

The EIB is taking measures to avoid two of the most prominent concerns of stakeholders with regards to unintended effects: risk of crowding out of other sources of financing (IFIs) and potential distortion effects of private sector operations on financial markets. These measures include: financing (in general) 50% of investments, assessing the non-rival positioning on the local credit market, and applying mechanisms for dialogue and cooperation with other IFIs. However, in order to take note of the concerns raised by some stakeholders, it is recommended that the EIB provide more information to the EC Services on these measures via: the annual reports, 19 Article procedures, or informal communication.

Analysis

During the consultation process of the evaluation, interviewees highlighted the following two potential unintended effects of the ELM: **risk of crowding out of other sources of financing (IFIs)** and **potential distortion effects of private sector operations on financial markets**.

Because of its high credit rating and the guarantee provided by the EU, the pricing mechanism of ELM ensures that the loans are very favourable to beneficiaries (both in the public and the private sector). In general, the terms offered by the EIB cannot be replicated by other IFIs or DFIs, especially as concerns maturity. According to some interviewees, this may have as an unintended effect reduction of the possibilities for co-financing from several IFIs and financing institutions in general. Respondents provided estimates for the difference between the EIB loans to the private sector and other alternatives (including lending by other IFIs), claiming that ranges from 100 to 500 basis points. As shown by the results of the portfolio analysis, however, out of the 132 operations financed under the ELM by the end of 2017, 68 operations are co-financed by other international financial institutions. **Considering that more than half of the operations are co-financed by other IFIs, the available data does not confirm materialisation of the risk of crowding out of other IFIs.** Furthermore, as described in the latest EC report on the 2016 EIB external activity with EU budgetary guarantee⁴⁹, there are existing mechanisms for dialogue and cooperation between the EIB and other IFIs, which allow taking into account any concerns by other IFIs.

The other concern raised during the consultation activities was that banks benefitting from the lower rates available through ELM financing can channel loans to private beneficiaries at significantly better conditions than their competitors, thus potentially distorting the financial market. The issue of not substituting local banking activities due to evicting the local banks due to more favourable borrowing terms offered to the SMEs and Mid-Caps was covered by the 2016 evaluation. The conclusion of the evaluation was that since the ELM multi-beneficiary loans are channelled through the local financial intermediaries, they were associating them rather than evicting them. In addition, it should also be mentioned that in order to prevent the loans from significantly undercutting the market, where this price would still be much lower than that of other alternatives available on the market, the **Bank applies upward modulation**. Furthermore, the **EIB in general co-finances up to 50% of investments, which is**

⁴⁹ EC (2017c), Report from the Commission to the European parliament and the Council on 2016 EIB external activity with EU budgetary guarantee (SWD(2017) 460 final). Available [here](#)

another measure for avoiding distortion and crowding out. Additional argument mentioned in the 2016 evaluation is that the EIB is careful **in assessing the non-rival positioning on the local credit market.**

The review of the relevant case studies shows that in a few of the cases under HLO 1 on supporting local private sector development, the ReM sheets contain an indicator on improved competition in the section on Development of the financial sector.

Even though **considerations on the competitiveness of the financial sector are included in the ReM, these are not visible for all relevant operations.**

Considering the concerns raised by some stakeholders on potentially negative effects on financial markets, it is recommended that the EIB provide reporting on:

- analyses performed / measures taken by the EIB to avoid distortion effects on the financial markets;
- indicators of improved competition of the financial sector, e.g. effects on second-tier banks (as the indicator mentioned above).

The EIB performs and publishes Financial Sector Reviews analysing the financing needs of SMEs, which include review of the macroeconomic environment, demand analysis, supply analysis, and gaps in private sector financing⁵⁰. Furthermore, the EIB conducts enterprise surveys and publishes synthesis of their findings⁵¹. However, these analyses do not provide information on expected effects of ELM operations on the financial markets.

The need for reporting on potential distortion effects was raised for APEX loans as these are provided to sovereigns who then channel the loans to the private sector (mostly SMEs) via intermediaries. Therefore, APEX loans are covered by the comprehensive guarantee, and do not include risk costs. The APEX loans are allocated on first come-first serve basis and the eligibility for financing is conditioned upon complying with EIB environmental and social standards. A description of APEX loans and the EIB measures taken to avoid financial market distortion is presented in the box below.

Rationale and structure of APEX loans: the case of Armenia APEX loan for SMEs/Mid-Caps

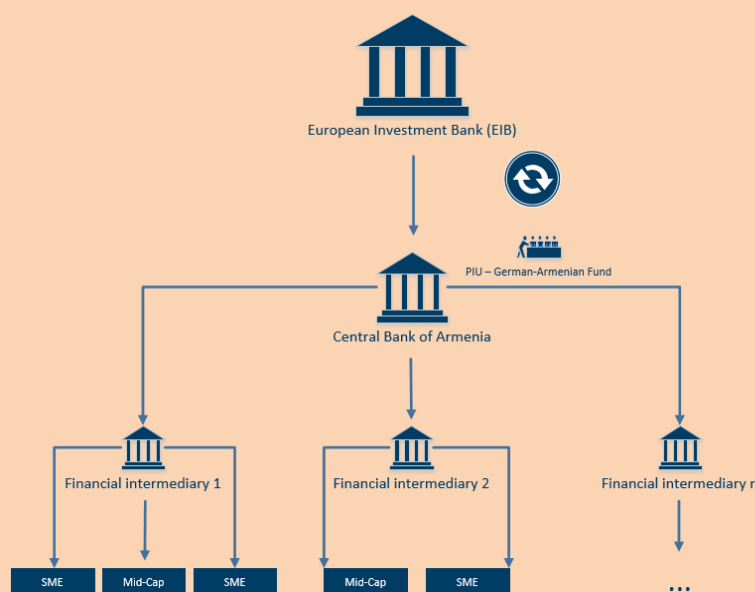
APEX loans are credit lines operating through governmental promoters (such as ministries of finance) or central banks. They target the private sector, with a focus on SMEs. Because the loans are channelled through a sovereign entity, they operate under the comprehensive guarantee, and exclude additional risk pricing.

The Bank generally uses APEX loans to address the specificities or weaknesses of local financial markets. In Armenia, for instance, the banking sector is very fragmented and banks are relatively small. In such cases the EIB is not able to work with banks directly (due to exposure limitations), or may work with the biggest players only. The Central Bank of Armenia is a key player in this setup. Its remit includes ensuring financial stability, addressing market gaps and

⁵⁰ For example, see Belarus - http://www.eib.org/attachments/efs/republic_of_belarus_financial_sector_review_en.pdf, Montenegro - http://www.eib.org/attachments/efs/assessment_of_financing_needs_of_smes_montenegro_en.pdf, and a Synthesis report - http://www.eib.org/attachments/efs/economic_synthesis_report_neighbourhood_sme_financing_en.pdf

⁵¹ For example, Lessons from the Enterprise Survey, available at: <http://www.eib.org/infocentre/publications/all/econ-mena-enterprise-survey.htm>

borrowing operations with IFIs. It has sound internal management, financial stability and in-depth knowledge of the local conditions. Moreover, the Central Bank is able to manage the currency risk and convert EIB funding into the local currency, thus addressing a substantial market gap (long-term funding in the local currency – AMD, Armenian dram – is not available on the market). Because of these particularities, the EIB decided to channel its financing through the Central Bank instead of engaging in an overly complex system of more than a dozen local banks. Similarly to other APEX operations, the borrower (i.e. the central bank) selects the financial intermediaries acceptable to the Bank, and signs on-lending agreements. These intermediaries then distribute the EIB loan to a large number of final beneficiaries. Control and management runs through the German-Armenian Fund Programme Management Unit of the Central Bank.



The allocation procedure follows a bottom-up approach. The final beneficiaries approach the financial intermediaries with their projects. These are then passed on to the Central Bank (or, more precisely to the German-Armenian Fund), which performs preliminary checks and ensures that the information is complete and addresses all points required by the EIB. The German-Armenian Fund then prepares an allocation request transmitted to the EIB allocation unit. If the Bank approves it, the funds are converted to the local currency and are disbursed by the Central Bank to the respective financial intermediary and then to the final beneficiary. In this setup, the Central Bank and the German-Armenian Fund bear the large majority of administrative burden stemming from the extensive monitoring required. They are also entrusted with ensuring compliance with EU standards.

The structure to implement this operation aims to prevent market distortion by involving the majority of the financial institutions. Moreover, the Central Bank also takes measures to prevent intermediaries from flooding the market with cheap loans. It also ensures that part of the financial advantage is transferred to the final beneficiaries.

A potential negative consequence of highly advantageous sovereign lending is that it might reduce governments' willingness to implement necessary reforms, but tracing such an effect is very challenging. According to stakeholders the EIB could apply more conditionality in the lending policies, e.g. via leveraging EIB financing to foster systemic reforms in the target country. However, such a suggestion extends beyond the remit of the EIB, which applies a limited form of conditionality only on a project basis.

For example, in one of the reviewed case studies, the definition of an adequate institutional, contractual and financial framework for the operation and maintenance of the supported infrastructure was required by the Bank prior to the disbursement of the 50% of the loan.

The participants in the online survey did not identify any particular unintended effects of the ELM operations (Q24). The only concern raised was with regards to fiscal sustainability of one of the countries, but this is an inherent risk, which cannot be attributed only to ELM operations. The interviewed borrowers/promoters also did not identify any unintended effects.

7. How does the EIB reporting towards the Commission allow to assess the compliance of EIB financing operations with the Decision and what are appropriate measures for improvement (if applicable)?

Conclusions

Overall, the EIB reporting has allowed the Commission to assess the compliance of EIB financing operations with Decision 466/2014/EU. However, the amending Decision 2018/412 has introduced some changes with respect to the information that the Commission has to report on. Thereby, to improve the compliance with the new Decision, the future EIB annual reports to the Commission are expected to include: indicators for human rights and gender equality aspects; indicators for projects providing strategic response addressing root causes of migration; reporting on measures to maximise local engagement. In order to enhance the EC-EIB communication improved mechanics around the formal Article 19 are currently under consideration, which goes hand-to-hand with a process of improving informal communication between the EIB and specific EC services.

Analysis

Article 11 of Decision 466/2014/EU and the amending Decision 2018/412 specify the information that the Commission shall report annually to the European Parliament and to the Council on EIB financing operations carried out under the ELM Decision. The table below looks at the information provided by the EIB in the 2017 Annual Report to the Commission (right column) and compares it to Article 11 requirements including the amendments introduced in the 2018 amending Decision (in italics).

The EIB annual report to the Commission covers most of the elements that the Commission needs to draft its own report on EIB financing to the European Parliament and to the Council. However, given the changes that were introduced in the amending legislation with respect to Article 11, the EIB will have to step up its reporting efforts. In particular, the new legislation requires that the Commission reports on outcome indicators in relation to human rights and gender equality aspects as well as indicators for projects providing strategic response addressing root causes of migration. Another new element requires the Commission to assess the measures taken by the EIB to maximise local engagement by promoting the involvement of affected communities, civil society organisations and non-governmental organisations.

Table 5-2 EIB reporting

Information required to be reported by the EIB ⁵²	Information provided in EIB reporting to the Commission
<p>An assessment of EIB financing operations at project, sector, country and regional levels and their compliance with this Decision;</p>	<p>The annual report presents ELM lending distribution at regional and sectoral levels.</p> <p>Annex 1 provides information on the percentage contribution of each project to the ELM mandate.</p>
<p>An assessment of the added value, the estimated outputs, outcomes and development impact of EIB financing operations at an aggregated basis, drawing on the EIB's Results Measurement framework annual report. <i>To that end, the EIB shall use outcome indicators in relation to development, environmental and social aspects, including human rights and gender equality aspects, of projects funded, taking into account the relevant indicators under the 2005 Paris Declaration on Aid Effectiveness. Indicators for gender equality shall be developed in line with the EIB's Gender Strategy and Gender Action Plan. They shall reflect the promotion of equality between women and men, and, where possible, shall be evaluated ex post by disaggregating data by sex. Indicators for environmental aspects of projects shall include criteria for clean technology which are oriented in principle towards energy efficiency and technologies for reducing emissions. The EIB shall develop indicators for projects providing strategic response addressing root causes of migration and building long-term economic resilience of host and transit communities, taking into account the views of stakeholders, civil society, affected communities and non-governmental organisations;</i></p>	<p>ELM added value is reported in Chapter 2 and detailed in Annex 7 of the annual report. It includes blending with grants, the provision of financing in a local currency and the length of the tenor period (duration of the loan) compared to the life of the assets invested in and to what can typically be obtained in local markets.</p> <p>The outcomes and output are reported throughout the report, in particular in Chapter 2.</p> <p>Environmental and social aspects are covered by Pillar 2 of the ReM framework.</p> <p>According to the EIB Statement of Environmental and Social Principles and Standards, the EIB "restricts its financing to projects that respect human rights". However, no outcome indicators have been reported so far with regards to human rights and gender equality aspects. Both can be considered work in progress. On gender indicators, see Relevance, EQ2.</p> <p>Human rights aspects are considered part of social aspects and the EIB is commissioning a Review of the application of 2014 EIB Standards in EIB social due diligence through a human rights lens. The evaluation (expected to be completed in 2019) will result in an action plan for strengthening measures to ensure that the necessary internal environmental and social management systems and procedures can meaningfully support the delivery of a human rights responsive due diligence, including improvement in monitoring and measurement systems.</p>

⁵² Based on Decision 466/2014/EU and the amending Decision 2018/412 (in italics)

Information required to be reported by the EIB ⁵²	Information provided in EIB reporting to the Commission
	As concerns indicators for projects providing strategic response addressing root causes of migration , see Relevance, EQ2.
An assessment of the contribution of EIB financing operations to the fulfilment of Union external policy and strategic objectives, taking into account compliance with <i>the principles guiding Union external action as referred to in Article 21 TEU</i> , the regional technical operational guidelines referred to in Article 5 of this Decision <i>and the EU Strategic Framework and Action Plan on human rights and democracy</i>	The contribution of the ELM operations to the three ELM objectives (local private sector development, development of social and economic infrastructure, climate change mitigation and adaptation) and the underlying objective of regional integration as set out in the Decision are presented throughout the report with the percentage contributions included in the Annex 1. The contribution to the fourth high level objective (the long-term economic resilience) is assessed.
An assessment of the financial benefit transferred to beneficiaries of EIB financing operations on an aggregated basis;	The financial benefit transferred to beneficiaries is reported through the financial reporting.
An assessment of the quality of EIB financing operations, in particular the extent to which the EIB has taken into account environmental and social sustainability in the due diligence for and monitoring of the investment projects financed <i>as well as measures to maximise local engagement by promoting the involvement of affected communities, civil society organisations and non-governmental organisations</i>	The annual report presents how the environmental and social dimensions are taken into account in the appraisal and monitoring of project. Measures to maximise local engagement by promoting the involvement of affected communities, civil society organisations and non-governmental organisations are currently not assessed. This can also be considered work in progress as the EIB is commissioning development of a Guidance on Stakeholder Engagement that will include practical pointers for greater involvement of local communities, CSOs and NGOs in EIB operations (expected to be available early 2019).
Detailed information on calls on the EU guarantee	This information is provided in the call for guarantee report.
Information on the climate change and biodiversity financing volumes under this Decision, the impact on absolute and relative greenhouse gas emissions referred to in Article 9(4) on an aggregated basis as well as the number of projects assessed against the climate risk	The annual report provides the financing volumes dedicated to climate action overall and per sector. It provides also the number of projects that went through the Carbon Footprint Exercise and the overall related total absolute GHG emissions and the saved/avoided emissions. The number of projects assessed against physical climate risk is reported.
A description of the cooperation with the Commission and other European and international financial institutions, including	The cooperation with other development finance institutions (DIFIs) is described in the report.

Information required to be reported by the EIB ⁵²	Information provided in EIB reporting to the Commission
co-financing. The report shall in particular include a breakdown of Union financial resources and resources of other European and international financial institutions used in combination with EIB financing, thus giving an overview of the overall investment supported by EIB financing operations carried out under this Decision. The report shall also mention the conclusion of new memoranda of understanding between the EIB and other European or international financial institutions having a bearing on EIB financing operations under this Decision;	
Information on the follow up of the functioning of the Memorandum of Understanding between the EIB and the European Ombudsman in so far as that Memorandum concerns EIB financing operations covered by this Decision.	The cooperation between the EIB and the EU Ombudsman is presented in the report.
<i>An assessment of the contribution of EIB financing operations to 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.</i>	Covered in section 2.7 of the annual report.

Based on the above, it can be concluded that the reporting of the EIB to EC is consistent with Decision 466/2014/EU. However, in future reporting the EIB should also consider the requirements of the amending legislation, which include reporting on social indicators tackling with human rights concerns and gender equality aspects; indicators for projects providing strategic response addressing root causes of migration; and reporting on measures to maximise local engagement.

The 2016 evaluation concluded that the type of information the Commission needs for the annual reporting to the EP/Council should be further defined and that the preparation of the report by the Bank imposes important administrative burden. These findings were not fully confirmed by the current evaluation as the reporting requirements seem rather clear and structured. Furthermore, the reporting indeed requires resources on behalf of the EIB, but the report is largely used by the EC in the main body of the annual report to the EP/Council and in the accompanying Staff Working Document. As discussed, the report is also used internally by the EIB.

One of the reporting requirements of Art.11 is that the EIB shall provide the Commission, at least on a yearly basis, an indicative multiannual programme of the planned volume of signatures of EIB financing operations. This is also a recommendation of the 2010 evaluation. Information provided by the EIB during the evaluation shows that this requirement is fulfilled by the EIB.

Going beyond Art.11 of the Decision, the MoU between the EC and the EIB stipulates in Article 3: "the Parties undertake that the cooperation (...) shall be based on regular and systematic dialogue and early consultation on matters and documents of common interest. The cooperation shall be carried out in a region-by-region basis, taking into consideration the EIB's role as well as the policies of the Union in each region". However, several interviewees have expressed the opinion that the current reporting requirements, described in Article 19 of the EIB Statute, are insufficient to ensure effective cooperation between the EIB and other EU institutions. Moreover, in the view of some stakeholders the answers given by the EIB to Commission's questions are not always considered exhaustive enough and the EIB involves certain Commission services very late in the process thus limiting their contribution.

The identified shortcomings in the cooperation between the Commission and the EIB has led DG NEAR to negotiate a Joint Note in January 2018 (similar to MoU) to have a **more informal exchange with the EIB on the projects in the pipeline**. The note aims to ensure better operational cooperation and coordination in particular in the European Neighbourhood and Enlargement countries. More specifically, the note covers: better upstream consultation to ensure optimal alignment of EIB activities with EU policies; more efficient blending processes (particularly with regards to the ELM and NIF); enhancing EU communication and visibility; more contacts between EU Delegations and EIB Heads of Offices. The latter point is addressing a concern voiced by some EU Delegations (via the online survey) that they are not receiving sufficient information on which the ELM projects and sub-projects are implemented in the respective countries. DG DEVCO is considering negotiating a similar arrangement. What is important to note is that the DG NEAR-EIB note deals with informal communication, while **DG ECFIN is currently considering improved mechanics around the formal Article 19 EC-EIB communication**.

8. How does the implementation of the ELM contribute to the objective to support private sector development?

Conclusions

Support provided for private sector development, and in particular to SMEs, forms a sizeable share of the overall lending under the ELM. In addition, its share has increased in recent years, which confirms the EIB's commitment to achieving this objective. This is also reflected in the detailed monitoring indicators collected in the framework of ReM. The ELM operations already contribute to the objectives of economic diplomacy and EU SME internationalisation, but these concepts should be further operationalised in the Regional Technical Operational Guidelines.

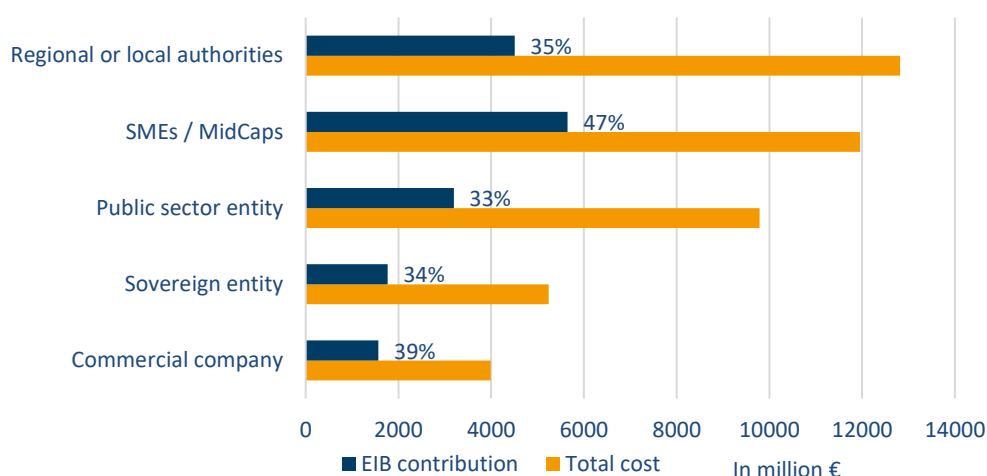
Analysis

Developing the private sector of the countries benefitting from EIB financing – and in particular support to SMEs – is the first objective of the ELM. Decision (EU) 2018/412 emphasises that the success in meeting this objective "hinges on factors such as SMEs' access to finance, credit and technical assistance, on the promotion of entrepreneurship and on efforts to stimulate the transition from the volatile informal economy to the formal sector."

As shown on Fig. 5-1, SMEs/MidCaps are the largest recipients of EIB loans in terms of EIB contribution. This confirms that **the EIB devotes a large share of its ELM**

financing to the development of the private sector, as required by the Decision. It is also worth noting that the EIB-financed part is the highest (47%) in this category.

Figure 5-1 Total project cost and EIB contribution by type of beneficiary



Source: Ecorys based on EIB

An example of an operation falling under the first HLO is presented in the box below. Moreover, these results show an increase of the share of private sector. According to the interviews, this reflects the intention of the Bank to better align its activities with the wider EU global agenda and private sector development. In addition, the EIB is increasingly looking for private sector co-investors for its projects (e.g. corporates, local private banks, SMEs, private investors).

IDF Loan For SMEs & Priority Projects II

IDF Loan For SMEs & Priority Projects aims at financing small and medium-sized projects carried out primarily by SMEs as well as final beneficiaries of any size and ownership, including local authorities. The loan was signed between the EIB and the IDF (Investment and Development Fund of Montenegro) with the latter operating as an intermediary onlending directly to SMEs or via commercial banks. The operations financed by IDF are expected to increase the availability and maturity of funding for SMEs - a key driver of economic and social progress in Montenegro - and reduce overall financing costs. The expected impact of the project is contribution to private sector development, which leads to job creation and higher economic growth.

Overall, FIs who were involved in ELM operations and EUDs with knowledge of the ELM confirm that ELM operations help to create favourable conditions for private enterprises in the recipient countries (17 respondents to Q23). EU delegations are less positive on the contribution of the ELM to the private sector as one of the EUDs responded that the ELM does not contribute to this objective and three of the delegations that responded to this question (out of 5 altogether, with one response 'I don't know') claim that the ELM is 'somewhat' contributing to this objective as opposed to the FI responses, which are in the scale from 'to a large extent' to 'fully'.

As mentioned in EQ1, to a large extent **the ELM operations already contribute to the objectives of economic diplomacy and EU SME internationalisation.** Firstly, the EIB operations enhance opportunities for EU companies to participate in projects outside the EU by allowing them to act as suppliers or contractors. Secondly, the EIB provides direct financing in support of the outward and cross-border investments of EU

companies. Furthermore, the EIB is enhancing its dialogue with EU delegations including on issues related to economic diplomacy and EU SME internationalisation, which is aligned to the Guidelines for Delegations on EU Economic Diplomacy (EED).

It should be noted that the extent to which ELM implementation contributes to the EU external policy objective of EU economic diplomacy is difficult to quantify, as the EIB does not track the data related to the use of its funds for the benefit of EU SMEs. Considering the broad scope of economic diplomacy and SME internationalisations, currently it is not feasible to have specific indicators that allow tracking the ELM contribution to these concepts. **Thus, economic diplomacy and EU SME internationalisation should be operationalised in the Regional Technical Operational Guidelines for EIB operations under the ELM Decision.**

As the description of the ReM under relevance has indicated, both **the first and the second pillars assess the extent to which the specific operations are aimed at supporting this objective.** The second pillar in particular provides in-depth information on breakdown of the support provided to different private sector entities (in particular for Mid-Caps and SMEs). This includes detailed information such as the average size, the number, tenor of the loans distributed to these entities. The appraisal process also includes an assessment of how the targeted sector performs and the specific needs that the operation is supposed to address.

9. How does the implementation of the ELM contribute to the objective to support the development of social and economic infrastructure?

Conclusions

A significant part of the overall ELM portfolio contributes to developing social and economic infrastructure, in the specific areas mentioned in the Decision.

Analysis

This question specifically looks into how effective the EIB is in implementing the second objective of the Decision. The description of the objective specifically mentions transport, energy, environmental infrastructure, and information and communication technology as fields forming part of social and economic infrastructure.

Figure 4-3 in the portfolio analysis (Section 4.2) shows the sectoral distribution of ELM operations in terms of total signed volume. Three out of the top four categories fit into the areas listed in the Decision. The categories that directly contribute to the achievement of this objective⁵³ constitute more than half (51%) of the overall volume of ELM operations. **The high proportion of relevant operations confirms that ELM projects contribute to the achievement of this objective in targeted countries.**

An example on how ELM projects are contributing to the objective to support the development of social and economic infrastructure is provided in the text-box below.

⁵³ Transport, energy, water and sewerage, solid Waste

Sao Paulo Rolling Stock project

The Sao Paulo Rolling Stock project consists of the acquisition of passenger train-sets to provide regional passenger services. The main expected output of the project is increased ridership [REDACTED] on lines operated by CPTM (Companhia Paulista de Trens Metropolitanos). It is expected to generate economic benefits in terms of savings of time and reducing crowding and reduced risk of accident. It aims to "contribute to a better quality of life of the population who use the rail system by providing increased quality and availability of services, in particular for vulnerable categories that benefit from free access to the network"⁵⁴.

The majority of respondents to the survey responded positively to the question if ELM infrastructure projects benefit the intended target groups. Eleven out of 17 respondents⁵⁵ state that the infrastructure projects under the ELM/EIB provide benefits to the target groups 'fully' or 'to a large extent' (Q28).

10. How does the implementation of the ELM contribute to the objective to mitigate climate change and adapt to it?

Conclusions

The volume of climate change lending fulfils the target of 25% of total EIB financing operations outside the Union. At the end of 2017, climate related financing stood at 32.6% of the total EIB interventions under the ELM. Tools devised by the EIB such as the ex-ante assessment of GHG emissions and the CBA analysis accounting for carbon prices have played an important role in further integrating climate change considerations across EIB standards, methods and processes. Support to climate change adaptation will need to be further developed, in line with EIB'S own Climate Strategy as this dimension currently accounts for a rather limited share of total climate financing.

Analysis

Climate change mitigation and adaptation constitute the third high-level objective laid down for the ELM. In this respect, the 2014 ELM Decision set out a target of at least 25% of total financing operations to be targeted to climate change and contribute to the Union's climate objectives. Further to this, the amending legislation reinforced even more the climate change dimension of the ELM by explicitly referring to the need to fulfil the objectives of the UN 2030 Agenda for Sustainable Development and of the Paris Agreement. In addition to that, it calls for consistency of the EIB financing with reaching a new target of at least 35% of its climate action lending in developing countries by 2020.

Compliance to the aforementioned targets was examined in the portfolio analysis (see Section 4). The overall **volume of climate change lending fulfils the target of 25% of total EIB financing operations outside the Union by 2020, since at the end of 2017 it stood at 32.6%**. Although the targets do not apply at regional level, the regional breakdown revealed significant regional differences. Three regions are currently above the general 35% target for outside the EU by 2020, while the 25% target is reached for five out of eight regions of intervention. All of these values are considerably higher than the 7% minimum assumed under the baseline scenario.

Climate action is not geographically concentrated, but rather mainstreamed across most of the regions. Nevertheless, some regions are more advanced in terms of contribution

⁵⁴ Environmental and Social Data Sheet on the Sao Paulo Rolling Stock project. Luxembourg, 19 November 2013. Available [here](#)

⁵⁵ FIs with involvement in ELM operations and EUDs with ELM knowledge.

to climate objectives. More specifically, Asia (excl. Central Asia), candidate countries and Latin America witnessed a higher degree of EIB support to climate change and mitigation operations in these regions. Asia (excl. Central Asia) in particular, represents a strategic region of intervention, as climate change is given high priority in this area.

An example on how ELM projects are contributing to the objective on climate change mitigation and adaptation is provided in the text-box below.

Cairo Metro Line (phase 3)

The project is part of the Greater Cairo's Transport Master Plan and is expected to reinforce the public transport system in this area and thus promote a positive modal shift away private cars. The main expected outputs include the construction of 18 km of new metro line including 15 metro stations, and the purchase of rolling stock to operate the line. In terms of main outcomes, the projects is expected to alleviate congestion and associated environmental problems, contributing to climate change mitigation. It is estimated that a few years after opening, when the line should reach the expected full patronage, it will bring a saving in CO2 emissions from traffic of almost 120 000 tonnes per year.

As highlighted by several stakeholders (Interviews with EIB/EC and NGOs) though, efforts to further contribute to the general 35% objective should not come at the expense of the other HLO under the ELM. High targets on climate of the ELM financing operations 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 balance the different policy objectives in the different countries and regions to deliver on the 25% climate action target, the EIB is focusing on climate projects especially in Asia and Latin America, but having more climate action projects in other areas such as the Neighbourhood may not be feasible. The introduction of ERI implies that some trade-offs between different objectives (strategic response to addressing root causes of migration and climate change mitigation and adaptation) in certain regions such as Mediterranean countries may have to be made in certain cases, which may have an impact on achievement of climate change target. This is why, **when applicable, the EIB is combining climate action with other objectives.**

The portfolio analysis also reveals that **most climate investments are still targeted to climate change mitigation projects (93.2%)** whereas contribution to climate change adaptation is still rather limited in relative terms. Both number of projects and volume dedicated to climate change adaptation have increased in 2016-2017 with respect to 2014-2015. Currently 16 projects address this dimension but it is worth noting that none of these projects is dedicated in its entirety to climate change adaptation, as this fully dedicated adaptation intervention is extremely rare and the adaptation component or element can constitute only a minor part of the overall operation depending on the case and location specific assessment(21% on average).

Some stakeholders expressed their concerns on the feasibility of reaching the climate objectives only through mitigation and more efforts in the direction of adaptation should be undertaken. In this regard, the EIB has recently advanced its work on climate risk screening by commencing the development of a **Climate Risk Management System (CRMS)**, which has been (Feb 2019) integrated into EIB's project cycle and processes. The CRMS includes automatic reporting on high and medium risk projects, assessing risk and identification of adaptation measures, monitoring the application of adaptation measures. The underlying rationale of the system is that raising awareness on risks

would lead to more climate adaptation measures, as well as, importantly, projects and client operations which are more resilient to the climate change impacts already being felt in many regions and future climate change.

Climate action is addressed in various sectors and large mitigation % are found in certain sectors such as energy and transport especially, thereby supporting EU commitments including also: the EU 2020 climate and energy package⁵⁶; the EU 2030 climate and energy framework⁵⁷; the EU 2050 low-carbon roadmap⁵⁸; the EU strategy on adaptation to climate change COP21⁵⁹. Besides supporting renewable energy, energy efficiency and transport services reducing GHG emissions, the ELM also focuses on mitigation of GHG emissions in water and sanitation, sustainable urban development, solid waste and reducing deforestation.

Climate action is favoured by a number of EIB specific actions to deliver on the ELM requirements. Projects' costs related to renewable energy and energy efficiency as well as investments showing a significant reduction in GHG emission can be funded by the ELM up to 75%, subject to meeting eligibility requirements.. It allows climate-related projects to benefit from a relatively larger share of the EU guarantee. Moreover, the EIB's efforts towards the decarbonisation of the economy can be observed in projects that deal with modernisation of existing power plants, factories, buildings and even services.

Further integration of climate change considerations across EIB standards, methods and processes is pursued by including the measurement and assessment of GHG emissions and the CBA methodology accounting for carbon costs in the appraisal stage of the projects. These tools deployed by the EIB **allow to assess contribution of projects to climate change and ensure consistency with climate objectives.**

Article 3(7) of the amending Decision (EU) 2018/412 states that "on the basis of the methodologies for the assessment of project greenhouse-gas emissions and emission variations drawn up by the EIB, an analysis of the carbon footprint shall be included in the environmental assessment procedure to determine whether project proposals optimise energy-efficiency improvements." To this end, the EIB carries out ex-ante assessments of GHG emissions of projects that are expected to have significant impacts in terms of emissions, including those that do not directly contribute to the climate target. Out of the seven case studies for which EIB internal approval documents were available, five used the system to ex-ante assess greenhouse gas emissions of projects in the decision making process.

The absolute emissions (direct and indirect) related to the project, total emissions savings, also known as relative emissions (estimated emissions avoidance compared to the baseline scenario) and a number of ELM projects that were included in the Carbon Footprint Exercise over 2014-2017 period are presented below⁶⁰.

⁵⁶ EC (2008) 20 20 by 2020 Europe's climate change opportunity {COM(2008) 19 final}, Available [here](#)

⁵⁷ EC (2014d) A policy framework for climate and energy in the period from 2020 to 2030 {SWD(2014) 16 final}, Available [here](#)

⁵⁸ EC (2011) A Roadmap for moving to a competitive low carbon economy in 2050 {SEC(2011) 289 final}, Available [here](#)

⁵⁹ EC (2013) An EU Strategy on adaptation to climate change {SWD(2013) 139 final}, Available [here](#)

⁶⁰ Data from Commission SWD Accompanying the document REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON EIB EXTERNAL ACTIVITY WITH EU BUDGETARY GUARANTEE for years 2014-2016 and the EIB 2017 Annual Report to the Commission

Table 5-3 Carbon Footprint Exercise Overview, 2014-2017

	2014	2015	2016	2017
Number of projects	11	23	17	11
Absolute emissions – Mt/CO2- eq/year	2.1	1.4	-0.2 ⁶¹	0.4
Relative emissions⁶² – Mt/CO2- eq/year	-0.7	-1.3	-0.6	-1.1

Source: Ecorys based on EIB data

The analysis of the Carbon Footprint Exercise (CFE) results during the past four years of the current ELM mandate reveals that since 2015 the number of projects that required CFE⁶³ has halved which implies that the projects that the EIB decided to finance in 2017 have less significant impacts in terms of emissions compared to 2015. At the same time, the value of emissions saved in 2017 was almost as high as in 2015 suggesting that the average GHG emission savings per project have increased in recent years.

Nevertheless, according to stakeholders' opinions, there still seems to be room for improvement in terms of contribution of the ELM to climate objectives. More efforts should be undertaken to improve the pipeline of climate projects, especially as concerns the climate adaptation dimension that appears to be rather challenging and difficult. This would require more technical assistance in the pre-appraisal stage and a climate risk and vulnerability assessment for each project. In this perspective, **increased EIB involvement in the early stages of projects might be beneficial to optimise the climate adaptation component and more broadly to include climate change considerations in the project appraisal.**

Consistency with climate objectives relies also on projects that do not directly pursue climate objectives. In this perspective, some stakeholders call 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** (Multi BI Loan and APEX loans). Some sectors have already been excluded from financing (e.g. coal and diesel), but this is currently not the case for gas. The decisions on which sectors are eligible for financing are based on the EIB Emissions Performance Standard⁶⁴, which is applied to fossil fuel generation projects to screen investments whose carbon emissions exceed a threshold level that reflects existing EU and national commitments to limit carbon emissions. The Energy Lending Criteria⁶⁵ of the EIB have been adopted in 2013 and considering that the EPS and the criteria were developed before the Paris Agreement, **NGOs are recommending setting lower EPS level and provision of strong justification on exemptions**

⁶¹ Negative value due to a number of large forestry projects which sequester CO2. The overall aggregate figure of -0.2MtCO2-eq/year is derived from total emissions of 0.1MtCO2-eq/year and sequestration of 0.3MtCO2-eq/year.

⁶² Calculated as the difference between the absolute emissions and the baseline emissions. The negative value implies emission saving

⁶³ The EIB CFE estimates and reports GHG emissions from projects where, in one standard year of operations:

- absolute emissions (actual emissions from the project) exceed 100 000 t CO2-eq/year; and/or

- relative emissions (estimated emissions increases or avoidance compared to the expected alternative) exceed 20 000 t CO2-eq/year.

⁶⁴ For more information on the EPS:

http://www.eib.org/attachments/consultations/eip_methodology_emission_performance_standard_20130722_en.pdf

⁶⁵ EIB (2013). EIB and Energy: Delivering Growth, Security and Sustainability - EIB's Screening and Assessment Criteria for Energy Projects. Luxembourg, 25/7/2013. Available [here](#)

allowed by the criteria⁶⁶. The Bank has informed that such a revision will take place during the review of the Energy Sector Lending policy, expected to undergo public consultation in second half of 2018.

Moreover, climate action objectives could be served by introducing in the contracts **special windows for loans to SMEs/MidCaps** and more broadly for projects funded via financial intermediaries that deliver a climate contribution. The introduction of such window when setting eligibility criteria for these financing types would then improve and make more transparent the assessment on the climate contribution of projects funded via financial intermediaries. This climate windows in MBILs work was piloted by the Bank over the last 2 years, with a full roll out having been authorised by Bank management in mid 2017 and now underway with new reporting tools, systems and resources that were put in place in first half of 2018.

11. How does the implementation of the ELM contribute to the objective of supporting 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?

Conclusions

The steady progress of the ERI since its recent launch in areas affected by the influx of migrants demonstrates the Bank's drive to support long-term economic resilience as a strategic response to address root causes of migration and the needs of transit and host communities. Considering the recent addition of the fourth HLO and the ongoing finalisation of the necessary procedures and the ERI Operational Guidelines, at this stage it is too early to assess the contribution of the ELM to addressing long-term economic resilience as a strategic response addressing root causes of migration. Nevertheless, a review of the provisional ERI Operational Guidelines and ERI project documentation shows that some fine-tuning could be instrumental in terms of generating concrete information on how refugees and migrants would benefit from ERI operations.

Analysis

Decision (EU) 2018/412 recognises the unprecedented migration and refugee crisis and adds the following new objective: 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. Article 3 of the amending legislation indicates the following areas to contribute to this objective:

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

The importance of supporting migrants in terms of jobs creation, vital infrastructure, and access to finance has also been recognised by all respondents⁶⁷ in the online survey (Q9 and Q50).

⁶⁶ CANE (2017). Briefing on Aligning the EIB Emissions Performance Standard (EPS) with the Paris Agreement. 24 October 2017. Available [here](#)

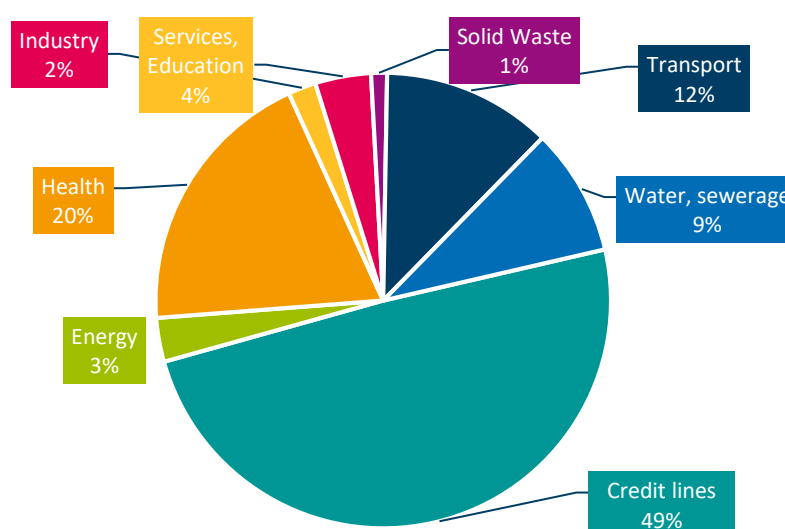
⁶⁷ Excluding the ones who skipped the question or respondent 'Don't know'

All Economic Resilience Initiative (ERI)⁶⁸ operations benefiting from the EU guarantee provided through the External Lending Mandate (ELM) are expected to contribute to the newly added HLO. The EIB and the EC have developed Operational Guidelines for ERI, which have been integrated by the EC in the draft of the Regional Technical Operational Guidelines (RTOGs). According to the Guidelines the ERI operations aim to focus investments on public and private sector projects that build resilience and have a high social impact, including higher risk or low financial return investments that achieve a higher social and economic returns or reach underserved or vulnerable groups which could otherwise not be supported through the Bank’s mainstream instruments. Furthermore, climate change is impacting on countries of origin as well as creating further stressors on systems in transit and host countries. For this reason climate change is also a key indicator in the ERI system.

The analysis carried out in section 4.3 of the portfolio analysis has demonstrated that even though it was only recently launched, **ERI operations already form an important part of the overall ELM portfolio, and are concentrated in countries most affected by the influx of refugees and migrants.** This includes the €300m operation (indicated as “Mediterranean countries” in Figure 4-6), which targets areas hosting large numbers of migrants and refugees.

Figure 5-2 indicates that **a large share (49%) of the funds for ERI projects are allocated to credit lines.** Most of these projects are aimed at strengthening the local economy and fostering job stability and creation. This is broadly in line with the second and presumably also the third and fourth points of the abovementioned list. Moreover, investment in healthcare, water and sewerage, education and energy (constituting a further 36%) provide improvements in the infrastructure that cater to the needs of both local populations and migrants, and can thus be considered as addressing the first point.

Figure 5-2 Sectoral breakdown of ERI operations



Source: Ecorys based on EIB

⁶⁸ The initiative aims at rapid mobilisation of financing in support of the capacity of economies in the Southern Neighbourhood and Western Balkans regions to absorb and respond to crises and shocks, including the refugee crisis, while maintaining strong growth.

An example on how ELM projects are contributing to the objective of supporting long-term economic resilience as a strategic response to addressing root causes of migration is provided in the text-box below.

Lebanon Private Sector Support⁶⁹

This project is one of the first operations under EIB's Economic Resilience Initiative (ERI) and it aims to contribute to the sustainable growth of the Lebanese economy and support its resilience in the context of the refugee crisis in the wider region. The facility aims to provide credit lines (up to €270 mln) to local financial intermediaries in Lebanon (Byblos, Fransabank, Société Générale de Banque au Liban and First National Bank) to finance small and medium-sized projects. The main expected output is improved access to finance of SMEs and Midcaps in Lebanon. Given that small- and medium-sized businesses play an important role in the Lebanese economy contributing to innovation, growth and employment, supporting them will contribute to creation of new economic opportunities and thus building economic resilience.

The ERI Operational Guidelines include considerations on the impact of the refugee crisis in terms of highlighted underlying and pre-existing vulnerabilities in public infrastructure and services, making it challenging to meet the needs of local and refugee communities alike. They also emphasise that economic growth directly addresses one of the primary drivers of migration - the search for economic opportunities, which are not available in countries of origin. As mentioned in the Guidelines, in the Southern Neighbourhood in particular, the health sector has been put under stress as a result of the influx of refugees, who need affordable access to basic health services. Thus, it can be concluded that the **ERI Guidelines consider the fourth high-level objective**. This is particularly the case for the first two elements of Art.3 listed above as they treat mostly indirect effects. Nevertheless, it is worth considering **more details on how ERI projects would contribute to enabling refugees to become self-reliant and strengthening humanitarian action and support for creation of decent jobs** (i.e. the third and fourth element of Art.3 presented above).

As mentioned in EQ2, **currently the ReM indicators do not directly measure the impact of ERI operations on migrants and refugees but rather access to basic infrastructure and building of long-term economic resilience**. However, effects on host and transit communities and communities of origins can be traced by the framework that is currently in place. The ERI results chain in the Operational Guidelines includes considerations related to the fourth HLO, particularly at the level of impacts. However, the level of outcomes does not include results explicitly linked to the fourth HLO as concerns the migrants/refugees dimension. The following output is included in the ERI result chain: "Improved access to finance particularly for midcaps, SMEs, microenterprises and for underserved groups e.g. women, youth, refugees/IDPs /migrant" (see Annex 7). Although relevant to the fourth HLO the output is broad and encompasses many diverse vulnerable groups, which is why it could be further operationalised.

The project documentation reviewed for the two case studies running under ERI **does not provide information on migration/refugee issues, but rather looks at aggregate impacts**. For example, for the operation in Lebanon, the EIB internal approval document states that part of the funds will be expected to finance projects compliant with the list of criteria reviewed in the context of the refugee crisis. The

⁶⁹ This project is currently under review by the EC, which has to confirm the transfer of the operations under the ERI Private Mandate, upon the signature of the amended ELM Guarantee agreement.

operation will adopt criteria of eligibility, which are expected to provide sufficient flexibility and include direct and intermediated support for short-term refugee crisis related investment.

However, the **above finding is linked to an important caveat**. After the publication of Decision (EU) 2018/412 in March, the EIB needs the approval of the Board of Governors and the Management Committee permission to sign the Guarantee Agreement, which is still under negotiation. On the side of the EC, the Guarantee Agreement also needs to go through an Interservice consultation. Thus, currently the EIB is warehousing the projects, which are expected to fall under the ERI category. As a temporary solution in the warehousing period, the EIB is developing the ERI rationale, including as concerns target groups, impact, markets and sectors. The procedures that are being discussed with the Commission are expected to include: (a) provision of information through the Article 19 communication procedure and (2) integrating the ERI rationale in the project documentation submitted for approval to the Board of Directors.

The review of ERI rationales available during the evaluation shows that ERI operations will target for example youth, women, SMEs, and potentially refugees. The impact of the reviewed operations includes economic growth, competitiveness, employment generation, increase of availability of private sector financing, and supporting vital infrastructure. These target groups and impacts are aligned to the fourth HLO, but also confirm the finding that **concrete information on how refugees and migrants would be targeted is scarce**. Thus, in the process of finalisation of the ERI procedures and Operational Guidelines, **more consideration would be instrumental as regards the needs and expected effects on refugees/migrants**.

12. How does the implementation of the ELM contribute to the underlying objective of regional integration among countries

Conclusions

At the end of 2017, 15.5% of the volume of all operations signed contributed to the underlying objective of regional integration. In line with the ELM Decision, the large majority (82%) of the financing of these operations focuses on Pre-Accession and neighbourhood countries. Transport projects are the largest category, but credit lines and energy projects also feature prominently in the portfolio. Assessing the expected effects of these operations is currently challenging as the ReM framework does not include specific indicators for the underlying objective.

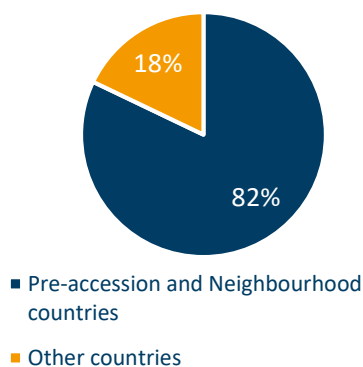
Analysis

In addition to listing the high-level objectives, Article 3 of the Decision, also stipulates an underlying objective: "Regional integration among countries, including in particular economic integration between Pre-Accession countries, Neighbourhood countries and the Union, shall be an underlying objective for EIB financing operations within areas covered by the general objectives set out in paragraph 1." The Regional Technical Operational Guidelines, while referring to this underlying objective a number of times, do not give further specification of the type of projects that would contribute to this objective. The Commission's annual reports to the Parliament and the Council define it as: facilitating the physical movement of goods and labour, fostering international

collaboration in the private sector, and supporting the convergence of neighbouring countries' economies towards the EU.⁷⁰

Until the end of 2017 there were 23 operations contributing to the transversal objective of regional integration, with a total of €2.25bn in signed volumes. **This represents**

Figure 5-3 Regional integration projects by region (signed volumes)

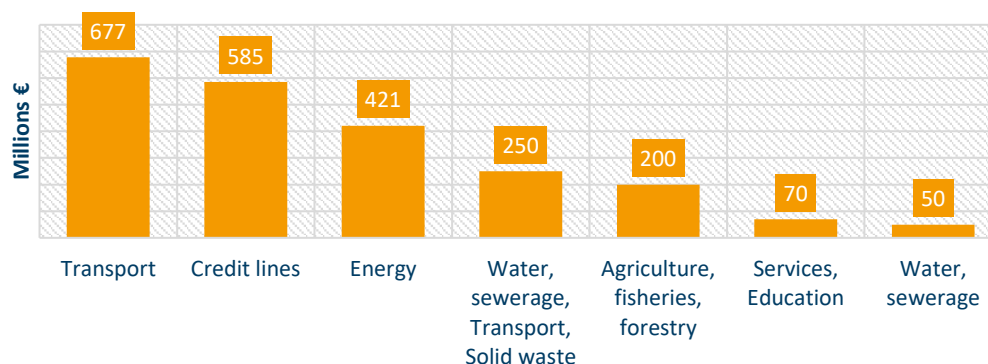


roughly 15.5% of the overall portfolio of ELM operations. These operations are spread through seven regions. In line with the ELM Decision, the large majority (82%) of the financing of these operations focuses on Pre-Accession and Neighbourhood countries.

As shown on Fig. 5-4, transport constitutes the largest category of operations including a regional integration component, followed by credit lines and energy.

Source: Ecorys based on EIB

Figure 5-4 Sector breakdown of operations targeting regional integration



Source: Ecorys based on EIB

Based on the project documentation reviewed for the ten case studies, the assessment of the contribution of the operations to this cross-cutting objective is rather limited. While the first pillar is also intended to investigate this aspect of the projects financed, only one of the projects had a value other than zero for "Regional Integration among Partner Countries". During interviews it was clarified that the operation has a pilot character and may be replicated in the region, but even in this case the description provided on how the operation would address regional integration was limited.

The current reporting (both by the EIB to the EC and by the EC to the EP/Council) on regional integration provides numbers on EIB commitment and projects with a regional integration dimension. Although this information is useful and provides an idea of the magnitude of the EIB financing for this underlying objective, it does not allow an assessment on the expected effects of these operations. Thus, it is recommended that the **EIB consider indicators that allow monitoring the contribution of the ELM operations to regional integration, possibly through existing ReM indicators,**

⁷⁰EC (2015c), Report from the Commission to the European parliament and the Council on 2014 EIB external activity with EU budgetary guarantee SWD(2015) 285, p.26

e.g. on roads and energy infrastructure. As presented in Table 5-1, the ReM framework methodology mentions the indicator 'Time to connect two countries/economic centres' as a custom indicator.

13. To what extent has the EIB been able to communicate the Programme and its contributions?

Conclusions

While efforts have been made to improve the communication activities of the Bank following the mid-term review, the visibility of the EU is still considered low at the level of final beneficiaries. The cooperation between the EC, EEAS, and EIB on communication has not materialised in all ELM countries. Thus, the recommendation for a "cooperation package" on communication among EU institutions remains valid both for the EC and for the EIB.

Analysis

Promoting the Union abroad is one of the priorities of the EIB's activities carried out under the ELM. The Regional Technical Operational Guidelines specify that the ELM should "strengthen EU communication and visibility".

The mid-term review stated that in spite of the efforts to inform ELM beneficiaries of the involvement of the EU, the Union's visibility is not ensured at the level of the final beneficiaries. The midterm assessment recommended a "cooperation package" for EU institutions on all projects in the respective countries in order to maximise communication effectiveness. This package could entail, for instance, a common communication strategy and joint visits by the EC, the EIB and the EEAS.

In response, **there has been a gradual change in the communication policies of the EIB.** According to the interviewees, there are three major elements to this shift. First, the communication strategy is increasingly based on storytelling and impact rather than "output" (i.e. project figures). Second, and in line with the above, the Bank increased the level of cooperation with other EU initiatives and institutions. Third, the EIB has diversified and increased its communication effort, most notably on the internet, in addition to events and press releases. For instance, in Ukraine the EIB is currently pooling its communication with other projects, communicating a single brand and message. Other good examples mentioned by interviewees are the communication activities under the EU4Business umbrella in Armenia and joint EU/EIB billboards in Morocco. High-level joint EIB-EC communication events have taken place, for example in Ukraine⁷¹ and Argentina⁷².

In spite of the progress, cooperation between the EC, EEAS, and EIB on communication **has not materialised in all ELM countries.** Stakeholders mentioned during the interviews/survey that the communication efforts of the EIB are still insufficient to enhance the visibility of the EU and the joint EIB/EC visibility. Thus, improving the joint communication activities (EC, EEAS, EIB) can be seen as **work in progress that should continue through increased dialogue at central level, but also at the level of EU delegations and EIB offices in the ELM countries.** The Joint Note on

⁷¹ For more information: <http://www.eib.org/infocentre/press/releases/all/2018/2018-126-eib-supports-upgrade-of-energy-and-road-infrastructure-in-ukraine.htm>

⁷² For more information: <http://www.eib.org/infocentre/press/releases/all/2018/2018-073-european-union-co-finances-the-development-of-jujuys-urban-waste-management-plan-with-a-eur-42-2m-loan-from-the-european-investment-bank-and-a-eur-11-3m-grant.htm>

Enhanced Cooperation and Coordination between DG NEAR and EIB (signed in January 2018) is also a step in this direction as it also envisages joint activities in order to make sure that EIB's activities are viewed as an integral component of overall EU support.

14. What are the barriers to effectiveness and what are the reasons for these barriers? How does the EIB overcome such possible barriers? What lessons can be drawn?

Conclusions

An important barrier to the effectiveness of the ELM is considered to be the currency exchange risk. The loans are only provided in USD or EUR, even though beneficiaries would prefer the use of local currencies, which is why it is recommended to consider new EU financial support for lending in foreign currency.

Analysis

The 2016 evaluation concluded that the existence of an **exchange rate risk** drags on the demand for the ELM loans (in USD or in EUR) and partially offsets the financial added value of the ELM. Several stakeholders interviewed during the current evaluation also pointed out 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 FX 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.

The EIB determines its ability to lend in local currency building on its Economics Department's analysis and taking into account the risk aspect. The Bank has already taken some steps to address the issue of local currency preference by borrowers. For instance, in Georgia, the Bank has made arrangements with the central bank to exchange loans provided in USD or EUR to local currency. This essentially shifts the exchange rate risk from the side of the final beneficiaries to the central bank.

In addition to the above, in 2015 the EIB has already become a member of the TCX⁷³ and the access to TCX is used for countries, which are eligible under the ELM⁷⁴. 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.

The 2010 evaluation concluded that the EIB had excessively cautious attitude to risk taking and targeting less complex projects with larger financing tickets, which was seen as a barrier to the ELM effectiveness. Since then the EIB has made **progress in financing riskier projects** and the ERI is a good illustration as it allows supporting private sector investments with a higher risk profile. Furthermore, based on EIB data as of the end of 2017, there is an **increase in microfinance** in the ELM regions, particularly in the Southern and Eastern Neighbourhoods. As mentioned in section 2.2

⁷³ TxC is a fund established in 2007 by a group of international development finance institutions (DFIs). Its primary function is to hedge currency exchange risk in emerging and developing economies.

⁷⁴ For example, see: <http://www.eib.org/infocentre/press/releases/all/2017/2017-288-first-eib-local-currency-loan-for-smes-in-ukraine-made-possible-with-eu-support.htm>

of this report, implementing microfinance operations was seen as a challenge in the 2013 impact assessment report.

The participants in the consultation process of this evaluation (interviewees, borrowers/promoters, and respondents to the online survey) identified broad barriers to effective implementation of the projects financed under the ELM, which include, e.g. resettlement delays, coordination between national institutions, non-financial risks (e.g. institutional and economic), complex regulatory frameworks, management capacities, length of local loan approval procedures (between government and parliament). These barriers cannot be considered as ELM-specific and there are limited options for alleviating them. Nevertheless, particularly when it comes to management capacities, both interviewees and respondents to the survey agree that **increased Technical Assistance can play a major role in addressing this barrier**. Strengthening of the TA components of ELM projects is generally seen as a way of increasing the effectiveness of the operations under all high level objectives.

15. What is the added value of the ELM for beneficiaries and in the selection of specific lending activities, how is the highest added value to beneficiaries ensured?

Conclusions

The added value of the ELM comes mainly through providing more advantageous borrowing terms, contributing to raising standards (environmental, social, procurement, financial), and triggering other IFIs to participate in specific projects. The overwhelming majority of the operations in the ELM portfolio are carried out in countries that fall below the financing threshold and could have not been taken forward under the EIB's own risk facility.

Analysis

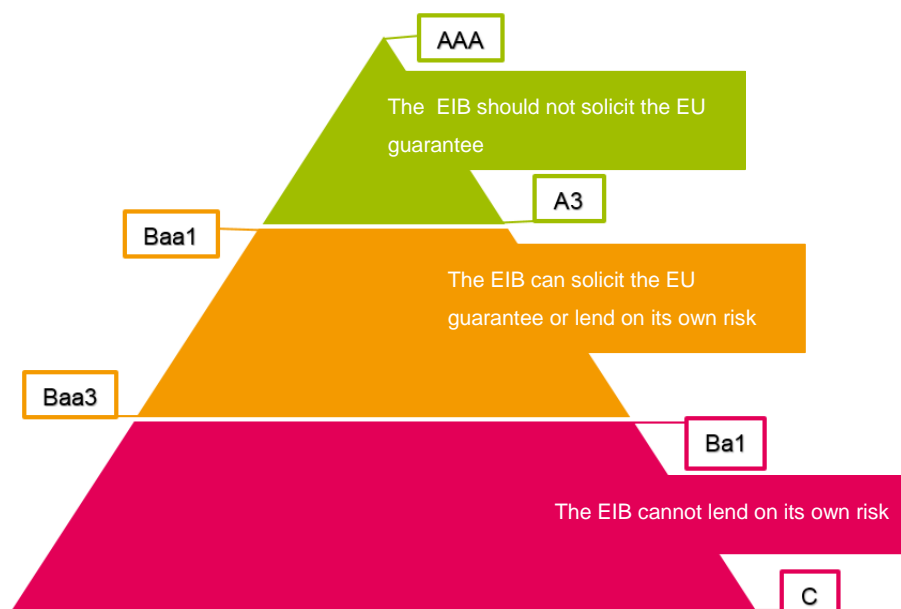
The key question as concerns added value is whether or not the projects would have materialised without the Guarantee provided for the ELM. It is therefore important to examine the Allocation Policy of EU Guarantee for the EIB's new financing operations outside the EU.

The rules for the allocation of the EU Guarantee for the EIB lending outside the EU are specified in the Guarantee Agreement between the Commission and the EIB. Whether the EU Guarantee will be sought for a given operation will depend on the nature of the counterpart (sovereign, sub-sovereign or private), the rating of the country of operation and the Bank's Credit Risk Policy Guidelines and risk absorption capacity, including country limits if applicable.

Risk coverage by the EU Guarantee should not be sought for loans, whether sovereign, sub-sovereign or private, in eligible countries with a rating equivalent to Moody's A3 or better. On the other hand, according to EIB Credit Risk Policy Guidelines, the operation cannot be own-risk financed and thus must be covered by the EU Guarantee if the beneficiary country's credit rating is below Moody's Baa3. A third option is the one between the EIB's obligation to use its own risk facilities (green area) and the one whereby EIB cannot lend at its own risk (pink area). For operations in countries with a

credit rating between Baa3 and A3 the EIB can either use its own resources or solicit the EU Guarantee (orange area). The three options are illustrated below:

Figure 5-5 When can the EIB lend at its own risk and when can it request the EU guarantee?



Source: Ecorys based on EIB data

The following table presents a list of countries eligible for ELM and their Moody's credit ratings as of March 2018. For easier understanding, the list has been divided in two tables; one presenting countries that have already received ELM funds and a list with countries that have not.

Table 5-4 Eligible countries already financed by the ELM

List of eligible countries	Latest Moody's Credit rating
Argentina	B2
Armenia	B1
Azerbaijan	Ba2
Bangladesh	Ba3
Bolivia	Ba3
Bosnia and Herzegovina	B3
Brazil	Ba2
Ecuador	B3
Egypt	B3
FYROM	Not available
Georgia	Ba2
Honduras	B1
India	Baa2
Jordan	B1
Kosovo	Not available
Kyrgyzstan	B2
Laos	Not available

List of eligible countries	Latest Moody's Credit rating
Lebanon	B3
Maldives	B2
Montenegro	B1
Morocco	Ba1
Nepal	Not available
Nicaragua	B2
Pakistan	B3
Palestine	Not available
Panama	Baa2
Paraguay	Ba1
Serbia	Not available
South Africa	Baa3
Sri Lanka	B1
Tajikistan	B3
Tunisia	B1
Turkey	Ba1
Ukraine	Caa2
Vietnam	B1

Source: Ecorys based on Moody's

It can be observed that all the countries financed under the ELM 2014-2020 have a credit rating lower than the threshold value of A3, which shows that the countries targeted by the EIB meet the criteria specified in the EIB Allocation Policy. Their current credit ratings are below the A3 threshold, which means all these countries remain eligible for new ELM operations.

The next table shows a list of countries, which are eligible for EIB financing under the EU Guarantee, but that have not received EIB funding under the EU guarantee as of 31.12.2017. With some of these countries, the Bank does not have a lending Framework Agreement signed with the national Government. For some others, the Bank can lend as its own risks.

Table 5-5 Eligible countries not financed by the ELM until now

List of eligible countries	Latest Moody's Credit rating
Afghanistan	Not available
Albania	B1
Algeria	Not available
Belarus	Caa1
Bhutan	Not available
Cambodia	B2
China	A1
Colombia	Baa2
Costa Rica	Ba2
Cuba	Caa2
El Salvador	Caa1
Guatemala	Ba1

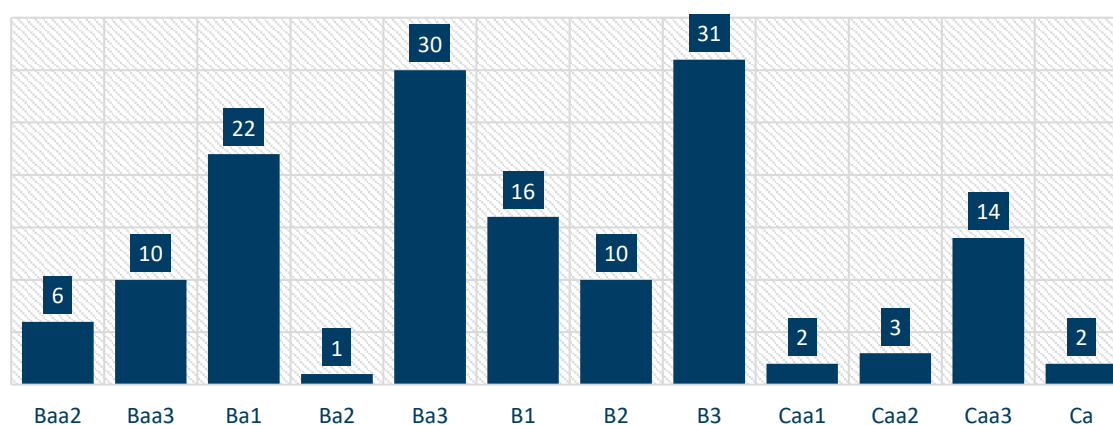
List of eligible countries	Latest Moody's Credit rating
Indonesia	Baa3
Iran ⁷⁵	Not available
Iraq	Caa1
Kazakhstan	Baa3
Libya	Not available
Malaysia	A3
Mexico	A3
Mongolia	B3
Myanmar	Not available
Peru	A3
Philippines	Baa2
Republic of Moldova	B3
Russia	Ba1
Syria	Not available
Thailand	Baa1
Turkmenistan	Not available
Uruguay	Baa2
Uzbekistan	Not available
Venezuela	Caa3
Yemen	Not available

Source: Ecores based on Moody's

The examination of the above table indicates that out of 32 eligible countries that have not yet received EIB funding, 4 - China, Malaysia, Mexico and Peru - have credit ratings above the threshold specified in Allocation policy. These countries thus fall out of the scope of the scope ELM operations and if EIB operations take place in one of them, it should be own-risk financed.

The credit rating distribution of all EIB operations where EU Guarantee was solicited is presented in the figure below.

Figure 5-6 Distribution of contracts by Moody's credit ratings at the date of ELM loan signature



Source: Ecores based on Serapis and Moody's

⁷⁵ Iran is "potentially eligible" eligible for EIB lending.

Among the 132 operations, 154 contracts were financed under the ELM. The examination of the distribution of 147 Moody's credit ratings (for seven contracts no credit rating was available) shows that more than 89% of operations had a rating below Baa3. Thus, a vast majority of operations financed under ELM fell under the speculative grade category and therefore could not have been financed at EIB own-risk.

The remaining 11% of the operations (listed below) financed under ELM had credit ratings allowing EIB to lend at own-risk. While the EIB has the legal option to lend to those countries using the EU Guarantee, the maximisation of the ELM added-value would suggest focusing on countries for which own-risk lending cannot take place. On the other hand, the EIB's decision to use ELM for these operations can be justified when looking at these countries' current credit ratings (Table 4-14), which have deteriorated since these operations were signed and now would fall under speculative investment grade (Brazil, Azerbaijan, Turkey).

The above is in clear contrast with the baseline scenario, which assumed that the EU budget guarantee would be increasingly reserved for creditworthy operations.

Table 5-6 Countries concerned by higher ELM credit rating

Credit rating at the time of contract signature	Number of contracts
Baa2:	6
Brazil	2
Panama	1
South Africa (2015)	3
Baa3:	10
Azerbaijan	2
India	2
South Africa (2017)	1
Turkey	5
Grand Total	16

Source: Ecorys based on Moody's

India and Panama have kept the same grade or have slightly improved since the signature of ELM loans, which suggests that EIB could finance future operations in these countries using its own funding.

Overall, the EIB financing operation under ELM were conducted in full compliance with the allocation policy. The EIB lending with the EU Guarantee was used predominantly in countries with a speculative grade where such use is indeed required. Four countries currently eligible for ELM have credit rating above the threshold specified in the Allocation policy and thus can be considered for removal from that list.

The online survey included questions on whether the ELM projects could have gone forward without financing from the EIB, but the number of respondents to these questions is too low to provide judgement (Q32). Nevertheless, it is worth mentioning that seven of the respondents (FIs who received ELM financing) claim that their projects would not have been realised in the same timescale and scope without the EIB financing, while two FIs (also receiving ELM financing) responded that the same timescale and scope could have been achieved without the EIB financing (Q34). Furthermore, some of

the interviewed borrowers/promoters also confirmed that their projects would not have been realised without the financing under the ELM.

Some stakeholders interviewed mention that the EIB lends large volumes for relatively lower risk projects, which are likely to attract investment from other sources as well. **Nevertheless, borrowing terms would certainly be less advantageous than those offered by the EIB** (as explained in the response to EQ4), and would therefore add to the total cost of the project. FIs confirmed that even though other IFIs were considered the advantageous financial conditions of the EIB were the key reason for deciding to request financing from the EIB (Q33, 35, 62).

In this regard, project appraisal includes another aspect of added value, labelled "demonstration effect". This assesses the effect of the intervention in providing signals to the market, encouraging other IFIs to participate in funding activities or opening up external channels of funding. Interviewees have also pointed out that an **important added value of ELM is that it can trigger the participation of IFIs**, and thus provide economies of scale through pooling of resources.

Another aspect, which is considered by the EIB during appraisal and implementation, is the promotion of financial, environmental, social and procurement standards. This can improve transparency and efficiency, both in the local banking sector and the procurement practices, and lead to added value in terms of overall better environmental and social performance of the projects realised.

5.3 Efficiency

16. To what extent have the human and financial resources been used for an efficient management and implementation of the Programme, both at Commission and EIB side, considering all requirements set-out in the Decision and related agreements? and 17. To what extent are the desired effects achieved at a reasonable cost (including the burden on beneficiaries and stakeholders)? What aspects of the ELM are the most efficient or inefficient, especially in terms of resources that are mobilised by beneficiaries and stakeholders during the different phases of the process?

Conclusions

The EIB and EC human and financial resources for the management and implementation of the ELM have been assigned and used in an efficient manner. Furthermore, the resource allocation and use at the EIB side are adapted to the extent possible to the nature and context of the operations. The collocation of EUD/EIB offices brings efficiency gains.

Analysis

As per the Guarantee Agreement between the European Union and the European Investment Bank and Decision No 466/2014/EU, the EIB Financing Operations outside the EU shall be managed in accordance with the Bank's own rules and procedures including the Bank's policy towards weakly regulated, non-transparent and uncooperative jurisdictions, sound banking practices and appropriate control measures, as well as with the rules and procedures relating to auditing by the European Court of Auditors the European Anti-Fraud Office (OLAF). Furthermore, the operations should be

in compliance with the EIB's statement on social and environmental standards. While it is not possible to assess the efficiency of the management of the ELM with regards to each of these requirements, the overall management of the ELM **at the level of the EIB is considered very efficient in terms of the human and financial resources used.**

According to most interviewees, the efficiency is primarily due to the **high volume approach** followed by the EIB. Furthermore, the Commission estimates that, due to the low provisioning rate, the leverage of the ELM programme in terms of investment mobilised per euro of EU budget is around 22 times, which makes it **financially very efficient.**

The monitoring of contractual requirements by the EIB was criticised in the 2010 evaluation as it was affected by time and resource constraints. Some respondents to the survey also expressed the view that the resources of the EIB for monitoring on the ground are insufficient. This is why this evaluation paid particular attention to the resources allocated for monitoring.

The analysis of the case studies shows that **the staffing policy of the EIB is adapted to the administrative capacity of the borrower, type of instrument, and complexity of the country context.** This is clearly illustrated by the differing monitoring resources allocated for different operations. The allocated days range from 4 days to up to 60 days per year. Specific resources are assigned for completion of PCRs and monitoring missions (about 10 days).

According to the interviewed EIB staff there is a match between the assigned resources and the actual resources spent. The good cooperation and communication among relevant services assigned to the reviewed projects contributes to the efficient management and implementation of the ELM. Thus, the overall conclusion that can be drawn on the basis of the case studies and interviews is that **the EIB resources are efficiently assigned, while at the same time they are adapted to the extent possible to the nature and context of the operations.**

One of the recommendations from the 2010 evaluation stated that to improve effectiveness and ensure higher added value to beneficiaries the EIB local presence should be strengthened. Since then, the local presence of the EIB has significantly increased and at the time of writing of this report the external offices of the EIB are more than 40. Nevertheless, **respondents in the survey and some borrowers claim that the EIB should further increase their presence in the countries covered by the ELM operations** in order to gain more local knowledge, provide tailored advice, and speed up the negotiation process. In order to achieve efficiency, Decision No 466/2014/EU states that EIB offices outside the Union should whenever possible be located within Union delegations in order to foster such cooperation while sharing operating costs. This colocation approach is followed by the EIB.

On the EC side, the days envisaged for the management of the ELM are overall up to 1.5 FTEs per year. Considering the amount of information exchanges and reporting obligations, **the EC resources allocated to the ELM management can also be considered as efficiently used.**

The 2016 evaluation has found that the administrative burden of ELM financing is among the least heavy compared to other IFIs (based on the subjective perception of beneficiaries). The results of the online survey confirmed this finding as **Financial Intermediaries (FIs) rate the administrative burdens linked to ELM financing as lower or the same as other sources of financing** (11 FIs responding to Q36). The interviewed borrowers confirmed that the administrative burden of reporting and gathering information on indicators was not seen as excessive.

18. What lessons of the ELM implementation, from implementation to date, may be useful for the implementation of other relevant current or future EU activities?

Conclusions

Although no major efficiency issues have been identified, lessons learned in the following areas may be useful for future activities: allocation of monitoring resources should take into account the administrative capacity of the borrower, type of instrument, and complexity of the country context; the value of TA in general surpasses the costs; increased EIB local presence and management efforts are measures increasing the efficiency of project implementation.

Analysis

No major efficiency issue has been reported in the 2016 evaluation and this is also the case for the current evaluation. Nevertheless, there are lessons learned, which could be instrumental in the implementation of other activities. These areas concern the resources used for monitoring, TA, increased local presence, and communication activities.

In general, **the monitoring of operations in the public sector require more monitoring resources than the private sector**. Nevertheless, even in the private sector having experienced PIUs increases the level of thoroughness and trust in the monitoring that is provided. As described in the response to EQ16, the allocation of monitoring resources should take into account the administrative capacity of the borrower, type of instrument, and complexity of the country context.

The use of Technical assistance (TA) is seen as a key tool to increase local capacity by EIB staff, financial intermediaries, and some of the interviewed borrowers. Although it requires resources, **the value of TA in general surpasses the costs**, which is why it can be seen as a measure to increase efficiency, for example in terms of faster achievement of expected results and/or reduced management costs for the EIB. [REDACTED]

[REDACTED] Considering the benefits of TA, **having quick access** to it (for example via the Neighbourhood Investment Facility) is considered essential for reaching efficiency gains (see also the response to EQ25).

In addition to TA, another way of increasing capacity of borrowers and/or FIs is through increased local presence of the EIB. A recommendation of the 2010 evaluation was that EIB local presence in mandate countries should be strengthened to ensure effective coordination and follow-up on projects. As mentioned, the EIB is pursuing this recommendation and increasing its local presence. Nevertheless, survey responses suggest that the issue is still valid. In spite of the higher costs, **increased EIB local presence and management efforts can be seen as measures to increase**

efficiency of the implementation and negotiation of ELM operations. At the same time, it is important to note that the extent of positive gains as compared to the costs for the EIB of increasing local presence cannot be quantified within this evaluation study.

An efficiency measure that was identified in the 2016 evaluation was a so-called “cooperation package” that could include joint visits from the EC, EIB, and EEAS, joint communication strategies and press releases. The EIB has made substantial progress as concerns communication activities (see EQ13), but nevertheless results of the survey and interviews show that further stepping up of the efforts are needed in order to ensure common EC/EIB visibility.

19. How do the EIB activities under the EU guarantee compare to operations in which EIB blends its own resources with EU budget grants in terms of administrative burden and in terms of efficient/effective use of EU Budget resources?

Conclusions

No additional burden has been identified when comparing the EU guarantee to operations in which EIB blends its own resources with EU budget grants.

Analysis

In general blending of grants and loans has an impact on the overall cost-benefit balance of projects. Grant elements reduce the overall cost and risk of projects and reduce the interest costs to the beneficiaries. Blending also increases financial leverage effect and can lead to enhanced coordination, efficiency, impact and division of labour at European level⁷⁶. In this line, Decision No 466/2014/EU states that EIB financing operations should, where possible and appropriate, be complemented by funds from the general budget of the Union through the efficient and appropriate blending of grants and loans for climate change financing in the context of Union external assistance.

The 2016 evaluation concluded that there is no difference between managing projects under ELM and managing project under others mandates outside EU or at EIB own risk. This is valid also in terms of efficiency and administrative burden, which is why the evaluation did not identify any additional administrative burden of blending EIB activities under the ELM as compared to the blending under ORF. **No additional administrative burden was identified also under this evaluation.**

Nevertheless, the previous evaluation has found that **the administrative burden of mobilising EU blending facilities is higher than when no blending mechanism is used.** This is due the fact that provision of funds through these mechanisms follows a project by project approach requiring separate appraisal, project implementation, monitoring and reporting, distinct from the ELM loan processes and procedures. Thus, the previous evaluation recommended greater rationalisation of appraisal and reporting procedures and processes between the Commission and the EIB to reduce the administrative burden. This **rationalisation is still not a fact, but reporting procedures are expected to be streamlined in the framework of the next MFF,** possibly under one External Instrument. The issue of rationalisation during appraisal is presented in EQ 25.

⁷⁶ Núñez et al (2011)

5.4 Coherence and synergies

20. To what extent do the ELM (expected) results complement other EU and/or Member State interventions that are designed to contribute to the EU external policy objectives?

Conclusions

In addition to conforming to ELM objectives and national strategies, the ELM operations are in line with other EU policy and/or instrument objectives. More specifically, the EIB financing operations under the ELM contribute to the EU Global Strategy priorities in terms of state and societal resilience and the European Neighbourhood Policy objectives.

Analysis

The EU external policy currently focuses on five priorities: the security of the Union, state and societal resilience, an integrated approach to conflicts, cooperative regional orders and global governance for 21st century⁷⁷. The **EIB lending operations under the ELM have a potential to contribute particularly to state and societal resilience** given that sustainable development is one of the elements lying at the heart of a resilient state. Moreover, state and societal resilience is the EU strategic priority in the neighbourhood, where the EIB conducts most of its operations. Therefore, this section will focus mostly on interventions in this region.

The establishment of the Regional Technical Operational Guidelines aimed at strengthening the consistency of EIB external actions with EU external policy objectives and maximising synergies between EIB financing and EU budgetary resources⁷⁸. The analysis of case studies demonstrated that apart from conforming to ELM objectives and national strategies, **the ELM operations are in line with other EU policy and/or instrument objectives**, such as: Climate Action, European Neighbourhood Instrument (ENI), Neighbourhood Investment Facility investment, Instrument for Pre-Accession (IPA), EU-Ukraine Association Agreement, DCFTA agreements, European Charter for Small Enterprises in the Western Balkans, and Europe 2020. Moreover, the projects financed by the ELM aim to contribute to the promotion of prosperity and sustainable development, which are the overall external policy goals of the EU.

There is general agreement between FIs and EU delegations that **ELM operations are in line with other EU and/ or Member State interventions and that they are designed to contribute to the EU external policy objectives** (17 positive responses out of 19⁷⁹, Q14).

The EIB operations in the Neighbourhood countries are carried out in the framework of the European Neighbourhood Policy (ENP) and they aim to contribute to Partnership Priorities agreed with countries in East and South as well as to Association Agreements with Georgia, Moldova, and Ukraine. Since 2011 the ENP has been based on a "more for more" approach, which states that countries embarking on political reforms and respect the shared universal values of human rights, democracy and the rule of law will benefit from deeper economic integration with the EU and greater EU financial

⁷⁷ EEAS (2016), Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy. Available [here](#)

⁷⁸ Memorandum of Understanding between the European Commission and the European Investment Bank in respect of cooperation and coordination in the regions covered by the external mandate. September 2013

⁷⁹ With two 'Don't know' answers

assistance. However, the review of the ENP in 2015⁸⁰ has shown that the approach did not create sufficiently strong incentives to create a commitment to reform, where there is no political will. The review also recommends more effective deployment of existing instruments, use of innovative approaches such as blending grants and loans and closer cooperation between the EU and IFIs, including the EIB, in order to better respond to the Neighbourhood partners' priorities of economic development and modernisation, investment and for developing the employment options for youth.

The **EIB operations in the Eastern Neighbourhood also contributes to Eastern Partnership deliverables⁸¹ across different priorities pillars**, such as addressing the gaps in access to finance and financial infrastructure, DCFTAs implementation, energy efficiency and renewable energy, environment and adaptation to climate change, transport connectivity, and integration of Eastern Partnership and EU research and innovation systems.

The portfolio analysis shows that the Southern Neighbourhood (Mediterranean countries) and the Eastern Neighbourhood countries have been the two largest groups of beneficiaries of the EIB financing activities under the ELM. The two regions also saw a significant increase in lending between 2014 and 2018 following the new Decision⁸², which increased the regional ceiling for lending under the ELM by EUR 889 m for the EU Southern and Eastern Neighbourhood, and Russia. This increase, driven by geopolitical developments shows that EIB lending activities adapt to and thus can complement evolving EU external policy objectives. In addition, more than half of all ELM operations with a grant element came from the Neighbourhood Investment Facility, which is reserved for the Neighbourhood countries.

As mentioned, European economic diplomacy forms one of the EU external policy objectives and has as one of its aims helping European businesses to access markets outside the EU (internationalisation). Although economic diplomacy and SME internationalisation are not defined as objectives in the ELM Decision, the financing operations under the ELM contribute to them (see EQ8) and can be considered coherent in this respect.

21. Are there overlaps or realised or potential complementarities between the ELM and any other EU or Member State actions in the relevant areas?

Conclusions

The ELM is complementary to other EU external instruments in terms of geographical area (with ACP) and in terms of risk profile (with EFSD). To avoid potential overlaps the EIB is working closely with the Commission and other IFIs. Further complementarity between different EU actions is ensured by EIB's exchanges with the Commission and EIB's participation in EFSD's Strategic Board as well as co-financing with other IFIs and blending with other sources of EU funding

⁸⁰ EC and High Representative of the Union for Foreign Affairs and Security Policy (2015), Review of the European Neighbourhood Policy. Available [here](#)

⁸¹ EC and High Representative of the Union for Foreign Affairs and Security Policy (2017), Eastern Partnership - 20 Deliverables for 2020. Focusing on key priorities and tangible results. Available [here](#)

⁸² EP and Council of the EU (2013), "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

Analysis

The ELM operates alongside other **EU external instruments** such as the blending facilities and the European Fund for Sustainable Development (EFSD) and African, Caribbean and Pacific Investment Facility (ACP). All three programmes aim to boost investment in targeted regions outside of the EU in line with the general EU's external policy objectives, but they complement each other by focusing on distinct geographical areas (ELM and ACP) and by providing different set of financial instruments as well as by financing projects with different risk profiles (ELM and EFSD).

The ELM covers many regions, but it does not cover Pacific, Caribbean and Sub-Saharan African regions, which makes it complementary to ACP (the overlap between the two is limited to South Africa). In case of the EFSD the geographical overlap is potentially much larger (discussed below), but important complementarities between the two can be found in the diversity of the instruments. While under the ELM the EIB operates primarily with loans and credit lines, the EFSD offers a wide array of instruments including loans/credit lines, guarantees, counter-guarantees, capital market instruments, equity and quasi-equity participations. In addition, there is a considerable difference in risk taking between ELM and EFSD. Some stakeholders pointed out that different provisioning rates (ELM 9%, EFSD 50%) mean that EFSD will cover riskier loans to private sector whereas the EIB under the ELM lends to the less risky public sector. In addition, the EFSD regulation states that it must be complementary to other EU instruments, including the ELM.

The ELM and EFSD have to a large extent similar objectives and they cover a number of the same regions⁸³. Both instruments operate in Southern and Eastern Neighbourhood countries and South Africa. The similar geographical coverage and alignment of the objectives between ELM and EFSD means that once the EFSD starts operating, complementarity of actions and the coordination of efforts will be necessary to avoid duplication and crowding out. Two mechanisms have been put in place to ensure complementarity between ELM and EFSD. First, the EIB forms a part of the EFSD's Strategic Board where it advises the Commission on the EFSD priorities and ensures complementarity between EFSD and ELM. Second, the EIB also plays a role in the EFSD's operational board by giving support to the Commission on banking-related aspects of investment windows.

There are few mechanisms enabling the EIB to avoid overlapping, such as bi-annual meetings with DG NEAR, and formal and informal information exchanges with the European Commission and EEAS. Under the ELM, the EIB is required to cooperate closely with the Commission and the EEAS with an aim of strengthening the alignment of EIB external actions and the Union's external policy objectives and maximising synergies. The cooperation takes place mainly through a regular and systematic dialogue and early consultation on policies, strategies and project pipelines. As described in the response to EQ7 these processes are currently being improved.

Respondents to the online survey **assess mostly positively the level of complementarity between ELM operations and EU external interventions** – 11 responses 'fully' and 'to a large extent' and 6 'somewhat' responses (out of 17 responses in Q12⁸⁴). The responses on the complementarity with interventions from EU Member

⁸³ 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

⁸⁴ Excluding two 'Don't know' answers

States are similar (Q13). Furthermore, the interviewed borrowers/promoters did not identify overlaps with other IFIs.

Since the EIB covers in general up to 50% of the project costs, its activity in the regions covered by the ELM is often implemented in co-financing with other **European and International Financial Institutions (IFIs and EDFIs), other national/bilateral agencies, such as KfW or AFD and/or blending with other sources of EU funding**. Coordination with those institutions/instruments takes place during the identification of project opportunities, projects appraisals and project monitoring. A specific example of such cooperation mechanism is the Mutual Reliance Initiative (MRI). The initiative comprises of the EIB, French Agency for Development (AFD) and Germany's KfW Development Bank and aims at enhancing the effectiveness of development cooperation. The MRI allows the promoters of investment projects co-financed by the three development institutions to benefit from a larger project finance capacity through a structured division of labour (the tasks during the project cycle are given to one of the three institutions as a lead financier).

The portfolio analysis has shown that the EIB can rely in a number of projects on other financial institutions' appraisals. In the Mediterranean region many operations are co-financed by the AFD or German KfW, while close to two thirds of operations that are co-financed by the EBRD are located in Russia, Eastern Europe and the Southern Caucasus. This is aligned with the regional focus of these institutions.

The online survey results show that the opinion of FIs and EU delegations on the complementarity of ELM operations with other interventions from international financial or development finance institutions is mostly positive (Q19) – 12 responses in the positive scale ('to a large extent' and 'fully') and 5 'somewhat' responses (out of 17 responses). The mostly positive opinion on this aspect of complementarity is shared both by FIs and EU delegations.

22. Could the coherence and synergies of the Programme with other EU and/or Member State interventions that are designed to contribute to the EU external policy objectives, as well as with EIB activities in ACP countries under the Cotonou Agreement, be further improved - considering also EU energy security strategies and EU tax policies on non-cooperative jurisdictions?

Conclusions

The combination of the expertise and local knowledge that national promotional banks or other IFIs with EIB's financial capacity is a way of continuous improvement of the coherence and synergies of ELM. In terms of EU energy security strategy, increasing investments in renewable energy sources in the Neighbourhood countries would further contribute to the achievement of the policy objectives. As for the Non-Compliant Jurisdiction (NCJ) both the Commission and the European Parliament have been pressing the EIB to review and enhance its policy towards weakly regulated, non-transparent and uncooperative jurisdictions.

Analysis

In spite of the progress in terms of strengthening its local presence (see also the response to EQ16 and EQ17), in some countries the EIB has limited presence in terms of staff in some of the countries that fall under the ELM. In such cases, cooperation with other IFIs, which have staff on the ground, can help EIB in identification and structuring

of the projects it plans to implement. Through co-financing of the ELM projects with IFIs like the EBRD, the **EIB is able to complement its operations by using other IFIs extensive local knowledge.**

Even though 50% of ELM operations are co-financed and 30% have a blending facility, according to some interviewees, coherence and synergies of ELM and other EU and Member States interventions could be further improved. The combination of the expertise and local knowledge that national promotional banks or other IFIs have (AFD, KfW, EBRD) with EIB's financial capacity is a way of continuous improvement of the coherence and synergies of ELM.

The EIB's activities in the **ACP** are aimed at contributing to the objectives of the Cotonou Partnership Agreement (CPA), supporting projects that yield sustainable social, economic and environmental benefits⁸⁵. The CPA provides a mandate for EIB activities in the ACP countries covering a 20-year period giving stability and continuity for the EIB activities in the ACP (compared to the ELM five-year mandates). It also allows for regular review, adjustments and some flexibility, as part of the joint ACP-EU institutional framework. The EIB often operates together with other IFIs and development finance institutions (DFIs), which allows it to build synergies and increase its leverage as well as build on the technical assistance provided by other institutions. However, further synergies could be obtained if EIB interventions were combined more often with donors support. Moreover, the coherence and synergies could be further improved by identifying priority sectors and/or priority countries to better guide its operations in the region, increasing staff allocation to development-oriented projects, and, in cooperation with other actors, including the EU, having greater presence in the beneficiary countries⁸⁶.

In response to concerns over EU dependency on energy imports, the European Commission released its **Energy Security Strategy** in May 2014⁸⁷. The Strategy aims to ensure a stable and abundant supply of energy for European citizens and the economy. One of the pillars to achieve energy security is diversifying external supplies and related infrastructure. ELM investments in **renewable energy projects especially in Neighbourhood countries can contribute to that objective.**

The EIB has a Policy towards weakly regulated, non-transparent and uncooperative jurisdictions ("NCJ" Policy), which was adopted in 2010 and updated in 2014. The Board of Directors also approved in January 2017 an "Interim Approach" to the NCJ Policy, which includes an internal toolkit to better assess operations potentially raising tax concerns. The NCJ Policy is currently under review.

In recent years both the Commission and the European Parliament have been pressing the EIB to review and enhance its NCJ policy. In Communication on an External Strategy for Effective Taxation⁸⁸ the Commission urged IFIs, including the EIB, to "transpose these good governance requirements in their contracts with all selected financial intermediaries". The Communication finally recommended "strengthening the provisions

⁸⁵ Bilal S. and Große-Puppendahl S (2016): The EIB's innovative role in ACP countries under the Cotonou Agreement. Options beyond 2020. Available [here](#)

⁸⁶ *ibid*

⁸⁷ EC (2014b) European Energy Security Strategy (SWD(2014) 330 final) Available [here](#)

⁸⁸ COM(2016)24 COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on an External Strategy for Effective Taxation

to include fair tax competition requirements could prevent such cases from arising". European Parliament in recently published resolution on the Annual Report on the Financial Activities of the EIB⁸⁹ called on the EIB to be more ambitious when it comes to NJC and to "revise and update its NCJ policy in the light of the adoption of the aforementioned Union list of non-cooperative jurisdictions" as well as to "reinforce its due diligence procedure and transparency when working with financial intermediaries"

23. To what extent the EIB ensures compliance of its operations with its Gender Strategy?

Conclusions

Assessing compliance of ELM operation with the EIB Gender Strategy is challenging as the latter was adopted only recently. However, in the internal Gender Action Plan, the EIB outlines the objectives, activities to be undertaken and the expected achievements for the upcoming years, which aim to guide it in the implementation of the Gender Strategy.

Analysis

The overall aim of the EIB Gender Strategy is to embed gender equality and, in particular, women's economic empowerment in all EIB activities. The high-level impacts that the EIB aims to achieve include:

- Protection of rights of girls and women in/through EIB investment;
- Female and male beneficiaries are equally able to access and utilise the assets, services, benefits and opportunities generated by EIB investments. Positive impacts are thereby maximised;
- EIB investments increase women's participation, on equal terms, in the economy and labour market;
- The EIB creates an enabling institutional environment by embedding gender equality in its business model, covering the group's lending, blending and advising activities within and outside the EU.

The strategy was adopted only recently (January 2017), therefore, it is difficult to judge to what extent the ELM operations comply with it. In its Gender Action Plan⁹⁰ the EIB has however outlined the objectives, activities to be undertaken and the expected achievements for the 2018-2019, which will guide the implementation of the EIB Group Strategy in the upcoming years.

In addition, only a few of the interviewees were informed enough about the compliance with the recently adopted gender strategy of the EIB to give an opinion. Among those that were familiar with the strategy, some indicated that it is not yet clear if it is far reaching enough and others stressed that more could be done to develop special financial products for female entrepreneurs. As discussed, to ensure that its gender strategy is fully incorporated in practice, the EIB should include dedicated indicators in ReM framework (see EQ2).

⁸⁹ EP (2018) European Parliament resolution of 8 February 2018 on the Annual Report on the Financial Activities of the European Investment Bank (2017/2071(INI))

⁹⁰ EIB (2018): EIB Group Gender Action Plan, available [here](#)

24. To what extent is the design of the Programme coherent with the post 2015 development and climate framework? And how can synergies with other actors be explored?

Conclusions

The ELM operations are coherent with the post 2015 development and climate framework. Specifically, the ELM activities contribute to a number of targets set out in the Sustainable Development Goals framework. The EIB collaboration with actors such as UNIDO, FAO, IFAD and UNDP enables it to explore synergies by aligning their developmental efforts in the regions of their operations.

Analysis

As mentioned in the response to EQ10, the **EIB operations are largely in line with the Sustainable Development Goals and climate change mitigation and adaptation**. The volume of climate change lending fulfils the target of 25% of total EIB financing operations under ELM and it is in line with and it contributes to the newly introduced 35% target of total financing operations in emerging and developing economies by 2020 (see section 4.8 on climate change). However, according to the portfolio analysis, vast majority (93%) of the operations financed under the ELM contribute to climate objectives mostly through their involvement in climate change mitigation whereas contribution to climate change adaptation is still rather limited in relative terms.

The **majority of respondents to the online survey also assess positively the alignment of the ELM to the SDGs** – 12 responses in the scales 'to a large extent' and 'fully' and 3 responses 'somewhat' (Q20⁹¹).

A number of synergies with other actors enable the EIB to maximise its impact in the countries of operations. To align development efforts in the same regions of EIB operations, the EIB signed Memoranda of Understanding with UNIDO, FAO, IFAD and UNDP. In October 2016, the EIB and the United Nations Development Programme (UNDP) signed a MoU aimed at boosting collaboration toward achieving the new Sustainable Development Goals (SDGs) by 2030. The agreement envisaged expanded cooperation in key thematic areas including addressing climate change, responding to challenges such as the ongoing migration and forced displacement crisis, and promoting inclusive markets and entrepreneurship leading to generation of jobs, particularly for youth.

25. What lessons can be learned from interaction between EIB under ELM and the blending facilities in terms of complementarity?

Conclusions

Strong co-financing relations with other IFIs and national promotional banks enable the ELM to complement the activities carried out by other financing institutions. The pooling of resources is likely to create scale and diversification benefits and allows to mutualise the risks. At the same time, blending may require more time in the design phase and is sometimes associated with long negotiations. The design time could be shortened by an establishment of a global envelope for TA for priority projects and/or projects in priority regions.

⁹¹ Two 'Don't know' answers

Analysis

In line with Art. 7 of Decision No 466/2014/EU, EIB financing operations shall be carried out, where appropriate, in cooperation with other European multilateral and Member States' financial institutions and international financial institutions, including regional development banks in order to maximise synergies, cooperation and efficiency, to develop jointly innovative financial instruments, to ensure prudent and reasonable sharing of risks and coherent investment project and sector conditionality, and in order to minimise possible duplication of costs and unnecessary overlap.

The EIB uses blending facilities to unlock financing from other sources, particularly from the EU budget. Grants are blended together with EIB and other loans to form a full financing package. Blending mechanisms result in strong co-financing relations with other IFIs and national promotional banks (such as KfW, AFD), which can **lead to important complementarities** since the national promotional banks often have local expertise stemming from their long-time presence⁹².

According to the portfolio analysis, about 30% of ELM operations have been blended with grants or technical assistance. The different facilities that provide grants and/or technical assistance have a regional focus thereby they ensure the alignment with EU policies and priorities in each respective region maximising the intended impact of the operations. The portfolio analysis has also found that operations with a blending component cover all types of beneficiaries and a wide range of sectors.

Results from the online survey show that ELM operations are considered to complement other interventions from international financial or development finance institutions. At the same time, a concern has been raised by different stakeholders (including IFIs and the EIB) that operations with a blending component are often **relatively slower to launch than operations without a grant because such an umbrella agreement takes long time to negotiate**. The need for more time is objective, because of the necessary coordination period between different stakeholders. Nevertheless, **this time could be shortened by the establishment of a global envelope for blending TA, grants, and loans for priority projects and/or projects in priority regions**. A simplified procedure would limit the need for exchanges with representatives of different blending facilities. It would decrease the administrative burden and can allow more time for establishing the design of the operations with blending component.

Another lesson learned is that the technical group of experts of the **EU Platform for Blending in External Cooperation (EUBEC)** has been instrumental in enhancing EIB/EC cooperation and in harmonising indicators.

⁹² EC (2013): Impact Assessment – EIB external mandate 2014-2020, Accompanying the document 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, European Commission.

5.5 Impact and sustainability

26. Have the beneficiaries satisfactorily fulfilled the environmental and economic conditions and requirements related to funding the projects and what are the envisaged environmental and economic impacts (in general terms)?

Conclusions

The EIB requires that the beneficiaries comply with its environmental guidelines and it monitors environmental and economic impacts of its operations by looking at indicators such as employment, energy efficiency, carbon footprint and fiscal revenues.

Analysis

The case studies project documentation shows that when relevant environmental impact assessment are carried out prior ELM loan disbursement and in the case of sub-loans, the final beneficiaries must comply with the acquis on environmental and social standards and procurement guidelines of the EIB. As discussed with EIB staff, following EU standards and directives contributes to ensuring that projects are sustainable.

The second pillar of the ReM considers the soundness of the project and the results it is expected to achieve, including environmental and social impacts. It covers the notions of financial and economic sustainability as well as the environmental and social sustainability, measured by the e-rating (environmental safeguards assessment) and s-rating (social safeguards assessment). The relevant case studies had such an assessment done.

The third pillar of ReM looks at project contribution to raising environmental, social and governance (ESG) standards. Out of 10 case studies, five projects were rated to have a high contribution to raising ESG standards, three to have a significant contribution, one to have a moderate and for one the score was not present in the provided documents.

In terms of core expected results, where relevant, the EIB assessed the impact on employment, energy efficiency, carbon footprint and fiscal revenues.

27. Are completed projects proving sustainable in practice?

Conclusions

Impact and sustainability are normally used only when the intervention is advanced enough to observe its primary effects thereby providing an opportunity to evaluate its long-term effects. Nevertheless, the analysis of case studies has shown that the EIB considers sustainability measures during appraisal and monitors the measures in this regard.

Analysis

As mentioned in EQ2, the notions of financial & economic sustainability are included in the ReM and are measured by the economic rate of return (ERR) and the internal rate of return (IRR). The environmental and social sustainability is also considered through the e-rating (environmental safeguards assessment) and s-rating (social safeguards assessment).

The analysis of case studies reveals that the EIB takes into account sustainability considerations during both appraisal and monitoring of ELM operations. The ReM envisages reporting on indicators three years after project completion, which can be viewed as a mechanism for monitoring sustainability.

For example, for the [REDACTED] project in [REDACTED], the appraisal report for this operation positively assessed the capabilities of the promoter to maintain the physical assets. In case of the [REDACTED] metro line operation, the loan disbursement was linked to the development of adequate institutional, contractual and financial framework for the operation and maintenance of the metro system, which have been monitored during implementation. Where relevant (where building of physical assets is involved), an introduction to best practices through TA and/or international standards helps ensure that the results of the project will be sustainable ([REDACTED]).

During the interviews, the borrowers/promoters explained that sustainability of projects for increasing the access to finance is guaranteed through the selection procedures (e.g. of financial intermediaries and SMEs) and is indeed considered in the appraisal process of the EIB.

28. In the case of the pre-accession context, are the loans associated with capacity building programmes aimed at the progressive decentralisation of EU Assistance to the beneficiaries?

Conclusions

In 2017, the EIB devoted close to a fifth of its advisory resources to institutional capacity building. The primary focus of these activities was to strengthen knowledge and expertise of local institutions for the implementation of future operations. They are not implemented as part of individual operations, but have a more cross-cutting nature.

Analysis

As stated in the amending legislation, **the activities of the EIB in the pre-accession context should take into account the EU priorities to prepare these countries for the obligations and challenges of EU membership.** Thus, aspects such as alignment with the Union acquis and institution building take a more important role in this setup. As part of this assistance, the EU expects national administrations to take ownership of the programming and implementation of EU support. This progressive decentralisation of implementation is expected to make assistance more effective.

In the ELM context, according to Art.20a of Decision (EU) 2018/412 financial assistance in pre-accession countries should support reform processes and focus on institution-building, alignment with the acquis of the Union, preparation for Union policies and instruments and promotion of measures to achieve economic convergence.

In 2017, almost 60% of the EIB's resources devoted to advisory services were used in preparation and implementation of investment projects. 18% were dedicated to institutional capacity building, including the preparation of sectoral or market studies. These activities aim to build up the necessary knowledge and expertise to develop investment projects in future EIB operations. In addition, the studies conducted by EIB advisory can lead to specific policy interventions addressing the identified market failures. Examples include InnovFin thematic investment platforms and the Smart

Finance for Smart Buildings initiative (SFSB).⁹³ An example in the pre-accession context of such studies is the series of reports on the financing needs of SMEs in the Western Balkans countries.⁹⁴ The aim of these reports was to assess the specific needs of the private sector, and to identify the market failures that prevent SME access to finance.

Therefore, the capacity building activities of the Bank targeting progressive decentralisation of EU assistance is not centred around individual projects, but takes a more comprehensive approach through devoted activities.

⁹³ EIB (2018). Advisory report 2017

⁹⁴ Serbian country report available [here](#).

6 Overall conclusions and recommendations

The ELM and its high-level objectives continue to be relevant to the changing geopolitical context and strategic objectives at global and EU level. Furthermore, the ELM operations are overall effective in contributing to their achievement. The EU Guarantee has allowed the EIB to pass financial advantages to beneficiaries, while the appraisal tools used by the EIB are effective in selecting appropriate projects. The monitoring of these projects and the overall management and implementation procedures of both the EIB and the EC have been performed in an efficient manner. 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.

Areas for possible improvement in the ELM for the current programming period or the next MFF external financing instruments include: more consideration for the concepts of economic diplomacy and EU SME internationalisation; adjusting to the new high-level objective on addressing root causes of migration and building long-term economic resilience of host and transit communities; fine-tuning of the ReM framework and indicators; increasing the pipeline of investments in climate action adaptation; and specific implementation modalities, which are linked to issues like joint EU visibility and use of Technical Assistance.

The following sections provide detailed conclusions on the evaluation criteria applied in the assignment (relevance; effectiveness; efficiency; coherence and synergies; and impact and sustainability).

Relevance

The high-level objectives (HLOs) of the ELM are relevant to the current geopolitical context, the guiding global objectives on sustainable development and climate change, and the EU external policy objectives. The amending legislation (Decision (EU) 2018/412) shows the necessary flexibility to ensure continued relevance of the ELM as it requires that EIB financing operations should 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, which is in line with the efforts undertaken in the framework of the Paris Agreement and its objectives. Furthermore, the introduction of a high-level objective regarding the long-term economic resilience of refugees, migrants, host and transit communities and communities of origin shows responsiveness to the refugee crisis and to the changing EU external policy agenda.

Economic diplomacy and the internationalisation of EU SMEs as one of its key elements are currently not explicitly covered by the amending legislation. Both concepts are receiving increased attention and recognition, but exchanges with various stakeholders have shown that they are not sufficiently operationalised in the context of the External Lending Mandate. Considering their horizontal character and synergies with the high-level objectives and the fact that these concepts are already implemented by the EIB as underlying objectives it is recommended to:

- Operationalise the concepts through a cooperation process between the EC and the EIB; and
- Integrate the concepts in the Regional Technical Operational Guidelines (RTOG).

Once this operationalisation is performed in interaction between the EC and the EIB, the following could be considered:

- Adjusting the current overarching objective on regional integration to include the concept of economic diplomacy; and
- Highlighting the objective of internationalisation of EU SMEs as a specific element of economic diplomacy.

The Result Measurement Framework (ReM) indicators are relevant and well aligned to the high-level ELM objectives. The first ReM pillar assesses and rates the extent to which the project is aligned to the existing high-level objectives and the underlying objective of regional integration. With regards to the latter, even though the EIB/EC report numbers on EIB commitment and projects with a regional integration dimension, this information does not allow tracking the expected effects of these operations. Thus, it is recommended that the **EIB consider indicators that allow monitoring the contribution of the ELM operations to regional integration, possibly through existing ReM indicators, e.g. on roads and energy infrastructure.**

The EIB is engaged in harmonising the indicators under the ReM with the ones used across other IFIs, sharing and aligning to best practices. However, **the inclusion of a fourth objective to target 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 may require adjustments to the ReM indicators and methodology.** Currently the ReM does not include sufficient sex disaggregated data, and the use of **gender equality indicators** is limited to targeted actions only. Nonetheless, strengthening how the EIB measures its impact on gender equality is a strong focus of the Gender Action Plan (GAP 1, 2018-20).

Effectiveness

Contribution to objectives

Going beyond the relevance of the high-level objectives, **the ELM operations are overall effective in contributing to their achievement.** Support provided for **private sector development, and in particular to SMEs** (HLO1), forms a sizeable share of the overall lending under the ELM and its increasing share in recent years confirms the EIB's commitment to achieving this objective. A significant part of the overall ELM portfolio contributes to developing social and economic infrastructure (HLO2). The volume of climate change (HLO3) lending fulfils the target of 25% of total EIB financing operations outside the Union and at the end of 2017, climate related financing stood at 32.6% of the total EIB interventions under the ELM.

As regards the third objective, the portfolio analysis reveals that **most climate investments are still targeted to climate change mitigation projects (93.2%).** In this regard, the EIB has recently advanced its work on climate risk screening by commencing the development of a **Climate Risk Management System (CRMS)**, which has been (Feb 2019) integrated into EIB's project cycle and processes. Furthermore, **increased EIB involvement in the early stages of projects** might be beneficial to optimise the climate adaptation component and more broadly to include climate change

considerations in the project appraisal. The Emissions Performance Standard (EPS) has been developed before the Paris Agreement and its review could potentially further increase the contribution of ELM operations to climate action. Taking forward in ELM the new approach developed within the Bank for **special windows for loans to SMEs/MidCaps** that deliver a climate contribution could improve and make more transparent the assessment on the climate contribution of projects funded via financial intermediaries.

Considering the recent addition of the fourth HLO and the ongoing finalisation of the necessary procedures and the ERI Operational Guidelines, at this stage it is too early to assess the contribution of the ELM to 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. The steady progress of the Economic Resilience Initiative (ERI) since its recent launch in areas affected by the influx of migrants and other external shocks demonstrates the Bank's drive to address root causes of migration. At the same time, a review of the ERI Operational Guidelines and ERI project documentation shows that **some fine-tuning could be instrumental in terms of generating concrete information on how refugees and migrants would also benefit from ERI operations even if they were not always direct beneficiaries of ERI projects.**

As concerns the effectiveness in contributing to the underlying objective of the ELM Decision, at the end of 2017, **15.5% of the volume all operations signed contributed to the underlying objective of regional integration.** In line with the ELM Decision, the large majority (82%) of the financing of these operations focuses on pre-accession and neighbourhood countries. Transport projects are the largest category, but credit lines and energy projects are also included in the portfolio. It is currently challenging to assess the actual effects of these operations as the ReM does not include specific indicators for the underlying objective.

Financial advantages and potential unintended effects and barriers

The **EIB has been effective in passing the financial advantages resulting from the EU guarantee to beneficiaries** as the borrowing terms offered by ELM loans are considerably better than market alternatives. This is especially the case with maturities, which are considerably more favourable than the alternatives available. The added value of the ELM comes mainly through providing more advantageous borrowing terms, but also by contributing to raising standards (environmental, social, procurement, financial), and triggering other IFIs to participate in specific projects. In providing these advantages, the allocation of operations under the ELM is in compliance with the allocation policy set in the Guarantee Agreement between the Commission and the EIB. The overwhelming majority of the operations in the ELM portfolio are carried out in countries that fall below the financing threshold and could have not been taken forward under the EIB's own risk facility.

During the consultation process of the evaluation, interviewees highlighted the following two potential unintended effects, which are linked to the financial advantages of the loans under the ELM: risk of crowding out of other sources of financing (IFIs) and potential distortion effects of private sector operations on financial markets. The EIB is taking measures to avoid both of these risks by: financing (in general) 50% of investments, assessing the non-rival positioning on the local credit market, and applying mechanisms for dialogue and cooperation with other IFIs. However, in order to take

note of the concerns raised by some stakeholders, it is recommended that the EIB provide more information to the EC Services on these measures via: the annual reports, Article 19 procedures, or informal communication.

As concerns **barriers** to reaching the objectives, an important barrier to the effectiveness of the ELM is considered to be the **currency exchange risk** as in general beneficiaries would prefer the use of local currencies. The Bank has already taken some steps to address the issue through arrangements with central banks and contracting with private financial institution covering the foreign exchange risk. However, these solutions are not always considered cost-effective. This is why it is recommended to consider new EU financial support for lending in foreign currency under the ELM.

Appraisal and reporting modalities

The **project appraisal tools used by the EIB are effective in selecting appropriate projects** as they include an assessment of the needs of the beneficiaries and borrowers, their capacity, and the soundness of the projects. In addition, Financial Sector Reviews per country are performed to assess the financial markets in which the EIB operates and is taken into consideration during project appraisal. Furthermore, the project appraisal includes a consideration of the country strategies that the operations contribute to, which shows that the EIB is aware of the country-level strategic framework and how its interventions fit into them. A possible area for consideration is to explain in the ReM Framework methodology how the EIB takes into account the relevant indicators under the Paris Declaration of 2005 for Aid Effectiveness, which is mentioned by Decision No 466/2014/EU and Decision (EU) 2018/412. The EIB has this Declaration specifically referenced and reflected in the EIB Environmental and Social Standards, but this is not explicitly reflected in the ReM framework.

Overall, the **EIB reporting** has allowed the Commission to assess the compliance of EIB financing operations with Decision 466/2014/EU. However, the amending Decision 2018/412 has introduced some changes with respect to the information that the Commission has to report on. Thereby, to improve the compliance with the new Decision, the future EIB annual reports to the Commission are expected to include: indicators for human rights and gender equality aspects; specific indicators for projects providing strategic response addressing root causes of migration; reporting on measures to maximise local engagement. In order to enhance the EC-EIB communication improved mechanics around the formal **Article 19** are currently under consideration, which goes in parallel with a process of improving informal communication between the EIB and specific DGs (e.g. DG NEAR).

In terms of external communication, **while efforts have been made to improve the communication activities of the Bank following the mid-term review, the visibility of the EU is still considered low at the level of final beneficiaries**. Joint EC, EEAS and EIB communications have already materialised not only at EU delegations, but also at the level of DGs. However, the recommendation to reinforce a “cooperation package” (for instance, joint communication strategies between EU delegation and EIB local offices) on communication among EU institutions remains valid.

Efficiency

The **EIB and EC human and financial resources for the management and implementation of the ELM have been assigned and used in an efficient manner**. The analysis of the case studies shows that the staffing policy of the EIB is

adapted to the administrative capacity of the borrower, type of instrument, and complexity of the country context. Strengthening the local presence of the EIB is an ongoing process that takes place through colocation of EUD/EIB offices, which brings efficiency gains. Administrative burden of ELM financing is considered among the least heavy compared to other IFIs and Financial Intermediaries (FIs) rate the administrative burdens linked to ELM/EIB financing as lower or the same as other sources of financing.

Although no major efficiency issues have been identified, **lessons learned** in the following areas may be useful for future activities: allocation of monitoring resources should take into account the administrative capacity of the borrower, type of instrument, and complexity of the country context; the value of Technical Assistance (TA) in general surpasses the costs; increased EIB local presence and management efforts are measures increasing the efficiency of project implementation. **Although Technical Assistance requires resources, it is recommended to further expand its use under ELM operations** as it is a way of increasing the management capacity of promoters and beneficiaries, support the design stage of projects (e.g. in the field of climate action), and reducing risks associated with projects.

Coherence and synergies

In addition to conforming to ELM objectives and national strategies, the **ELM operations are in line with other EU policy and/or instrument objectives**. More specifically, the EIB financing operations under the ELM contribute to the EU Global Strategy priorities in terms of state and societal resilience and the European Neighbourhood Policy objectives.

The ELM is **complementary to other EU external instruments** in terms of geographical area (with ACP) and in terms of risk profile (with EFSD). To avoid potential overlaps the EIB is working closely with the Commission and other IFIs. Further complementarity between different EU actions is ensured by EIB's exchanges with the Commission and EIB's participation in EFSD's Strategic Board as well as co-financing with other IFIs and blending with other sources of EU funding. Since the EIB covers in general up to 50% of the project costs, its activity in the regions covered by the ELM is often implemented in co-financing with other **European and International Financial Institutions (IFIs and EDFIs), other national/bilateral agencies, such as KfW or AFD and/or blending with other sources of EU funding**.

The combination of the expertise and local knowledge that national promotional banks or other IFIs with EIB's financial capacity is a way of **continuous improvement of the coherence and synergies of ELM**. Strong co-financing relations with other IFIs and national promotional banks enable the ELM to complement the activities carried out by other financing institutions. The pooling of resources is likely to create scale and diversification benefits and allows mutualising risks. At the same time, blending may require more time in the design phase and is sometimes associated with long negotiations. The design time could be shortened by the **establishment of a global envelope procedure** for TA for priority projects and/or projects in priority regions, similarly to the EFSD.

Impact and sustainability

The appraisal of impact and sustainability are normally carried out only when the intervention is advanced enough to enable an assessment of its long-term effects. Considering the status of implementation of the 2014-2020 ELM, impact and

sustainability were assessed prospectively, i.e. in terms of expected impact/sustainability.

The EIB requires that the beneficiaries comply with its environmental guidelines and sustainability measures considered during the appraisal stage.

The Bank monitors environmental and economic impacts of its operations by looking at indicators such as employment, energy efficiency, carbon footprint, and fiscal revenues.

The ELM Decision states that the activities of the EIB in the pre-accession context should take into account the EU priorities to prepare these countries for the obligations and challenges of EU membership. In 2017, the EIB devoted close to a fifth of its advisory resources to institutional capacity building. The primary focus of these activities was to strengthen knowledge and expertise of local institutions for the implementation of future operations. They are not implemented as part of individual operations, but have a more cross-cutting nature.

A summary of the recommendations of the evaluation and their justification is presented in the table below.

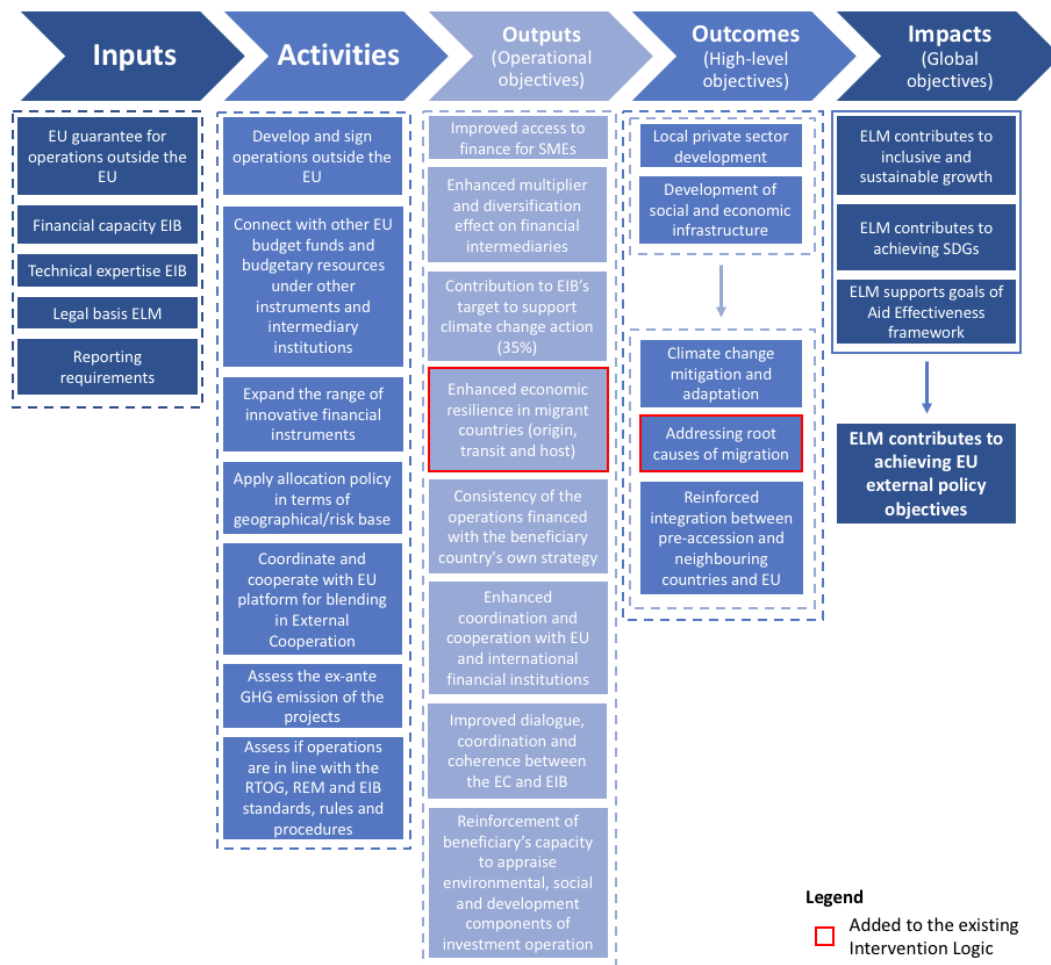
Table 6-1 Summary of recommendations and their justification

Area	Recommendations	Justification
Economic diplomacy and EU SME internationalisation	Operationalisation of the concepts of economic diplomacy and EU SME internationalisation in the Regional Technical Operational Guidelines for EIB operations under the ELM Decision taking into account ODA eligibility	Provision of clear guidance and ensuring common understanding of the concepts of economic diplomacy and EU SME internationalisation
	After the concepts are operationalised, adjustment of the current overarching objective on regional integration could be considered in order to include the concept of economic diplomacy in a way that provides synergies with other actions under the ELM, but also with other EU/MS instruments	Taking into account the growing importance of economic diplomacy as an EU external policy objective
	After the concepts are operationalised, the inclusion of the internationalisation of EU SMEs as a specific element of economic diplomacy could be considered	The internationalisation of EU SMEs is an important element of economic diplomacy, highlighted in EU strategic documents
Adjusting to the new high-level objective	Adjustments to the ReM methodology as a result of the inclusion of the fourth high-level objective and introduction of new or customisation of indicators under the ReM, which are relevant to the new objective	Allowing to track the contribution of ELM projects to 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
	Provision of more details in the ERI Guidelines on how ERI projects would contribute to	Ensuring consideration for all areas expected to contribute to

Area	Recommendations	Justification
	<p>enabling refugees, migrants, host and transit communities, and communities of origin to become self-reliant and strengthening humanitarian action and support for creation of decent jobs</p> <p>Provision of considerations in the ERI rationale with regards to the needs and expected effects on refugees/migrants (where applicable) as well as contribution to long-term economic resilience of refugees, migrants, host and transit communities</p>	<p>the fourth high-level objective (Art.3 of Decision (EU) 2018/412)</p>
ReM	<p>Integration of gender indicators in the ReM framework (once developed by the working group established following the adoption of the internal Gender Action Plan)</p> <p>Considering the inclusion of ReM indicators in the annual ELM reports that support the assessment of effects on regional integration</p> <p>Inclusion in the ReM Framework methodology of an explanation on how the EIB takes into account the relevant indicators under the Paris Declaration of 2005 for Aid Effectiveness</p>	<p>Reflecting the promotion of equality between women and men and monitoring of relevant measures</p> <p>Allowing monitoring of the contribution of the ELM operations to regional integration</p> <p>Further alignment of the ReM framework to the Paris Declaration on Aid Effectiveness</p>
Climate action	<p>Increased EIB involvement in the early stages of projects with climate action adaptation components</p> <p>Review of the Emissions Performance Standard (EPS)</p> <p>Stepping up actions for special climate windows for loans to SMEs/MidCaps and more broadly for projects funded via financial intermediaries that deliver a climate contribution</p>	<p>Optimisation of the climate adaptation component of projects and broader inclusion of climate change considerations in the project appraisal</p> <p>Increasing the contribution to the Paris Agreement</p> <p>Improving and making more transparent the assessment on climate contribution of projects funded via financial intermediaries</p>
Specific implementation modalities	<p>Considering the provision of more information to the EC Services when relevant, such as:</p> <ul style="list-style-type: none"> • a sample of analyses performed / measures taken by the EIB to avoid distortion effects on the financial markets; • indicators of improved competition of the financial sector, e.g. effects on second-tier banks; 	<p>Enhancing the visibility of the considerations and measures that are taken to avoid distortion effects on the financial markets</p>

Area	Recommendations	Justification
	<ul style="list-style-type: none"> • summary of country documents at time of project submission. <p>Options to consider include: the annual reports to the EC, 19 Article procedures, and/or informal communication.</p> <p>Continuation of the progress with regards to ensuring common EU visibility in all ELM countries</p> <p>Consider new EU financial support for lending in foreign currency under the ELM</p> <p>Develop global envelope for TA, which allows increasing the use of TA under ELM operations</p>	<p>Enhancing and making communication activities more efficient at country level</p> <p>Maximising the availability of local currency options for ELM countries</p> <p>Increasing management capacity, improving the pipeline development, and reducing cost associated with projects.</p>

Annex 1: Intervention logic



Annex 2: Targeted stakeholder survey results



Online
survey-global_overvi

Annex 3: References

Legislative / legal texts

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Decision 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. Available here	Decision 2018/412 of the European Parliament and of the Council amending decision No 466/2014/EU granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union. Available here

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Progress Report [REDACTED]

Annex 4: EIB compliance with Aid Effectiveness indicators

No.	Aid Effectiveness Indicators	Relevant EIB activities / measures
1	Partners have operational development strategies	For public sector projects, the investment or investment programmes are aligned with the Government development/growth strategic priorities.
2	Reliable country systems – Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	The Bank requires that its Procurement Guidelines as well as environmental and social standards, based on EU legislation, are applied to all financed projects. This requirement ensures that the partner country adheres to international best practice and contributes to national capacity building.
3	Aid flows are aligned on national priorities – Percent of aid flows to the government sector that is reported on partners’ national budgets.	EIB loans are reflected in the national accounts / private borrower accounts.
4	Strengthen capacity by co-ordinated support – Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners’ national development strategies.	EIB financing seeks to support countries in their national strategies or private sector’s strategic investments. In addition, the Bank co-finances investments with other institutions in a coordinated manner.
5a	Use of country public financial management systems – Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	The Bank’s financing takes national priorities and systems into account and seeks to support them.
5b	Use of country procurement systems – Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Investment projects financed by the Bank must comply with the EIB Guide to Procurement. This Guide reflects international best practices.
6	Strengthen capacity by avoiding parallel implementation structures – Number of parallel project implementation units (PIUs) per country.	The Bank’s financing contemplates how to support national capacity for absorption of funds and implementation of project, as opposed to support parallel project implementation units.
7	Aid is more predictable – Percent of aid disbursements released according	This predictability is framed under the External Lending Mandate. The overall

No.	Aid Effectiveness Indicators	Relevant EIB activities / measures
	to agreed schedules in annual or multi-year frameworks.	geographical limits of the Mandate are “programmed” in multi-year forecast that is updated annually (as part of the Bank’s Operational Plan) and shared with the Commission.
8	Aid is untied – Percent of bilateral aid that is untied.	The Bank’s guide to procurement ensures that financing is untied. The Bank seeks the best economic profitability with its investments and therefore does not impose barriers to open competition for procurement.
9	Use of common arrangements or procedures – Percent of aid provided as programme-based approaches.	N/A
10	Encourage shared analysis – Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	Often field missions are joint missions with the EU Delegation in the countries and other IFIs.
11	Results-oriented frameworks – Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	The Bank’s Results Measurement framework uses a set of indicators that as far as possible, have been harmonised with those of other IFIs and the EC to simplify client reporting requirements for co-financed operations.
12	Mutual accountability – Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in the Declaration.	

Annex 5: Risk pricing without EU Guarantee

Name of the project	Type of the Guarantee	Country	Risk pricing without EU Guarantee (additional basis points)
Laksam Akhaura Double Track Rail Project		Bangladesh	
Warsak Hydroelectric power station rehabilitation		Pakistan	
Vientiane sustainable urban transport		Lao People's Democratic Rep.	
Nepal Grid Development Programme		Nepal	
Central Asia South Asia Electricity transmission		Kyrgyzstan	
Ukraine municipal infrastructure programme		Ukraine	
IBA loan for SMEs and Mid-caps		Azerbaijan	
Guarantee for economic development in Ukraine		Ukraine	
Procredit loan for SME and Priority Projects II GE		Georgia	
Kutaisi Waste Water		Georgia	
Yerevan solid waste phase I		Armenia	
Ukraine Agri-Food APEX Loan		Ukraine	
Wastewater treatment Project in Guayaquil		Ecuador	
Nicaragua hydro development and transmission		Nicaragua	
Amen Bank prêts PME et ETI		Tunisia	

Name of the project	Type of the Guarantee	Country	Risk pricing without EU Guarantee (additional basis points)
ONEE amélioration AEP et assainissement		Morocco	
Nepco green corridor		Jordan	
Wadi Al Arab water system II project		Jordan	
Damanhour CCGT power plant		Egypt	
Modernisation routière II		Tunisia	
Cairo metro line 3 Phase 3 - B		Egypt	
Iller bank urban transport and environment loan		Turkey	
Route 10 rail rehabilitation		Kosovo	
Istanbul underground rail network		Turkey	
Tubitak research promotion II		Turkey	
Afforestation and erosion control III		Turkey	
South Africa Private sector facility FNB		South Africa	
South Africa Private sector facility - IDC		South Africa	
Cairo Metro Line 3 (Phase 3)		Egypt	
Ukraine Higher Education		Ukraine	
APEX Loan for SMEs and Mid-Caps (Ukraine)		Ukraine	
Lebanon Private Sector Support		Lebanon	
Food & Drinks Business Development Morocco		Morocco	

Annex 6: Workshop – key points

Economic diplomacy and European SMEs internationalisation

- **The definition of economic diplomacy is quite broad** and currently it encompasses a wide range of areas. A dedicated ISG group composed of several DGs lead by EEAS coordinates work on EED and EIB is actively participating in this work and related discussions. The ELM already contributes to economic diplomacy to some extent. Nonetheless, a more operational interpretation would be welcome;
- Any operational definition of economic diplomacy has to include clear boundaries so as to limit trade-offs between other objectives, above all the development of local economies. The focus could be on areas where synergies can be created;
- Despite the “looseness” of the concept, more could be done at the technical/operational level to help EU businesses (in particular SMEs) enter new and riskier markets where the EIB operates. An example would be the provision of more technical assistance to EU companies;
- Under the ELM, the EIB is following the procurement guidelines and thus cannot exclusively procure from EU companies. However, the Bank should not finance projects where EU companies are discriminated against;
- Economic diplomacy can also be used to leverage private investment, which would help reach the 2030 sustainable development goals. This would create synergies with other ELM objectives;
- A ‘One stop shop’ for blending operations could improve the take up of such investments – it is hard for businesses to keep up with all the available financing tools. It would also be beneficial to streamline the process between the application and the actual disbursement of funds so as not to overburden the enterprises with the reporting requirements;
- Contribution to EU external objectives and sustainable development are overarching objectives for EIB lending abroad. As such they would suggest that the lending should focus on benefitting local companies. The purpose is not to come back to tied aid. On the other hand, there is no clear dichotomy between the development objective and the sustainability (commercial viability and economic interest) – they could work in synergy, as leveraging private EU investment in developing countries would lead to involvement of local companies as part of the supply chain. On top of that, improving investment climate could also benefit local companies and support to trade finance shall be encouraged.

Contribution to climate change mitigation and adaptation

- The relatively lower share of climate adaptation in ELM climate financing (i.e. as compared to climate mitigation) is an area for improvement. Lending for adaptation should be prioritised especially in small and vulnerable countries. Nonetheless, the ELM has its limits: these are specifically the countries where financial risk is high, and it is very challenging to find projects that meet the eligibility requirements;
- Accounting & eligibility of climate projects:
 - What is an adequate target for climate? What is to be counted as such investment? In some cases, the climate indicator of the operation is questionable (e.g. 100% for subway construction);
 - For climate adaptation, the EIB only counts the additional investment needed to make the project climate-proof, that is why contribution to climate adaptation is relatively lower compared to other Development Banks. Harmonisation of projects’

climate change mitigation and adaptation contribution (how to count it) is under discussion with other IFIs;

- Some projects are considered as problematic by NGOs – gas pipelines, large dams. The EIB should in general avoid financing investment in fossil fuel. Revision of the Emissions Performance Standard (EPS) is underway and energy policy will also be reviewed;
- Increasing the climate action target as well as supporting partner countries in their contribution to the Paris agreement are recommended by some stakeholders;
- Economic diplomacy is also coherent with climate action as EU companies tend to have high environmental standards.

Contribution to the new 4th high-level objective of long-term economic resilience of refugees / migrants

- The new objective is not very straightforward. Indicators for it are still under development.
- Direct vs indirect impact on refugees and host communities – the formulation of the objective is not clear:
 - EIB was not asked to directly contribute; lending under the ELM aims for indirect positive impact on the wider community;
 - Evidence that supporting economic growth in host countries leads to lower migration flows is inconclusive;
 - Under ERI, the EIB lending is focusing on social infrastructure and services and on improved access to finance to small enterprises. At the economic level, the refugees are benefiting from it indirectly via improved capacity of beneficiaries and more employment opportunities;
- New HLO can appear artificial since all EIB objectives address development issues. EIB should make sure that there is an additional element;
 - ERI operations have a higher risk profile – comprehensive guarantee makes it possible to work with borrowers that were not eligible before. ERI also includes more impact finance and smaller tickets;
- There should be clear red lines. For instance, ELM should not finance security or border management projects;
- There needs to be more clarity on how to define root causes of migration. Foreign policy objectives should not be mixed with development goals. This risks focusing on countries from which most migrants come from and overlooking other countries' needs.

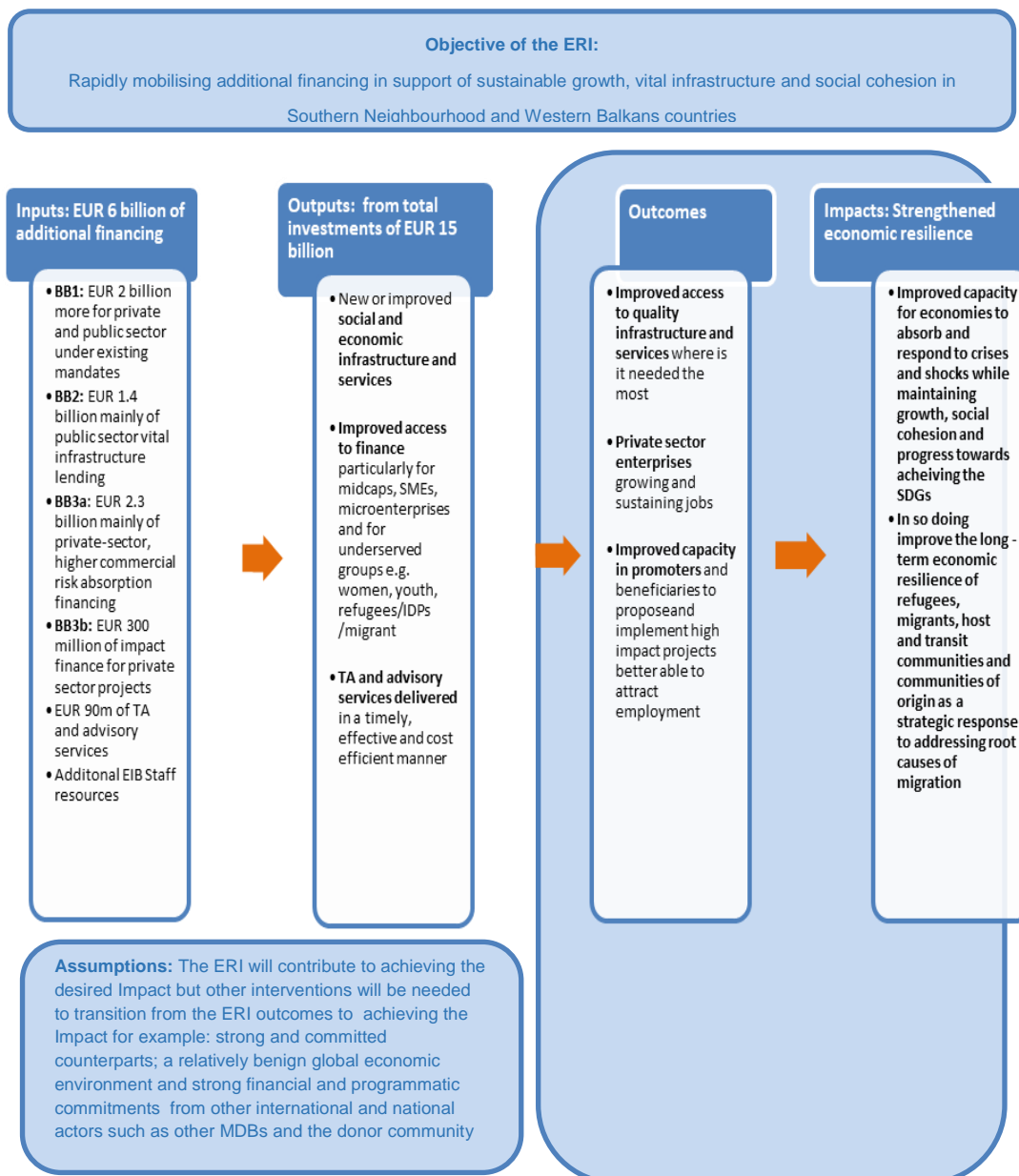
Unintended effects and barriers to effectiveness

- While the mandate has been very useful in bringing improvements to the ways the Bank operates (gender issues, transparency, development, social and environmental impact), translating those high standards into action remains an issue.
- Lean management model of EIB means that monitoring can be difficult – Additional care shall be devoted in due diligence, human rights impact on the project level
- The Commission could use Article 19 for sensitive cases
- Evaluation of the EIB Intermediated Lending through the Investment Facility in the ACP region has shown that commercial intermediaries benefiting from EU support use the money, which is fungible for projects that are not in line with EU standards but report on the best part of their portfolio.

Use of EU guarantee and impact financing

- The guarantee is hardly used by the Bank – less than 1% of estimated outstanding liabilities under the ELM;
- EIB is not doing enough of impact financing; it should perhaps take more risks in its lending activities. The additionality of ELM operations is among the most interesting issues that require careful assessment;
- From a budgetary perspective, the ELM is very successful (i.e. efficient). The Commission can nudge the EIB to take more risk, but it needs to remain flexible;
- Comprehensive guarantee allowed the EIB to take more risk in choosing the projects that fall under ERI. This example could be followed for other areas as well.

Annex 7: Economic Resilience Initiative Results chain



Source: EIB

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Publications Office

doi:10.2765/642169

ISBN 978-92-76-09507-1