



Council of the  
European Union

Brussels, 16 September 2016  
(OR. en)

12197/16

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**Interinstitutional File:**  
2016/0275 (COD)

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ECOFIN 795  
CODEC 1258  
RELEX 739

## PROPOSAL

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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	14 September 2016
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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No. Cion doc.:	COM(2016) 583 final
Subject:	Proposal for a DECISION 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

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Delegations will find attached document COM(2016) 583 final.

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Encl.: COM(2016) 583 final



Brussels, 14.9.2016  
COM(2016) 583 final

2016/0275 (COD)

Proposal for a

**DECISION 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**

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

The present proposal forms part of the ambitious External Investment Plan ("EIP") announced in the Commission communication of 7 June 2016 on establishing a new Partnership Framework with third countries under the European Agenda on Migration<sup>1</sup>. The EIP initiative was subsequently endorsed by the European Council on 28 June 2016 and aims to tackle root causes of migration, by contributing to the achievement of the sustainable development goals. The present proposal will enable the European Investment Bank (EIB) to contribute to the EIP by expanding both quantitatively and qualitatively the EIB External Lending Mandate ("ELM"). This will enable the EIB to rapidly contribute to the EIP's objectives, in particular by providing additional financing to private-sector beneficiaries. Together with the additional components ("building blocks") listed below, the present proposal provides the key elements for the EIB's contribution to the EIP.

The overall scope and general conditions of the EU guarantee coverage for EIB's external operations are set out in decisions of the European Parliament and of the Council. The most recent decision covering the EIB financing operations outside the Union over the period 2014-2020 was established by Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 (the 'Decision').

The need for an EU budget guarantee for the EIB's external operations stems from the EIB's obligation under its Statute to ensure adequate security for all its lending operations and, more broadly, from the need to safeguard the creditworthiness of the EIB. The EU guarantee has been the key instrument ensuring the compatibility between the EIB's financial structure, which is significantly more leveraged than those of other International Financial Institutions ("IFIs"), and the significantly higher inherent risk of lending to third countries, taking into account the need to avoid a deterioration of the EIB's AAA rating whilst limiting its capital consumption.

The Union provides a budgetary guarantee to the EIB covering risks of a sovereign and political nature in connection with its financing operations carried out outside the Union in support of the Union's external policy objectives. In addition, the EIB finances investment grade operations outside the Union at its own risk, as well as activities under specific mandates such as in ACP countries.

Article 19 of the Decision requires the Commission, in cooperation with the EIB, to submit to the European Parliament and the Council a mid-term report evaluating the application of that Decision in the first years (2014-2016). The report should be accompanied, where appropriate, by a proposal for its amendment. The mid-term report draws upon an

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<sup>1</sup> COM(2016) 385 of 7.6.2016

independent external evaluation and contribution from the EIB. In particular, the report proposes to amend the list of eligible countries.

Based on EIB's forecasts for lending in the region for the entire period of the Mandate, the Commission sees difficulties in ensuring the continuation of EIB external financing under the EU guarantee for the remainder of the current financial perspectives 2014-2020. Moreover, considering the risk grading of the countries (e.g. in the Eastern Neighbourhood), there are limited possibilities to rely on EIB own risk facilities ("ORF"). Furthermore, on 18 March 2016, the European Council invited the EIB to present in its June meeting "a specific initiative aimed at rapidly mobilising additional financing in support of sustainable growth, vital infrastructure and social cohesion in Southern neighbourhood and Western Balkans countries". On 16 June 2016, in response to the European Council conclusions of 18 March 2016, the EIB's Board discussed a document which forms the basis for the EIB's proposal to the European Council. In its conclusions of 28 June 2016, the European Council stated that "the European Investment Bank's initiative in the Southern Neighbourhood and Western Balkan countries, as a first step in the new framework of cooperation, will help to foster investment in partner countries and has our full support". The EIB's document is based on three building blocks:

- Building block 1: Stepping up of activities that are possible under existing frameworks.
- Building block 2: Enhancing the range of products offered in the regions to support mainly the public sector.
- Building block 3: Enhancing the range of products offered in the regions to support mainly the private sector.

Building block 1 (EUR 2 billion in lending) would be carried out within existing mandates and facilities, by stepping up lending to a level that fully utilizes the available ceilings set by the current mandate.

For Building block 2 (EUR 1.4 billion in lending), the EIB envisaged an increase of the mandate's overall ceilings by EUR 1.4 billion.

Building block 3 entails an increase by EUR 2.3 billion in lending volume and an extension of the coverage of the EU guarantee to commercial risks. For EIB loans in the private sector the EU guarantee is currently limited to political risk events as described in the Decision. That amount should be fully utilized to aid refugees and host communities in crisis-affected areas.

Collectively, the three buildings blocks make up the EIB Resilience Initiative in the Southern Neighbourhood and Western Balkans ("EIB Resilience Initiative"), which in turn forms an integral part of the EIP.

On the basis of the findings of the mid-term review and in view of the EIB Resilience Initiative, the Commission proposes to amend the Decision, as follows:.

- To introduce a fourth high-level objective for the mandate addressing root causes of migration. A detailed explanation is also provided in part 5.
- To release the optional EUR 3 billion with the same regional ceiling distribution as before. The Commission proposes that the EIB's support to the public sector of EUR 1.4 billion directed to refugees and host communities (Building block 2 of the resilience initiative) should be included in the activated EUR 3 billion optional mandate.
- To create an additional maximum ceiling for EIB's private sector mandate amounting to EUR 2.3 billion (Building block 3 under the EIB resilience initiative), while introducing a comprehensive guarantee for the private sector operations directly linked to the refugees and host communities, thus extending the coverage of the EU guarantee to commercial risks.
- To allow an increased flexibility for the EIB to switch amounts under the regional ceiling allocations (from current 10% between regions to a level of 20%), but only in the direction of high priority regions for the Union, in particular Ukraine and migration response-related regions or any forthcoming challenges within the remaining part of the mandate 2014-2020. The increased flexibility does not apply to the new EIB private sector mandate of the EIB Resilience Initiative.

The introduction of those new elements necessitates a number of modifications to the Decision.

- **Consistency with existing policy provisions in the policy area**

The EIB's governing bodies are encouraged to take the necessary measures to adapt the EIB activity to contribute to the Union external policies in an effective manner and to adequately meet the requirements set out in the Decision. The EU guarantee is granted only for EIB financing operations which, while complying with the requirements laid out in the Decision, have added value on the basis of the EIB's own assessment and support any of the following high-level objectives as defined in Article 3 of the Decision:

1. Development of the local private sector, 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, health and education;
3. Climate change mitigation and adaptation.

In addition to those three high level objectives, regional integration among countries is considered as an underlying objective, including in particular the economic integration between Pre-accession countries, Neighbourhood countries and the Union.

It is proposed to add a new high-level policy objective consisting in a strategic response addressing root causes of migration.

The coverage of the EU guarantee allows the EIB to conduct operations outside the Union while limiting EIB's risk exposure and thus preserving its creditworthiness. In undertaking financing operations outside of the Union, the EIB indirectly contributes to the policy objectives of the Union, which include reducing poverty through inclusive growth and sustainable economy, environmental and social development and the prosperity of the Union in changing global economic circumstances.

To that end, the Commission, the EEAS and the EIB cooperate and ensure alignment of EIB external actions with EU external policy objectives for the purpose of maximising synergies between EIB financing and EU budgetary resources, mainly through a regular and systematic dialogue and early consultation on policies, strategies and project pipelines (Memorandum of Understanding between the Commission and the EIB in consultation with the EEAS signed on 12 September 2013). In order to provide practical measures to link the general objectives of the EU guarantee with their implementation performed by the EIB, the Commission updated its Regional Technical Operational Guidelines on 8 May 2015.

- **Consistency with other Union policies**

In light of the European Council request of 18 March 2016, the proposed EIB initiative targets countries in the Southern Neighbourhood and Western Balkan region. Those countries have particularly urgent financing needs associated with the refugee crisis. That region is also the key region of EIB's activity where the EIB has significant experience, network and track record in providing targeted financing solutions in lending, blending and advising.

The EIB shall contribute to economic resilience and safeguarding sustainable development in light of the influx of migrants and refugees. This shall be accomplished through its work in two key areas:

- Addressing increased infrastructure and related services needs to cater for the sudden surge in population;
- Boost employment opportunities for host and refugee communities to foster economic integration and enable refugees to become self-reliant.

The EIB can support efforts to address those challenges both through support to the private sector (such as SMEs, corporate finance and microfinance) as well as supporting the public sector efforts (including municipalities and public sector entities) in terms of infrastructure and services to address significantly increased needs.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

- **Legal basis**

The proposal for a Decision amending Decision No 466/2014/EU of the European Parliament and of the Council is based on the dual legal basis of Articles 209 and 212 of the Treaty on the Functioning of the European Union (the Treaty). In particular Article 209(3) of the Treaty,

in conjunction with Article 208 of the Treaty, provides that the EIB is to contribute, under the terms laid down in its Statute, to the implementation of the measures necessary to further the objectives of Union development cooperation policy.

- **Proportionality**

The proposal complies with the proportionality principle, as the EU guarantee has proved to be an efficient means of covering the political and sovereign risks relating to EIB external operations carried out in support of the Union external policies. The EU guarantee mandate for 2014-2020 allows the existing efficient and economically sound practice to continue.

- **Subsidiarity (for non-exclusive competence) and proportionality**

In accordance with the principles of subsidiarity and proportionality set out in Article 5 TEU, the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore be better achieved by the EU. By reason of the disparities in the capacity to act of Member States' financial institutions, action at Union level can better achieve the objectives pursued, by reason of its scale and effects.

### **3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

- **Ex-post evaluations/fitness checks of existing legislation**

A mid-term review evaluating the application of the Decision has been undertaken. Article 19 of the Decision foresees specific requirements concerning the content of the report:

"The report shall include in particular:

- a) an assessment of the application of the allocation policy;
- b) an assessment of EIB reporting and where appropriate recommendations on how to improve it;
- c) an assessment of the REM, including performance indicators and criteria, and their contribution to the achievement of the objectives of this Decision;
- d) a detailed account of the criteria considered for the recommendation concerning the potential activation in whole or in part of the optional additional amount."

The report by the Commission builds on an evaluation carried out by an external consultant (PwC) as well as contribution from EIB.

The report of the consultant is available at the following address:

[http://ec.europa.eu/dgs/economy\\_finance/evaluation/completed/index\\_en.htm](http://ec.europa.eu/dgs/economy_finance/evaluation/completed/index_en.htm)

The Commission's mid-term report, which accompanies the present proposal, describes the Commission's assessment of the results of the external evaluation and summarises the findings of the mid-term review and the key elements of the Commission's Proposal also including the Commission's assessment of the EIB response to the European Council's request of 18 March 2016.

- **Stakeholder consultations**

The evaluation was notably based on exchanges of views with key internal and external stakeholders, including representatives of Member States and main relevant NGOs' representatives. The purpose was to gather qualitative information and enable the opinions and views of the main stakeholders to feed into the process. On the basis of the diagnosis report, a workshop was organised with NGOs in May 2016. Exchanges of views with NGOs' representatives were undertaken on the ideas for improvement identified during the diagnosis phase, as well as on the preliminary recommendations to address them. All those consultations and exchanges of views provided ground for the external consultant to form a view on the position of stakeholders. The details of the main outcome of the consultations are provided in the report of the consultant. Its evaluation included also interviews with Commission and EIB staff, as well as project case studies.

- **Impact assessment**

In the context of the preparation of the Decision, the Commission completed an Impact Assessment (IA) which accompanied the Commission's proposal. The impact assessment was based on the widespread consultations of key stakeholders, those affected by the Decision, those involved in its implementation and of the legislators.

In the context of the external evaluation of the mandate 2014-2020, the consultant organized interviews with the main institutions, organisations and individuals involved in the design and implementation of the mandate, as well as with those who are best positioned to observe the results and impact of the operations. Those stakeholders included EIB and Commission staff, country-level government officials, staff from international financial institutions and development finance institutions, private and sovereign institutional investors, private sector financial intermediaries and private and public sector final beneficiaries. That process enabled the gathering of very specific detailed and technical evidence and provided stakeholders with an opportunity to feed their views and inputs into the evaluation. The interviews revolved around issues such as the relevance of the design and implementation of the ELM, its coherence with respect to EU external action and other Union instruments, its efficiency, visibility to final beneficiaries and its effectiveness through monitoring. Based on the recent previous impact assessment and the external evaluation, this new proposal does not contain a separate impact assessment, the scope of the proposed amendments to the Decision being mainly limited to the extension of the guarantee and to the increase of the ceilings set out in the Decision.

#### 4. BUDGETARY IMPLICATIONS

The guarantee fund for external actions (the "Guarantee Fund"), established by Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions, provides a liquidity cushion for the Union budget against losses incurred on EIB financing operations and other Union external action, i.e. macro financial assistance loans and Euratom loans. The EIB mandate represents about 90% of the portfolio covered by the Guarantee Fund.

The Guarantee Fund is endowed by one annual payment from the Union budget. The provisioning mechanism of the Guarantee Fund which aims at maintaining the Guarantee Fund at a level of 9% of outstanding loan disbursements creates de facto a limit in the size of the EIB external mandate covered by the EU budget guarantee. The external evaluation of the functioning of the Guarantee Fund conducted in 2016<sup>2</sup> concluded that the 9% provisioning rate was deemed appropriate.

The proposal foresees an increase of the overall ceiling of the EIB financing operations under the EU guarantee throughout the period 2014-2020 by activating the optional amount of EUR 3 billion mentioned in the Decision and by adding a new private sector lending mandate for projects addressing root causes of migration amounting to EUR 2.3 billion. The overall ceiling will reach the total amount of EUR 32.3 billion and it will be broken down into regional ceilings and sub-ceilings.

The additional budgetary needs for the provisioning of the Guarantee Fund linked to the increase of the overall ceiling of the mandate will be financed from EU budget line 01 03 06. The provisioning will be financed within the Multiannual Financial Framework and its calculation is based on expected patterns of disbursements and reimbursements of guaranteed loans. Over the current Multiannual Financial Framework, the additional budgetary needs should be limited to EUR 115 million over the period 2018 – 2020 on the basis of the annual forecasts of disbursements and reimbursements of EIB loans. A part of the loans signed under the current EIB mandate will be disbursed and repaid beyond 2020.

The EU guarantee covering the EIB financing operations under the private sector lending mandate will be priced. The risk premium revenues originating from EIB financing operations under the private sector lending mandate will be paid to the Guarantee Fund in order to cover the commercial risk.

The budgetary implications as regards the provisioning of the Guarantee Fund, including the underlying assumptions, are set out in the legislative financial statement accompanying the proposal.

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<sup>2</sup> Evaluation of the guarantee fund for external actions published on [http://ec.europa.eu/dgs/economy\\_finance/evaluation/completed/index\\_en.htm](http://ec.europa.eu/dgs/economy_finance/evaluation/completed/index_en.htm)

## 5. OTHER ELEMENTS

### • **Implementation plans and monitoring, evaluation and reporting arrangements**

EIB financing operations under the EU guarantee are managed and monitored by the EIB in accordance with the EIB's own rules and procedures, including appropriate audit, control and monitoring measures. Furthermore, the EIB Board of Directors, where the Commission is represented by a Director and an alternate Director, approves each EIB financing operation and monitors that the EIB is managed in accordance with its Statute and with the general directives laid down by the Board of Governors.

The Tripartite agreement between the Commission, the Court of Auditors and the EIB sets out the rules under which the Court of Auditors is to carry out its audits of the EIB financing operations under the EU guarantee.

Regular reports are prepared under the Decision. The Commission annually reports on the implementation of the mandate by the EIB to the European Parliament and to the Council.

Reporting on results will be based on an appropriate aggregation of indicators across the entire portfolio where it is possible, or across a given sector. In the context of the Results Measurement Framework, those indicators will be measured throughout the project cycle at appraisal level and during monitoring until the project is fully implemented. The indicators are to be measured as soon as the first development outcomes are available - typically up to three years after project completion. They will, to the extent possible, also be used for final report.

Furthermore, the EIB provides the Commission with statistical, financial and accounting data on each of the financing operations covered by the EU guarantee as necessary to fulfil its reporting duties or requests by the European Court of Auditors as well as with an auditor's certificate on the outstanding of the financing operations covered.

### • **Detailed explanation of the specific provisions of the proposal**

Based on the Commission's assessment of the findings of the mid-term review and the policy context, including EIB's Resilience proposal, the key elements amending the Decision can be summarised as follows:

- Due to unexpected geopolitical events that urge the EU to provide a rapid and significant financial support through the external mandate, the EIB volume of financing operations after 1.5 years of implementation of the mandate has strongly affected some of the regional ceilings, leaving in some regions a limited operational margin (Asia; South Africa, Central Asia, Eastern Europe, South Caucasus). That situation could constrain the future EIB operations and could reduce the capacity of the mandate to respond to potential upcoming challenges or EU priorities in the coming years. Therefore it is proposed to activate the optional additional amount of EUR 3 billion and to amend the ceilings of the regional distribution set out in Annex I to the Decision.

- A new horizontal high-level objective is added addressing root causes of migration.
- The optional additional amount of EUR 3 billion will include an amount of EUR 1.4 billion related to the EIB Resilience Initiative (Building block 2) for operations involving public counterparts. That amount of EUR 1.4 billion will be distributed between the regions of Pre-accession countries and Mediterranean countries.
- Increase of the overall ceiling by EUR 2.3 billion for EIB financing operations to private sector (Building block 3) applicable to projects in support of refugees and/or host-communities. That amount will be distributed based on EIB forecasts between the regions of Pre-accession countries and Mediterranean countries. In that context, and for the said amount, the coverage of the EU guarantee for those operations is extended to all payments due to the EIB, but not received by it ('Comprehensive Guarantee'), rather than only the political risk guarantee as is currently the case under the Decision. The EU Comprehensive Guarantee related to that new mandate will be priced. Revenues will be paid to the Guarantee Fund for external actions. The maximum ceiling of the EIB operations under the EU guarantee is therefore increased to EUR 32.3 billion.
- As regards its Results Measurement framework, the EIB has to develop and implement indicators for projects providing strategic response addressing root causes of migration. In the context of the Commission's annual reporting to the European Parliament and to the Council on EIB financing operations, an assessment of the impact of EIB financing operations of this strategic response is included.
- Review of the list of country eligibility: Removing high-income and high-investment grade countries such as Brunei, Iceland, Israel, Singapore, Chile and South Korea from the list of eligible countries, as well as China's Special Administrative Regions (SAR) Hong Kong and Macao. In addition, Iran is added to the list of potentially eligible regions and countries (in Annex II of the Decision).
- A reference to the Paris agreement adopted under the UN Framework Convention on Climate Change is introduced. The volume of EIB operations for climate change mitigation and adaptation should contribute to stepping up the proportion of EIB lending in support of climate-related investment in developing countries from 25% to 35% by 2020. Over the period covered by the Decision, reflecting the new priorities of the Mandate, the minimum volume of those operations should continue to represent 25% of the total EIB financing operations; at the same time the EIB should aim at maintaining the current high performance. It is proposed that the EIB should enhance the adaptation elements of its contribution to climate change projects.
- The ceiling for reallocation between the regions is being increased from 10% to 20% there where it concerns the need to address urgencies and crisis situations that might arise during the mandate period and which are recognised as high EU external policy priorities. The reallocation is not applicable for the EUR 2.3 billion related to the private sector mandate and for the EUR 1.4 billion related to public sector projects addressing root causes of migration.

- EIB support to SMEs from the Union has to be enhanced (internationalisation of EU businesses).
- EIB mandate direct contribution to the achievement of some goals of the SDGs is underlined.

Proposal for a

**DECISION 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**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 209 and 212 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The international community faces an unprecedented refugee crisis which requires solidarity, efficient mobilisation of financial resources and the need to confront and surmount the existing challenges in a concerted manner. All actors need to work together to apply sustained, medium and long-term policies and an efficient use of existing processes and programmes in order to support initiatives which contribute to addressing root causes of migration.
- (2) A new results-oriented partnership framework with third countries which takes account of all Union policies and instruments should be developed. As part of that new partnership framework, the External Investment Plan should be established in order to support investments in regions outside the Union, while contributing to the achievement of the sustainable development goal. It should also fulfil the objectives of the 2030 Agenda for Sustainable Development and the objectives pursued by the other financing instruments for external action.
- (3) The proposal of the European Investment Bank (EIB) to contribute to the External Investment Plan (EIP) via the EIB Resilience Initiative in the Southern Neighbourhood and Western Balkans ('EIB Resilience Initiative') was endorsed by the European Council on 28 June 2016.
- (4) A key component of the EIB Resilience Initiative is the expansion, in both quantitative and qualitative terms, of the EIB External Lending Mandate (ELM). This should enable the EIB to rapidly contribute to the EIP's objectives, in particular by providing additional financing to private-sector beneficiaries.

- (5) Complementarity of EIB Resilience Initiative with the other components of the EIP is to be ensured through the Strategic Board of the European Fund for Sustainable Development, where the EIB is to have a full seat.
- (6) In addition, and in line with the European Council conclusions, the EIB should submit the private sector component of the EIB Resilience Initiative as the first investment window to the Neighbourhood Operational Board under the EIP.
- (7) A budgetary guarantee for financing operations carried out outside the Union was granted to the EIB by Decision No 466/2014/EU of the European Parliament and of the Council<sup>3</sup>.
- (8) In accordance with Article 19 of Decision No 466/2014/EU, the Commission, in cooperation with the EIB, prepared a mid-term review report evaluating the application of that Decision based on an independent external evaluation.
- (9) In order to allow the ELM to respond to potential upcoming challenges and Union priorities, as well as to provide a strategic response addressing root causes of migration, the maximum ceiling for the EIB financing operations under the EU guarantee should be increased to EUR 32 300 000 000 by releasing the optional additional amount of EUR 3 000 000 000. Under the general mandate, the amount of EUR 1 400 000 000 should be earmarked for projects in the public sector directed to refugees and host communities in crisis affected areas.
- (10) Under the new private sector lending mandate, the maximum amount of EUR 2 300 000 000 should be dedicated to projects addressing root causes of migration within the maximum increased ceiling and should benefit from the Comprehensive Guarantee by the Union.
- (11) Addressing root causes of migration should be added as a new objective of the mandate.
- (12) Complementarity and coordination with Union initiatives addressing root causes of migration should be ensured, including with Union support for the sustainable reintegration of returned migrants in the countries of origin.
- (13) Following the Paris Agreement adopted under the United Nations Framework Convention on Climate Change<sup>4</sup>, the EIB should aim to sustain the current high level of climate relevant spending under the ELM, contributing to increasing its climate-related investment in developing countries from 25 % to 35 % by 2020.
- (14) The risk to the Union budget associated with EIB financing operations under the private sector lending mandate should be priced and the revenues generated from the risk pricing should be paid into the Guarantee Fund for external actions in order to cover the commercial risk and to avoid market distortions.

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<sup>3</sup> Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (OJ L 135, 8.5.2014, p. 1).

<sup>4</sup> Council Decision (EU) 2016/590 of 11 April 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 103, 19.4.2016, p. 1).

- (15) The EIB should develop and implement a set of indicators in its Results Measurement framework for projects in the public sector and in the private sector directed to refugees and host communities. Therefore, an assessment of the contribution of EIB financing operations addressing root causes of migration should be included in the Commission's annual reporting to the European Parliament and to the Council on EIB financing operations.
- (16) Only where it concerns the need to address urgencies and crisis situations that could arise within the mandate period and which are recognised as Union external policy priorities, the ceiling for reallocation between the regions by the EIB in the course of the mandate should be increased from 10 % to 20 %. The private sector mandate of EUR 2 300 000 000 and the amount of EUR 1 400 000 000 dedicated to public sector projects cannot be reallocated because its purpose is to address root causes of migration.
- (17) The list of eligible regions and countries and potentially eligible regions and countries should be modified in order to exclude high income countries with high credit rating (Brunei, Iceland, Israel, Singapore, Chile and South Korea). In addition, Iran is to be added to the list of potentially eligible regions and countries.
- (18) Decision No 466/2014/EU should therefore be amended accordingly,

HAVE ADOPTED THIS DECISION:

*Article 1*

Decision No 466/2014/EU is amended as follows:

- (1) Article 2 is replaced by the following:

*Article 2*

**Ceilings for EIB financing operations under EU guarantee**

1. The maximum ceiling of the EIB financing operations under EU guarantee throughout the period 2014-20 shall not exceed EUR 32 300 000 000. Amounts initially earmarked for financing operations but subsequently cancelled shall not count against the ceiling.

This maximum ceiling shall be broken down into:

- (a) a maximum amount of EUR 30 000 000 000 under a general mandate, of which an amount of up to EUR 1 400 000 000 is earmarked for projects in the public sector directed to refugees and host communities;
- (b) a maximum amount of EUR 2 300 000 000 under a private sector lending mandate for projects addressing root causes of migration.

2. The maximum amounts under the general mandate and the private sector lending mandate referred to in paragraph 1 shall be broken down into regional ceilings and sub-

ceilings as laid down in Annex I. Within the regional ceilings, the EIB shall progressively ensure a balanced country distribution within the regions covered by the EU guarantee.’;

(2) Article 3 is amended as follows:

(a) in paragraph 1, the following point (d) is added:

‘(d) strategic response to addressing root causes of migration.’;

(b) in paragraph 5, the first subparagraph is replaced by the following:

‘To ensure that private sector investments have the greatest development impact, the EIB shall endeavour to strengthen the local private sector in beneficiary countries through support to local investment as provided for in point (a) of paragraph 1. EIB financing operations supporting the general objectives set out in paragraph 1 shall endeavour to also enhance its support to investment projects run by SMEs from the Union. In order to effectively monitor the use of funds for the benefit of the SMEs concerned, the EIB shall establish and maintain adequate contractual provisions imposing standard reporting obligations on both the financial intermediaries and the beneficiaries’;

(c) paragraphs 7 and 8 are replaced by the following:

‘7. EIB financing operations supporting the general objectives set out in point (c) of paragraph 1 shall back investment projects in climate change mitigation and adaptation that contribute to the overall objectives of the United Nations Framework Convention on Climate Change and of the Paris Agreement adopted under that Convention, in particular by avoiding or reducing greenhouse gas emissions in the areas of renewable energy, energy efficiency and sustainable transport, or by increasing resilience to the adverse impacts of climate change on vulnerable countries, sectors and communities.

The eligibility criteria for climate action projects are defined in the EIB climate change strategy<sup>5</sup> updated in 2015. 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.

Over the period covered by this decision, the EIB should endeavour to sustain the current high level of climate-relevant operations, while the minimum volume of those operations shall represent at least 25 % of the total EIB financing operations.

The EIB shall enhance the adaptation elements in its contribution to climate change projects.

8. EIB financing operations supporting the general objectives set out in point (d) of paragraph 1 shall back investment projects that address root causes of the migration and contribute to long-term economic resilience and safeguard sustainable development in beneficiary countries. EIB financing operations shall, in particular, address increased needs

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<sup>5</sup> ‘EIB Climate Strategy – Mobilising finance for the transition to a low-carbon and climate-resilient economy’ adopted by the EIB on the 22<sup>nd</sup> of September 2015.

for infrastructure and related services to cater for the migrants influx, and boost employment opportunities for host and refugee communities to foster economic integration and enable refugees to become self-reliant.

Those financing operations shall support the following:

(a) the private sector in the areas of SMEs, corporate finance and microfinance;

(b) the public sector, including municipalities and public sector entities, in terms of infrastructure and services to address significantly increased needs.’;

(3) in Article 8(1), the following second subparagraph is added:

‘The Comprehensive Guarantee shall also apply to EIB financing operations under the private sector lending mandate referred to in Article 2(1)(b).’;

(4) in Article 10, the following third subparagraph is added:

‘The risk for the Union budget associated with EIB financing operations under the private sector lending mandate referred to in Article 2(1)(b) shall be priced and the revenues generated from the risk pricing shall be paid into the Guarantee Fund for external actions’;

(5) Article 11(1) is amended as follows:

(a) in point (b), the following sentence is added:

‘(b) Indicators for projects providing strategic response addressing root causes of migration shall be developed by the EIB;’;

(b) the following point (j) is added:

‘(j) An assessment of the contribution of EIB financing operations in providing strategic response addressing root causes of migration. ’;

(6) Article 20 is replaced by the following:

‘By 31 December 2021, the Commission shall present to the European Parliament and to the Council a final evaluation report on the application of this Decision.’

(7) Annexes I, II and III are replaced by the text in the Annexes I, II and III to this Decision

*Article 2*

This Decision shall enter into force on the twentieth following that of its publication in the *Official Journal of the European Union*.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

## LEGISLATIVE FINANCIAL STATEMENT

### **1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**

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## LEGISLATIVE FINANCIAL STATEMENT

### 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

#### 1.1. Title of the proposal/initiative

Proposal for a Decision of the European Parliament and of the Council amending Decision 466/2014/EU of 16 April 2014 on granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union

#### 1.2. Policy area(s) concerned in the ABM/ABB structure<sup>6</sup>

Title 01 - Economic and Financial Affairs

ABB Activity: International economic and financial affairs

#### 1.3. Nature of the proposal/initiative

The proposal/initiative relates to a **new action**

The proposal/initiative relates to a **new action following a pilot project/preparatory action**<sup>7</sup>

The proposal/initiative relates to **the extension of an existing action**

The proposal/initiative relates to **an action redirected towards a new action**

#### 1.4. Objective(s)

##### 1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

The general objective of EIB activity outside the Union under the external mandate is to support the Union's external policies by financing relevant investment projects in partner countries through a combination of the EU budget guarantee with EIB's own resources.

Through its financing operations outside the Union under the EU guarantee, the EIB should support the economic, social and environmentally sustainable development of Union partner countries, and their partnership with the Union.

The general objectives to be sought by EIB financing operations under the mandate are the following:

(a) local private sector development, in particular support to SMEs;

(b) development of social, environmental and economic infrastructure;

(c) climate change mitigation and adaptation.

<sup>6</sup> ABM: activity-based management; ABB: activity-based budgeting.

<sup>7</sup> As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

(d) strategic response addressing root causes of migration.

*1.4.2. Specific objective(s) and ABM/ABB activity(ies) concerned*

Specific ABM objective No. 2: "To improve the EU profile, EU's external representation and liaison with the EIB, EBRD and with other international financial institutions, including the improvement of EU's reputation with relevant economic forums with the aim of strengthening convergence between their strategies and operations and EU external priorities".

ABM/ABB activity(ies) concerned

Title 01.03 – International Economic and Financial Affairs

*1.4.3. Expected result(s) and impact*

In the context of the preparation of Decision 466/2014/EU, the Commission completed an Impact Assessment (IA) which accompanied the Commission's proposal.

As this proposal to amend Decision 466/2014/EU merely aims at extending the EU Guarantee and increasing the ceilings, it should be exempt it from the requirement to prepare an impact assessment.

*1.4.4. Indicators of results and impact*

Since 2012, a framework to measure the results and impacts of EIB operations has been developed by the EIB through the operational monitoring of a set of indicators. The "REsults Measurement framework (REM)<sup>8</sup> improves the ex-ante assessment of expected project results and enhances the EIB's ability to report on actual results achieved. The REM framework serves to show how EIB loans generate outputs, which enable outcomes and, over time lead to impacts, which are in line with the Bank's mandate objectives.

In addition, progress towards specific and operational objectives of the proposal are monitored through core indicators as indicated in the section below "Monitoring and reporting rules".

[As regard the financing of projects that promote climate action:

The EIB Climate Standards, which define EIB's added-value objectives, require that its financing as a whole be aligned with EU climate policy. Specifically, the EIB is committed to:

- Making its lending portfolio more climate-friendly by promoting climate change mitigation projects in various sectors and promoting the adoption of energy efficient solutions in the projects financed.
- Mainstream climate risk considerations into the project cycle and to promote adaptation projects or projects with adaptation components and measures, in the interest of long term sustainability.

<sup>8</sup> <http://www.eib.org/projects/cycle/monitoring/rem.htm>

- Assessing and reporting the carbon footprint of EIB financed investment projects via the annual aggregate GHG emissions and savings section of the EIB's Annual Report.
- Including the Key Performance Indicators of the 2009 Climate Action into the Corporate Operational Plan with the current annual percentage target for lending of at least 25%. The percentage is based on a consistent set of definitions regarding climate action projects.
- Reflecting the value of carbon – both financial and economic – in its financing decision-making requirements and processes.
- Increasing transparency and accountability, advocacy and working with other institutions, including MFIs, BFIs (“mutual reliance”), NGOs, the European Commission and the academic community on climate-related matters.

## 1.5. Grounds for the proposal/initiative

### 1.5.1. Requirement(s) to be met in the short or long term

Article 19 of Decision 466/2014/EU states that: "By 31 December 2016, the Commission, in cooperation with the EIB, shall submit to the European Parliament and the Council a mid-term report evaluating the application of this Decision in the first years accompanied, where appropriate, by a proposal for its amendment. The mid-term report shall draw upon an independent external evaluation and contribution from the EIB.

The report shall include in particular:

- a) an assessment of the application of the allocation policy;
- b) an assessment of EIB reporting and where appropriate recommendations on how to improve it;
- c) an assessment of the REM, including performance indicators and criteria, and their contribution to the achievement of the objectives of this Decision;
- d) a detailed account of the criteria considered for the recommendation concerning the potential activation in whole or in part of the optional additional amount.”

To this end, an independent external evaluation was carried out by an external consultant including a contribution from the EIB. The Commission's report describes the Commission's assessment of the results of the external evaluation and summarises the findings.

### 1.5.2. Added value of EU involvement

EIB financing operations outside the Union represent a highly visible and effective tool in support of the Union's external action. The main benefits of EIB intervention in such countries, beyond the financial contribution, include the passing on of expertise to project promoters and the application of EU environmental, social and procurement standards to the EIB financed investment projects. In addition to the above benefits, the EIB passes on in full the financial advantages resulting from the EU guarantee and EIB's attractive funding costs to the final beneficiaries in the form of competitive interest rates.

The mandate equipped with the EU guarantee provides the necessary EU political and financial backing for EIB lending in countries and to investment projects which otherwise would not be able to comply with EIB's standard guidelines and criteria due to high risk.

### 1.5.3. *Lessons learned from similar experiences in the past*

Lessons learned from similar experiences in the past have been taken into account in the context of the Impact Assessment, which served as the foundation of Decision 466/2014/EU.

Moreover, the Decision requires the Commission to report annually on EIB external activities that involve EU budgetary guarantee. Every year, the Commission submits an implementation report on EIB external activities to the European Parliament and to the Council. The last annual report has been submitted for the calendar year 2015<sup>9</sup>. It includes :

- an assessment of EIB financing operations at project, sector, country and regional levels,
- an assessment of the added value, the estimated outputs, outcomes and development impact of EIB financing operations, drawing on the EIB's Results Measurement framework annual report,
- an assessment of the contribution of EIB financing operations to the fulfilment of Union external policy and of its strategic objectives,
- an assessment of the financial benefit transferred to beneficiaries of EIB financing operations,
- an assessment of the quality of EIB financing operations,
- detailed information on calls on the EU guarantee,
- information on the climate change and biodiversity financing volumes,
- a description of the cooperation with the Commission and other European and international financial institutions, including co-financing,
- information on the follow up to the functioning of the Memorandum of Understanding between the EIB and the European Ombudsman.

### 1.5.4. *Compatibility and possible synergy with other appropriate instruments*

EIB financing operations will complement the activities carried out under the external assistance instruments. In order to further increase support for the Union external policies in each specific region, the linkage between EIB priorities and the Union policies has been strengthened. This has been achieved through the establishment and the update of the regional technical operational guidelines (RTOGs) following the adoption of Decision 466/2014/EU. The Commission, together with the EEAS and the EIB, updated the regional technical operational guidelines in May 2015.

<sup>9</sup> SWD (2016) XXX final of XX.XX.2016

The RTOGs aim at providing a stronger framework for dialogue and cooperation between the EIB and the Commission. Where appropriate, EIB financing operations may be usefully combined with EU budget resources in the form of co-financing grants, risk capital, risk sharing or technical assistance for project preparation and implementation or enhancement of the legal and regulatory framework.

#### 1.6. **Duration and financial impact**

Proposal/initiative of **limited duration**

Proposal/initiative in effect from 01/01/2014 to 31/01/2020

EIB financing operations can be signed by the EIB from 2014 to 2020.

Financial impact from 2014 to undefined

#### 1.7. **Management mode(s) planned<sup>10</sup>**

**Direct management** by the Commission

##### Comments

In line with existing provisions, the EIB shall finance investment projects in accordance with its own rules and procedures. The EIB and the Commission shall modify the Guarantee Agreement and the Recovery Agreement laying down the detailed provisions and procedures.

<sup>10</sup> Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: [http://www.cc.cec/budg/man/budgmanag/budgmanag\\_en.html](http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html)

## 2. MANAGEMENT MEASURES

### 2.1. Monitoring and reporting rules

EIB financing operations under EU guarantee are managed by the EIB in accordance with EIB's own rules and procedures, including appropriate audit, control and monitoring measures.

Furthermore, the EIB Board of Directors, where the Commission is represented by a Director and an alternate Director, approves each EIB financing operation and monitors that the EIB is managed in accordance with its Statute and with the general directives laid down by the Board of Governors.

The Tripartite agreement between the Commission, the Court of Auditors and the EIB details the rules under which the Court of Auditors is to carry out its audits on the EIB financing operations under EU guarantee.

Regular reports are performed in compliance with requirements of Decision No 466/2014/EU. The Commission annually reports on the implementation of the mandate by the EIB to the European Parliament and to the Council. Reporting on results is based on an appropriate aggregation of indicators (the EIB Results Measurement framework) across the entire portfolio where this is possible, or across a given sector. It helps to select sound projects which are in line with EU priorities based on concrete results, and where the EIB involvement will add value. At appraisal stage, results indicators are identified, with baselines and targets that capture expected economic, social, and environmental outcomes of the operation. Achievement against these specified performance benchmarks is monitored throughout the project life and reported at two major milestones: at project completion and 3 years after project completion ("post completion") for direct operations; at the end of the investment period and at the end of life of private equity funds; and at the end of the allocation period for intermediated lending. These indicators cover the following areas: i) amount signed by region, ii) amount disbursed by region, iii) progress in achieving a balanced distribution of activity by country, iv) breakdown of activity across the various objectives, v) volume of climate change lending against target financing and impact on absolute and relative GHG emission reductions, vi) number of projects assessed against climate risk, vii) number and amount of operations blended with EU grants, and viii) number and amount of operations co-financed with other IFIs.

Furthermore, the EIB provides the Commission with statistical, financial and accounting data on each of the financing operations covered by the EU guarantee as necessary to fulfil its reporting duties or requests by the European Court of Auditors as well as with an auditor's certificate on the outstanding of the Financing Operations covered.

By 31 December 2021, the Commission shall present to the European Parliament and to the Council a final evaluation report on the application of this Decision.

## 2.2. Management and control system

### 2.2.1. Risk(s) identified

The risk for the EU budget is linked to the budget guarantee provided by the Union to the EIB for its operations in third countries. The guarantee provides a comprehensive cover for all payments not received by the EIB under sovereign and sub-sovereign operations and only political risk cover for other operations with a sharing of risk between the Union and the EIB.

The proposal foresees an increase of the overall ceiling of the EIB financing operations under the EU guarantee by activating the optional amount of EUR 3 billion mentioned in the Decision. The Commission's amending decision proposes also an increase of the overall ceiling by EUR 2.3 billion for EIB financing operations to private sector applicable to projects in support of refugees and/or host-communities. In this context, this mandate will benefit from the Comprehensive Guarantee, rather than only from the political risk guarantee. The Comprehensive Guarantee will cover EIB financing operations to private sector as part of the strategic response addressing root causes of migration.

Therefore, the overall ceiling will increase from EUR 27 billion to EUR 32.3 billion throughout the period 2014-2020.

In any case, the EU guarantee is restricted to 65 % of the aggregate amount of credits disbursed and guarantees provided less amounts reimbursed, plus all related amounts.

The budget entry ("p.m.") reflecting the budget guarantee for the EIB loans to third countries would be activated only in the case of an effective call on the guarantee by the EIB which cannot be wholly covered by the Guarantee Fund for external actions. Although such recourse to the budget (i.e. beyond the Guarantee Fund assets) is considered to be highly unlikely, the comments associated with the budgetary line reflect the financing needs which could arise in the event of a payment request by the EIB relating to a default covered by the EU guarantee.

In 2015 and during the first half year of 2016, the Guarantee Fund was called to cover defaults on loans in Syria. In the yearly reports from the Commission to the EP and to the Council on guarantees covered by the general budget, country risk indicators are analysed and indicate the evolution of risk of defaults. The report provides information on quantitative aspects of the risk borne by the EU Budget. However, the quality of the risks depends on the type of operation and the standing of the borrowers. The risk assessment in the report is based on the information on the economic and financial situation, ratings and other known facts about the countries which have received guaranteed loans.

### 2.2.2. Information concerning the internal control system set up

The Commission is responsible for managing the EU guarantee. EIB financing operations in the context of the proposed amending Decision is carried out according to EIB standard rules of procedure and sound banking practice. The EIB and the Commission enter into an agreement laying down the detailed provisions and procedures relating to the implementation of the proposed Decision. See also section above "Monitoring and reporting rules".

2.2.3. *Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error*

N.A.

**2.3. Measures to prevent fraud and irregularities**

The EIB has the main responsibility for the adoption of fraud prevention measures, notably through the application to the financing operations of the "EIB's Policy on preventing and deterring Corruption, Fraud, Collusion, Coercion, Money Laundering and the Financing of Terrorism in European Investment Bank activities". The EIB has adopted a policy towards weakly regulated, non-transparent and non-cooperative jurisdictions.

The EIB is committed to maintaining a stringent policy against tax fraud, tax evasion and harmful tax practices in all of its activities, including when lending through financial intermediaries. It is constantly monitoring progress in international standards in order to maintain its leading role amongst IFIs in the fight against these harmful tax practices and to ensure that its Policy toward weakly regulated, non-transparent and uncooperative jurisdictions keeps abreast of any material developments.

The EIB Group AML-CFT Framework, updated in 2014 and published on EIB website, establishes the key principles regulating AML-CFT and related integrity aspects in EIB Group activities and aims to prevent the EIB Group, its governing bodies, staff and counterparties from being associated with or used for money laundering, financing of terrorism or other criminal activities.

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

#### 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [...] [Heading.....] .....]	Diff./Non-diff. <sup>11</sup>	from EFTA countries <sup>12</sup>	from candidate countries <sup>13</sup>	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
4	01.0305 EU guarantee for EIB loans and loan guarantees for operations in third countries	Diff./Non-diff.	NO	NO	NO	NO
	01.0306 Provisioning of the Guarantee Fund		NO	NO	NO	NO

<sup>11</sup> Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

<sup>12</sup> EFTA: European Free Trade Association.

<sup>13</sup> Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

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### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework		Number	Heading 4					
DG: ECFIN			Year 2014 <sup>14</sup>	Year 2015	Year 2016	Year 2017	Years 2018-2020	TOTAL
• Operational appropriations								
Number of budget line: 01 0305		Commitments	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
		Payments	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
Number of budget line: 01 0306		Additional Commitments	-	-	-	-	+ 4	+ 32
		Additional Payments	-	-	-	-	+ 4	+ 32
Appropriations of an administrative nature financed from the envelope of specific programmes <sup>15</sup>								
Number of budget line		(3)						
<b>TOTAL appropriations for DG &lt;.....&gt;</b>		Commitments =1+1a +3	-	-	-	-		
		Payments =2+2a	-	-	-	-	+ 4	+ 32
							+ 79	+ 115

<sup>14</sup>

Year N is the year in which implementation of the proposal/initiative starts.

<sup>15</sup>

Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.



<b>Heading of multiannual financial framework</b>	<b>5</b>	<b>‘Administrative expenditure’. There is no additional administrative costs</b>				
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EUR million (to three decimal places)

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
DG: <.....>						
• Human resources						
• Other administrative expenditure						
<b>TOTAL DG &lt;.....&gt;</b>						

<b>TOTAL appropriations under HEADING 5 of the multiannual financial framework</b>	(Total commitments = Total payments)					

EUR million (to three decimal places)

<b>TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework</b>	Year 2014	Year 2015	Year 2016	Year 2017	Years 2018 – 2020		TOTAL
					+4	+32	+79
Commitments	-	-	-	-	+4	+32	+79
Payments	-	-	-	-	+4	+32	+79

### 3.2.2. Estimated impact on operational appropriations

X The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs	↓	Type 16	Average cost	Years						TOTAL			
				Year 2014	Year 2015	Year 2016	Year 2017	2018 – 2020			TOTAL		
OUTPUTS				Cost	Cost	Cost	Cost	Cost	Cost	Cost	Total No	Total cost	
SPECIFIC OBJECTIVE No 2				-	-	-	-	0N	0N	0N	0N	+ 79	+ 115
To improve the EU profile, external representation and liaison with EIB and EBRD, other international financial institutions and relevant economic for a aiming at strengthening convergence between their strategies and operations and Eu external priorities				-	-	-	-	0N	0N	0N	0N	+ 32	+ 115
Subtotal for specific objective No 2				-	-	-	-	0N	0N	0N	0N	+ 79	+ 115
<b>TOTAL COST</b>				-	-	-	-	0N	0N	0N	0N	+ 79	+ 115

The estimated impact on operational appropriations can be summarised as follows:

<sup>16</sup> Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

- 01 0305 - "EU guarantee for EIB loans and loan guarantees for operations in third countries"

The budget entry ("p.m.") reflecting the budget guarantee for the EIB loans to third countries will be activated only in the case of an effective call on the guarantee which cannot be wholly covered by the Guarantee Fund.

- 01 0306 – "Provisioning of the Guarantee Fund"

The Guarantee Fund for external actions has to be provisioned according to the Guarantee Fund Regulation (Council Regulation (EC, Euratom) No 480/2009). In line with this Regulation, loans are provisioned on the basis of the outstanding amount at the end of a year. The provisioning amount is calculated at the beginning of the year "n" as the difference between the target amount (9% of the outstanding amount) and the Fund's net assets at the end of the year "n-1". This provisioning amount is introduced in the year "n" to the "n+1" draft budget and effectively paid in one transaction at the beginning of the year "n+1" from budget line 01 0306 to the Guarantee Fund.

The Guarantee Fund also covers Macro-financial Assistance and Euratom loans which fall outside the scope of the proposed Decision. Therefore, the estimated budgetary needs take into account existing signed operations as well as potential new operations under these two activities. The effective annual needs for provisioning of the Guarantee Fund in 2014-2020 will ultimately depend on the actual rhythm of signatures, disbursements and reimbursement of the loans on the three activities, as well as the evolution of the Guarantee Fund assets.

The table below highlights the expected external action activities covered by the Guarantee Fund for the period 2014-2026 (volume of signatures and disbursements of loans).

**Outstanding forecast (EUR 32.3 billion) over the period 2014 – 2026 as regards EIB, MFA and EURATOM loans**

TOTAL OUTSTANDING (EIB + MFA + EURATOM)	End- 2014	End- 2015	End- 2016	End- 2017	End- 2018	End- 2019	End- 2020	End- 2021	End- 2022	End- 2023	End- 2024	End- 2025	End- 2026
Outstanding amounts	26,353	28,451	30,744	32,730	35,198	36,654	37,713	38,278	37,981	36,841	34,568	32,562	30,320

The decrease of the outstanding amount in 2021 onwards is linked to absence of forecasts for the EIB next mandate period

3.2.3. *Compatibility with the current multiannual financial framework*

X The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

The estimated additional budgetary needs are indicated in the above section 'Estimated impact on expenditure' (EUR 115 million over the period 2018–2020) and will be covered by redeployment within Heading 4 or, as a last resort, by recourse to the unallocated margin.

**3.3. Estimated impact on revenue**

X The proposal/initiative has the following financial impact:

on own resources

on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative <sup>17</sup>					Enter as many years as necessary to show the duration of the impact (see point 1.6)		
		Year N	Year N+1	Year N+2	Year N+3				
Article .....									

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

If the Guarantee Fund is above its target amount, the exceeding amount is reimbursed to the general budget line.

The method for calculating the possible impact on revenue is described in detail in section above "*Estimated impact on operational appropriations*" on the functioning of the Guarantee Fund.

<sup>17</sup> As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.