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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

ON 2016 EIB EXTERNAL ACTIVITY WITH EU BUDGETARY GUARANTEE

{SWD(2017) 460 final}

1. INTRODUCTION

The External Lending Mandate (ELM) is a longstanding and successful element in the partnership between the European Commission and the European Investment Bank (EIB). Under the ELM, the EU provides a guarantee from the EU budget to enable the EIB to increase its lending outside the EU in support of EU policies. The ELM supports EIB activity in the pre-accession countries, the Eastern and Southern Neighbourhood, Asia, Latin America and South Africa. Under the current ELM period (2014-2020), the EU budget guarantees up to EUR 27 billion of EIB operations.¹

This report provides an overview of the EIB's activities under the EU guarantee in 2016 and the main results and impacts achieved, including information on expected future impacts of financing operations signed in 2016 based on the EIB's Results Measurement (ReM) Framework.² The report also provides a summary of the operations carried out by the EIB without the EU guarantee (i.e., on its 'own risk') in order to provide a full picture of its activity in these regions.

More detailed information and statistical tables on the above activities, including at project, sector, country and regional level, are provided in the accompanying Staff Working Document.

2. KEY RESULTS

In 2016, the EIB signed a total of EUR 6.8 billion in the regions covered by the External Lending Mandate, a slight increase on the previous year (EUR 6.7 billion). Of this total, more than a half (58%, EUR 4 billion) was carried out under the EU's guarantee. There were 54 new operations for which the first contract was signed last year.³

All new operations in these regions are expected to make either an 'excellent' or a 'good' contribution to EU and partner country priorities under the EIB's Results Measurement (ReM) Framework, now in its fifth year.

EIB Results Measurement (ReM) Framework

The EIB uses its Results Measurement (ReM) Framework in its operations outside the EU to strengthen the project appraisal process and to improve its ability to monitor and report on actual results achieved. It shows how EIB operations generate outputs, outcomes and impacts over time in line with the ELM objectives. For example, the framework might track how a loan to a public water utility (input) increases the supply of safe drinking water (output),

¹ In September 2016, the Commission proposed increasing the maximum ceiling for the current ELM to EUR 32.3 billion (COM(2016) 583). The legislative process is expected to finish with an agreement between Parliament and the Council in the second half of 2017.

² This report has been prepared in line with the requirements set out in Article 11 of Decision 466/2014/EU of the European Parliament and of the Council of 16 April 2014 which establishes the External Lending Mandate.

³ 'New' operations are those for which the first financing contract was signed in 2016. These operations represent a total approved volume of EUR 7.2 billion.

enabling more households to access safe water (outcome), leading to better public health in the community (impact). The intention is to better assess and be able to report on the EIB's contribution to mandate objectives by focusing on concrete results. The ReM Framework has been in operation since 2012.

Around 90% of new projects are expected to achieve 'good' results in terms of quality and soundness of the operation, with every new project expected to achieve at the minimum an 'acceptable' level.

More than 80% of new projects are expected to be associated with either 'high' or 'significant' EIB additionality, with every new project expected to be associated with at the minimum a 'moderate' level of EIB additionality.

Some of the key results expected from new projects in 2016 are:

- Nearly 10,000 loans to micro-enterprises, SMEs and mid-caps, helping to sustain around 544,700 jobs
- 1.2 million passengers benefiting daily from improved urban and rail transport
- 1.5 million people benefiting from improved sanitation services
- Enough energy generated to supply 338,000 households
- 743,200 households connected to the grid
- 469,000 people benefiting from improved waste management
- 150,000 patients treated per year in new or rehabilitated hospitals
- 37,000 additional students enrolled in higher education facilities
- 4 million people benefiting from multisector urban infrastructure projects.

The EIB also continued to demonstrate its commitment to supporting the EU's climate action agenda. EIB operations signed in the regions covered by the ELM remain well above the threshold of 25% set out in the ELM Decision. In 2016, the EIB signed EUR 1.9 billion of loans in the ELM regions in support of climate action representing 28% of the total. At the end of 2016, the cumulative climate action ratio under the mandate period of 2014-2020 stood at 34%. Lending in Asia is a major contributor to that target, with climate action as the key priority for lending in that region.

Moreover, in 2016, 27% of the total volume signed in the ELM regions (EUR 1.8 billion) will support the cross-cutting regional integration objective through energy interconnections, transport links, regional equity funds and support to convergence through local private sector development.

3. FINANCING OPERATIONS

3.1. OVERVIEW OF NEW EIB FINANCING OPERATIONS BY OBJECTIVE

The legislation underpinning the ELM sets out three main objectives for all EIB operations covered by the EU budgetary guarantee:

- (i) Local private sector development, in particular support to small and medium-sized enterprises ('SMEs')
- (ii) Development of social and economic infrastructure

(iii) Climate change mitigation and adaptation

Regional integration among countries, in particular among pre-accession countries, Neighbourhood countries and the EU, is an additional underlying objective for operations addressing one or more of the main objectives.

The Commission's proposal of September 2016 to revise the ELM Decision⁴ following a mid-term review⁵ introduces a new objective related to addressing the root causes of migration. Reporting on this new objective should take place in next year's annual report once the revised legislation has been adopted.

Of the total signed amount in the ELM regions in 2016, 49% (EUR 3.383 billion) will support local private sector development, principally through improving access to finance for SMEs, microenterprises and mid-cap companies. Just over half (51%, EUR 3.457 billion) will contribute to the development of social and economic infrastructure. All EIB operations outside the EU support one or both of those objectives.

Nearly a third of the total volume will contribute to the climate action objective (28%, EUR 1.921 billion). This support for climate mitigation and adaptation is spread over 50 individual projects signed in 2016, taking into account the contribution to this objective made by many operations that are focused on multiple sectors (for example, credit lines where a small proportion of lending is estimated to support investments in renewable energy or energy efficiency measures by SMEs).

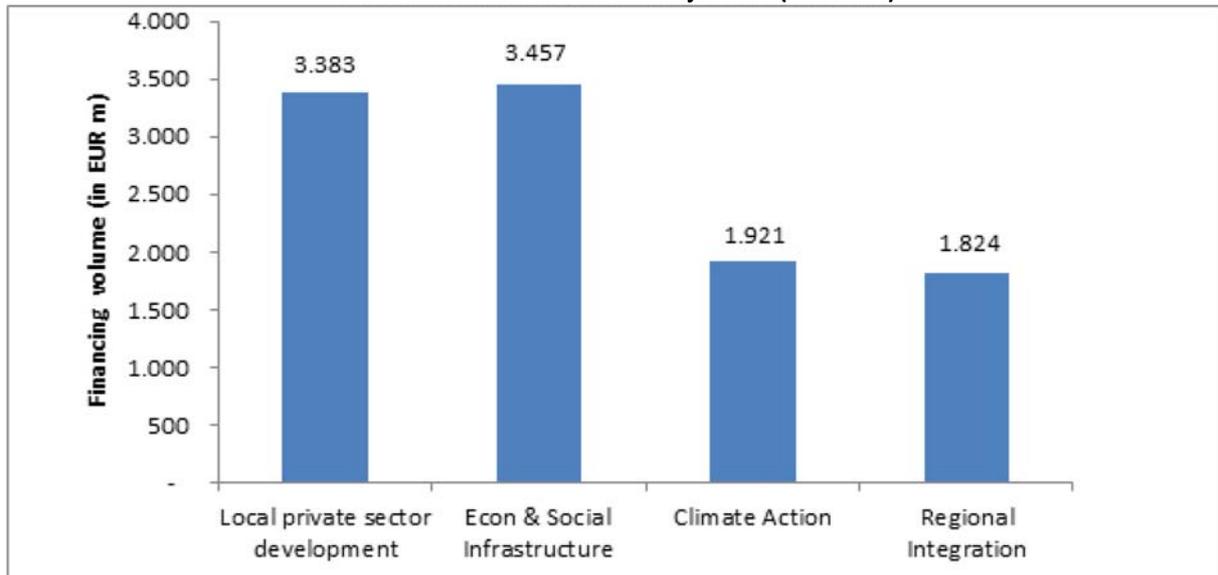
Similarly, 27% (EUR 1.824 billion) will support the cross-cutting regional integration objective, both through infrastructure development and through support for local private sector access to finance.

The contribution of EIB activity to the ELM's objectives is reflected in Chart 1 taking into account operations under both the ELM guarantee and the EIB's own risk facilities:

⁴ COM(2016) 583

⁵ COM(2016) 584

Chart 1: Contribution to ELM objectives (in EUR m)



Detailed information on financed projects are provided in the accompanying staff working document.

Local private sector development, in particular support to SMEs

The EIB's support for local private sector development is about creating the conditions to allow people in developing and emerging markets to develop and expand businesses and thereby create jobs, fulfil needs for goods and services, overcome poverty and food insecurity and raise living standards. Ultimately, sustainable social and economic development cannot take place without such private sector development.

This support takes different forms:

- extending credit lines to local financial intermediaries (mainly banks) for on-lending to SMEs
- participation in private equity funds and risk capital to high-growth potential companies
- equity finance for microfinance providers
- direct loans to larger companies

Twenty-six new projects signed in 2016 will support local private sector development. The total approved EIB financing for those projects is EUR 3.7 billion. Twenty-two are credit lines supporting SMEs, and four are loans for private sector-implemented infrastructure and R&D projects that will also contribute to local private sector development.

Supporting rural SMEs in Armenia

The Armenian economy has seen strong growth and a decline in poverty in recent years, but there is a need to diversify the economy and strengthen the SME sector, particularly in relatively underdeveloped rural areas. Yet SMEs suffer from limited access to finance, reflecting the fact that local banks themselves do not have direct access to capital markets and are largely reliant on short-term funding sources.

The Armenia Apex Loan, signed in 2014, has helped to address this situation by providing long-term finance for local banks through the Central Bank of Armenia. The loan is covered by the EU's guarantee under the External Lending Mandate. This funding was fully allocated by the end of 2016, reaching 113 companies employing a reported 6,357 people (56 employees on average). The companies are overwhelmingly in the agriculture, food processing and accommodation and catering sectors. With an average maturity of over five years, the loans provided are much more advantageous for financing productive investments than the terms typically available for SMEs. It is estimated that these loans may help create just over 2,000 additional jobs.

The Araks-2 cooperative employs around 24 people, utilising local milk production to manufacture a range of cheeses. They used five-year EIB-funded loans totalling EUR 95,000 to acquire a new pasteurizer, casting forms and inputs, allowing them to step-up production. Looking forward, they plan to invest to triple production capacity and expand the export share of sales to at least 35%.

Development of social and economic infrastructure

Developing social and economic infrastructure – everything from roads and energy systems to healthcare facilities and broadband internet services – is one of the pillars of the development process. It is also an area where public financing is often vital, infrastructure goods often being public goods that have large positive spill-overs for the economy, the environment and human well-being. The EIB supports infrastructure projects in a wide range of sectors with the support of the EU's guarantee under the ELM.

In 2016 there were 33 new projects that contribute to the development of social and economic infrastructure in the ELM regions in 2016. The total approved EIB financing for those projects is EUR 3.6 billion.

The EIB signed 12 new projects in the transport sector, with an increase with respect to the previous year in terms of volume of lending (EUR 2.1 billion in 2016). Urban public transport and railways accounted for around half of this lending by volume.

The EIB signed contracts for six new projects in the energy sector in 2016 (EUR 493 million), with this area less of a focus than last year. There are fewer large-scale energy generation projects and a deeper focus on smaller schemes involving energy generation from renewable sources. The largest energy generation projects are in Turkey, with the Fina Enerji wind power project and a credit line with Isbank that will target specifically renewable energy and energy efficiency schemes expected to generate enough energy to serve some 105,000 households. In total, new projects in 2016 will result in energy generated for the equivalent of around 338,000 households.

Supporting municipal infrastructure and water/sanitation

The EIB signed two projects in the water and sanitation sector last year involving EUR 129 million of loans and a further EUR 15 million targeting solid waste management. Each of these operations is covered by the EU guarantee under the External Lending Mandate. Two wastewater treatment projects in Panama and Tunisia will serve a total population of about 1.5

million and will contribute to cleaner water in the Panama Bay and the Mediterranean. A new project in the sector will support a number of water supply, wastewater treatment and solid waste management schemes in the Kyrgyz Republic.

Three new projects support urban reconstruction or development schemes that will cover a range of different infrastructure sectors. Responding to the terrible earthquake that struck western parts of Ecuador in April 2016, one project (EUR 159 million) will finance the repair and re-establishment of damaged infrastructure such as roads, water and electricity systems, telecommunications and municipal buildings. Similarly, EUR 100 million will support the repair of infrastructure damaged by recent floods in Tbilisi. A third project will provide support to local authorities throughout Georgia to upgrade local infrastructure and improve service delivery for local residents.

Climate change mitigation and adaptation

As both the cause and effects of climate change are global, extending and expanding climate finance beyond the borders of the Member States is a vital part of the EU's external and development policy. The EIB plays a central role in those efforts, particularly after the ground breaking global agreement reached in Paris in 2015 which came into force at the UNFCCC conference in November 2016. The EIB already has a strong track record in mobilising financial resources, which it offers to support countries both inside and outside the EU, supporting their Nationally Determined Contributions, national mitigation and adaptation plans and strategies, and low carbon energy and transport policies.

Of the new lending signed for the ELM regions in 2016, EUR 1.9 billion will contribute to the climate change mitigation and adaptation. This will be achieved through a large number of projects across almost all sectors. All of these projects also contribute to either local private sector development or the development of social and economic infrastructure.

In many cases, only part of a project contributes to the climate change objective and only a proportion of that project's lending total is therefore reported as contributing towards the objective. Analysis of the results of past EIB projects has revealed that many projects make a small contribution to action on climate change even if this is not the main objective of the project. A typical example is a credit line for SMEs in which some investment projects by beneficiary businesses involve achieving greater energy efficiency in buildings or installing small-scale renewable energy generation capacity, such as solar panels. Accordingly, some 50 new projects in 2016 contribute to the climate action objective of which 21 are credit lines.

Overall, by far the largest contribution is from lower carbon transport, accounting for 64% of the total volume, with renewable energy and energy efficiency contributing a further 21% of new non-EU climate action lending in 2016. Mitigation such as methane avoidance in waste and wastewater sector also continues to play an important role, while adaptation contributed 3.5%.

Reducing diesel dependence in the Maldives

Power generation represents a challenge for the Maldives, as an archipelago of 26 atolls. The country has relied substantially on old and inefficient diesel generators. As recently as 2012, oil imports made up 35% of GDP. A EUR 45 million EIB loan covered by the EU's guarantee

under the External Lending Mandate is supporting a project to help change this situation by installing at least 50 MW of solar-diesel hybrid energy systems, with about 25 MW of roof-top and ground mounted solar PV panels and about 27 MW of more efficient diesel generator capacity, as well as the rehabilitation of about 430 km of distribution lines and the installation of lithium-ion batteries and control system equipment. This will allow about 37 MW of obsolete diesel generator capacity to be retired.

The project will supply enough energy to meet the needs of about 110,000 households and will enable some 14,500 new connections to the network. It will save the country an estimated EUR 13.6 million a year in reduced fuel imports and will also have an impact in terms of lower emissions of CO₂ and other pollutants. During operation, the project will result in estimated GHG emissions of 76 kt CO₂-eq/year. However relative to predicted emissions without the project, it is expected to result in a reduction of 34 kt CO₂-eq/year.

Regional integration

The EIB signed 15 new projects in 2016 that contribute to regional integration. The total approved EIB finance for these projects was EUR 1.6 billion. These projects cover transport links, support to convergence through local private sector development and an energy interconnection. Seven projects (EUR 1 billion) were signed for credit lines supporting access to long-term finance for SMEs and mid-caps, thereby supporting economic convergence with the EU. Six of these are in Turkey and one is in Bosnia and Herzegovina. A further credit line specifically targets SMEs in the food and agriculture sector in Georgia. The EIB signed four transport projects, which include rail modernisation in Ukraine and Moldova that will expand capacity for passenger and cargo services and help to facilitate trade across the region and with the EU.

3.2. OVERVIEW OF EIB FINANCING BY REGION AND SECTOR

Table 1 provides an overview of the volume of EIB financing in 2016 in the regions covered by the ELM, including those with an ELM guarantee (comprehensive or political risk) and those financed under the EIB's own-risk facilities.

Table 1: EIB Financing Operations signed in 2016

Regions of operation (EUR million)	Operations under ELM with EU guarantee			EIB own-risk Facilities	Total
	Comprehensive guarantee	Political risk cover	Total ELM		
Pre-Accession	582	-	582	2,073	2,655
Mediterranean	1,061	332	1,393	192	1,585
Eastern Neighbours, Russia	1,263	354	1,616	-	1,616
Asia	45	-	45	200	245
Central Asia	20	-	20	200	220
Latin America	319	-	319	200	519
South Africa	-	-	-	-	-
Total in Mandate Regions	3,289	686	3,975	2,865	6,840

The EIB signed EUR 6.8 billion of loans in the regions covered by the ELM in 2016 out of a worldwide total of EUR 7.9 billion (including the ACP countries and the Overseas Countries and Territories). Approximately EUR 5.9 billion was carried out in the Pre-Accession (total EIB exposure in Turkey covered by the EU guarantee currently represents EUR 9.6 billion) and in the Neighbourhood regions (both South and East). The rest (26%) was signed in Asia, Central Asia and Latin America.

Compared to 2015, the total volume of EIB financing in ELM regions increased by 2% (EUR 6.7 billion signed in 2015) resulting from an increase of 54% in financing under the own risk facilities (EUR 1.9 billion in 2015) and a decrease by 18% of the use of the EU guarantee (EUR 4.8 billion in 2015).

Table 2: Net signature per year and cumulative net signatures compared with the current EU Mandate ceilings over 2014-2020

EUR m	2014 (H2)	2015	2016	Net signed (EUR m)	Ceiling	Net signed as % of mandate ceiling
Pre-Accession	200	957	582	1,739	8,739	20%
Mediterranean	380	1276	1393	3,049	9,606	32%
Eastern Neighbours, Russia	1040	1481	1593	4,114	4,831	85%
Asia	45	433	45	523	936	56%
Central Asia	70	70	20	160	182	88%
Latin America	219	468	319	1,007	2,289	44%
South Africa	0	150	0	150	416	36%
Total	1,954	4,835	3,952	10,741	27,000	40%

As presented above, the cumulative signatures under the ELM reached EUR 10.7 billion and the cumulative utilisation rate of the ELM in terms of signatures currently stands at 40% (some 38% of implementation time elapsed). In relation to the current ELM mandate with a ceiling at EUR 27 billion, the utilisation rate in Central Asia has reached 88% of the mandate ceiling, followed by the Eastern Neighbours with 85%, Asia with 56%, and Latin America with 44%. Note that these percentages do not take into account the proposed increase to the ELM ceiling currently under discussion by Council and Parliament.

Chart 2: Annual evolution of EIB lending volumes on EIB own resources

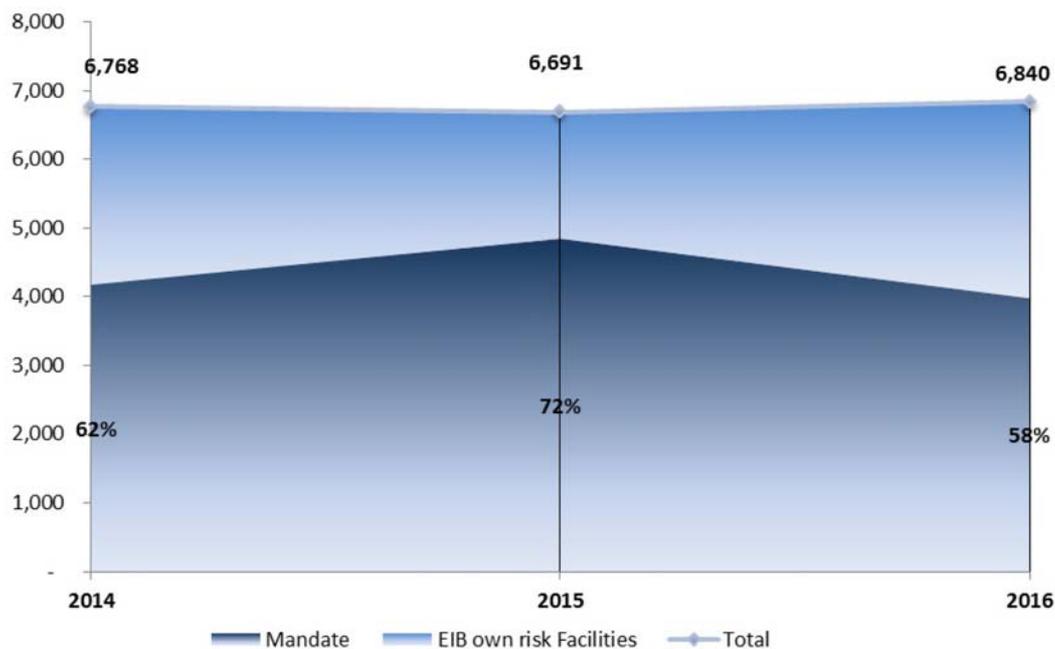


Chart 2 illustrates the evolution of lending under the ELM and the own-risk facilities between 2014 and 2016. Over this period, an average of 64% of EIB financing in these regions benefited from the EU guarantee, with annual fluctuations between 58% and 72%.

The number of financing projects with contracts signed by the EIB in the regions covered by the ELM increased from 55 in 2015 to 71 in 2016. Of these 71 operations, 54 projects were 'new' with a first EIB finance contract signed in 2016; for 17 projects, part of the total EIB financing had been provided by contracts signed in previous years.

Table 3: Number of operations signed by region (all resources) in 2016

Regions	Third Party Resources	Under EU guarantee	EIB own-risk	Total
Pre-Accession		8	22	30
Mediterranean		13	2	15
Eastern Neighbours, Russia		16	0	16
Asia		1	1	2
Central Asia		1	2	3
Latin America		4	1	5
South Africa		0	0	0
Total in Mandate Regions		43	28	71

In 2016, the EIB significantly increased its lending in the Western Balkans compared to 2015 (+92%), where the amount reached EUR 427 million and in the Mediterranean countries (+12%), where the amount signed reached EUR 1.6 billion, in the context of the implementation of the Bank's Economic Resilience Initiative in support of those regions. The majority of this amount was for projects focused on providing support to build local private sector development, especially credit lines to support SMEs (54% in the Mediterranean and 64% in the Western Balkans).

In 2016, credit lines represented 46% of the total lending (37.5% in 2015), while 54% were dedicated to finance infrastructure projects and others (62.5% in 2015), in which transport projects represents half of the volume.

Lending in the Pre-Accession countries contributed the most to the objective of local private sector development with EUR 1.8 billion (52%) followed by the Mediterranean countries with 960 million (28%).

The Eastern Neighbourhood is the region that contributes the most to the objective of economic and social infrastructure with 1.2 billion (34%) of the total lending to this objective. Finally, the Pre-Accession region also scores higher in the regional integration objective with 1.3 billion (69%) of all resources lending.

Table 4: Sectorial distribution of EIB financing operations signed in 2016 in the regions covered by the Decision (all resources)

Row Labels	Pre-Accession	Mediterranean countries	Russia, E. Europe, Sth. Caucasus	Asia	Central Asia	Latin America	Total
Credit lines / Banks	1,775	849	333		200		3,158
Transport	405	398	781	200		41	1,825
Energy	223	47	41	45		200	556
Industry	-	111	111			162	384
Health	185						185
Water, sewerage	41	70			15	46	171
Agriculture, fisheries, forestry	-		141				141
Telecommunications	-	100					100
Urban development	-		100				100
Education	-		9			70	79
Composite infrastructure	-		75				75
Services	26		25				51
Solid waste	-	10			5		15
Grand Total	2,655	1,585	1,616	245	220	519	6,840

3.3. IMPACT AND VALUE ADDED OF EIB OPERATIONS

The ReM Framework provides an assessment of EIB financing operations throughout their lifecycle. It helps to select sound projects which are in line with EU priorities and where 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 those specified performance benchmarks is monitored throughout the project's life and reported at two major milestones: project completion and three years after project completion ('post completion') for direct operations; the end of the investment period and the end of life of private equity funds; and the end of the allocation period for intermediated lending.

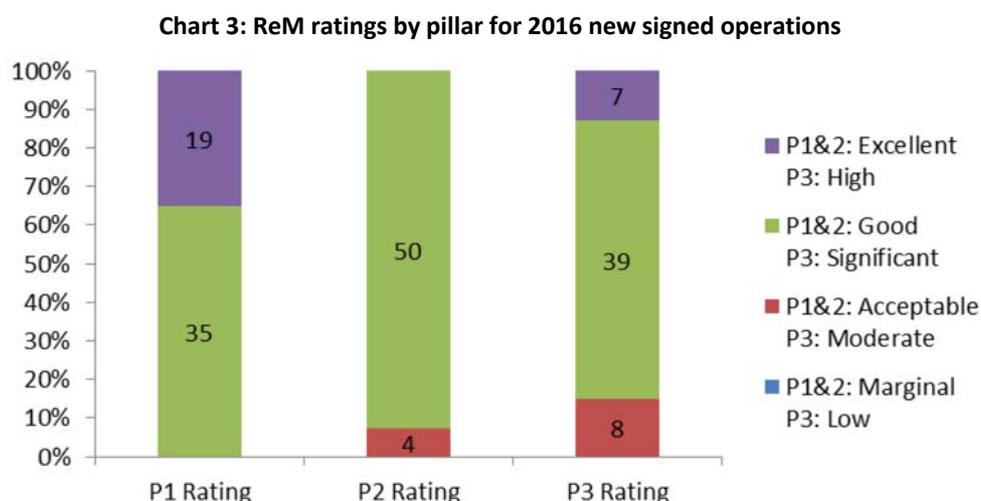
Projects are rated according to three 'Pillars':

- (i) Pillar 1 rates the expected contribution to EU and partner countries' priorities and eligibility under EIB mandate objectives.
- (ii) Pillar 2 rates the quality and soundness of the operation, based on the expected results.

(iii) Pillar 3 rates expected EIB financial and non-financial additionality.

This section reports expected results on EU policy objectives as recorded by the ReM Framework. The scope of this section with regard to expected results is not all contracts signed in 2016, but all projects for which the first financing contract was signed in 2016 (these are referred to as 'new projects'). Within this scope, in 2016, 54 new projects were signed in the ELM regions. The total approved EIB lending associated with these projects is EUR 7.3 billion.

In 2016, 11 projects in the ELM regions that were originally appraised under the ReM Framework reached completion, allowing for a more comprehensive monitoring of results achieved. These included six credit lines for SMEs and mid-caps, three infrastructure projects and two industry/R&D projects.



In 2016, all new projects were rated at least 'good' under Pillar 1, signifying that they are in line with ELM objectives and make a high contribution to either national development objectives or those of the EU and a moderate contribution to the other. Nineteen projects were rated 'excellent' for making a high contribution to both EU priorities and national development objectives.

The Pillar 2 rating is based on project soundness, financial and economic sustainability, and environmental and social sustainability in the case of directly financed projects. For intermediated operations, the rating is based on the expected results, weighted by risk considerations as measured by the soundness of the intermediary and the quality of the operating environment. Fifty projects were rated 'good' under Pillar 2, with an average economic rate of return of 10% to 15% in the case of infrastructure projects. Four projects received an 'acceptable' rating, often because of high risk environments that impact on the probability of achieving planned results. These include projects in Ukraine and Kyrgyz Republic.

Under Pillar 3, 7 projects have been rated as 'high' and 39 projects as 'significant'.

4. EIB COOPERATION WITH OTHERS

4.1 COOPERATION WITH THE COMMISSION

Cooperation between the EIB and the Commission on matters related to the External Lending Mandate takes place in the context of a broader partnership between the two institutions on a whole range of areas ranging from stimulating investment in the EU including via the European Fund for Strategic Investments as well as the blending facilities supporting EIB and other IFIs' development activities outside the EU.

The ELM Decision requires that the Commission, the EEAS and the EIB cooperate and strengthen the alignment of EIB external actions and the EU's external policy objectives in order to maximise synergies between EIB financing and EU budgetary resources. This occurs mainly through regular and systematic dialogue and early consultation on policies, strategies and project pipelines. The Memorandum of Understanding (revised in 2013) between the Commission, EEAS and the EIB in respect of cooperation and coordination in the regions covered by the ELM continues to be applied, e.g. through exchange of information on project pipeline and contact information.

A concrete example of this cooperation is the co-location of EIB offices within EU Delegations, with new EIB external offices moving into local Delegations. The office in Beijing was formally inaugurated on 30 May 2016 and covers China and Mongolia. In addition, in the first quarter of 2017, the office in New Delhi was inaugurated.

The EU's blending mechanisms offer a further venue for structured cooperation. Blending results in strong co-financing relations with other international financial institutions (IFIs) and alignment with EU policies and priorities in each respective country context. Moreover, the governance structure of those facilities enables and requires close coordination and cooperation with the Commission, the EEAS and other IFIs before presenting a project for blending of grant resources with EIB lending.

The EIB continued to actively participate in the regional blending mechanisms in 2016. EUR 177.32 million of EU budget-funded contributions (grants, technical assistance, risk capital) managed by the EIB were approved or signed in 2016 complementing EIB financing in ELM regions (EUR 39 million of EU budget resources complementing EIB loans in the Neighbourhood Investment Facility, EUR 53 million in the Western Balkan Investment Facility, EUR 18 million in the Latin America Investment Facility, EUR 18 million in the Eastern Europe Energy Efficiency and Environment Partnership, EUR 5.32 million in the Eastern partnership Technical Assistance Trust Fund, EUR 1.64 million in the FEMIP and EUR 41 million for risk capital). The EIB closely cooperated with the Commission in the technical group of experts of the EU Platform for Blending in External Cooperation (EUBEC). The detailed list of EIB-managed Union budget-funded operations (TA, Grants, Equity) in 2015 can be found in the accompanying staff working document.

The Commission continues to actively engage with the EIB in a number of other policy areas, including dealing with non-cooperative tax jurisdictions. In January 2016, the Commission adopted a new Anti-Tax Avoidance Package, containing a series of initiatives for a stronger and more coordinated EU stance against corporate tax abuse within the Single Market and beyond. The package further expands on the criteria that constitute good tax governance, including measures on the fight against aggressive tax planning. That package reflects discussions in the Council, recommendations from the European Parliament as well as the

outcomes of the OECD's Base Erosion and Profit Shifting project. In January 2017, the EIB presented its interim approach to its policy towards weakly regulated, non-transparent and uncooperative jurisdictions ('NCJ policy') and tax sensitive jurisdictions.

The detailed aspects of the inter-institutional cooperation between the EIB, the Commission and the EEAS to support the priorities both of the EU and the partner countries in these regions can be found in the accompanying staff working document.

4.2. COOPERATION WITH THE EUROPEAN OMBUDSMAN

The Memorandum of Understanding signed between the EIB and the European Ombudsman in 2008 sets the basis for the two stages of the EIB Complaints Mechanism - the internal (EIB-CM) and the external (the Ombudsman) - approved by the EIB Board of Directors in 2010 after extensive public consultation. It achieves a common understanding of purpose and consistency of application across its internal and external parts, with a specific focus on:

- The existence of an effective internal Complaints Mechanism (the EIB-CM) that deals with complaints lodged by external parties to the EIB across all the business units of the EIB;
- Concerning complaints related to operations outside the EU, including the external mandates, the Ombudsman commits to use its own initiative power systematically in order to handle complaints when the complainant is not a citizen or resident of the EU;
- The scope of the Ombudsman's review, with the recognition of the EIB-CM as the required prior approach.

During 2016, the Ombudsman received no complaints related to the EIB activities in the External Lending Region.²

The current EIB Complaints Mechanism Policy stipulates that the EIB endeavours to periodically review the mechanism. The current review, including a public consultation, is expected to conclude at the end of 2017.

4.3. COOPERATION WITH INTERNATIONAL FINANCING INSTITUTIONS

Cooperation with other IFIs is an integral part of EIB activities, ranging from dialogue on institutional matters, horizontal topics and thematic issues, and mutual consultation, to enhanced forms of operational co-financing and work sharing. Dialogue between IFIs mostly takes place within specialised working groups meeting periodically to share best practices or address specific issues.

Cooperation between the EIB and the European Bank for Reconstruction and Development (EBRD) has continued under the 2012 Memorandum of Understanding. A Steering Committee chaired by the Commission took place in June 2016. This focused in particular on the Banks' response to the migration crisis as well as overall cooperation. The EIB and EBRD also held two Contact Group meetings to exchange views on their pipelines of operations in the regions where they both operate. In addition, the Banks shared information on their response to the migration crisis and on other common topics of interest including issues arising in relation to offshoring and the newly created EU4Business initiative in the Eastern

Partnership region. Twenty-seven projects signed in 2016 were cofinanced by other IFIs. EBRD is the first co-financer (13 projects) with a total of EUR 1.1 billion representing 44% of the total volume of cofinancing, followed by World Bank group (7 projects) representing 32% of the total volume of co-financing. The Inter-american Development Bank and the Development Bank of Latin America co-financed 2 projects (4%), the Asian Development Bank co-financed 4 projects (22%).²

Cooperation between EIB, AFD and KfW has continued to intensify over the last years. In 2016, 4 projects were co-financed with AFD in the ELM regions with a total EIB financing of EUR 778 million. 3 projects were co-financed with KfW group with a total EIB financing of EUR 142 million. Meanwhile, a regular routine of meetings on policy/coordination level as well as on operational level has been established which has facilitated exchange of information and transparency.

The three institutions also cooperate closely in the context of the Mutual Reliance Initiative (MRI). Launched in 2013, the MRI is a widely recognised means of implementing EU external cooperation policies. It foresees that the three MRI partners rely on one of them to perform certain tasks, e.g. some of the project due diligence or procurement supervision. Promoters appreciate the resulting simplified processes. The management and decision-making bodies of the MRI partners have become acquainted with documents prepared by another institution which they use for their own decisions. Talks continued during 2016 on how to further increase the level of work sharing and delegation and take the MRI to a higher level of relevance and effectiveness.

A new and significant development in 2016 was the entry of three new members, the Asia Infrastructure Investment Bank (AIIB), the Islamic Development Bank and the New Development Bank (also known as 'BRICS' Bank). The MoU signed by EIB with AIIB in May 2016 in Beijing provides the framework to further consolidate the relations between EIB and AIIB in the areas of joint financing of eligible operations, knowledge sharing and the establishment of regular high level meetings.

In addition to the multiple working groups and initiatives covering a broad range of issues (climate, infrastructure, finance, risk, results measurement, ex post evaluation, debt management etc.), MDB cooperation remains strong at the highest level. In 2016, high-level discussions among MDBs focused on the main topics of the development agenda, namely how to jointly enhance MDB support for Climate Action and contribute to the Sustainable Development Goals. Addressing the consequences of the refugee crisis and forced displacement was another key topic for MDB cooperation in 2016. A special MDB Task Force was set up to define and measure mobilisation and catalysation by MDBs of private sector finance. Building on recommendations from the G7 and the G20, MDBs also worked jointly on ways to optimise their balance sheets and increase their lending capacity in support of development objectives.

The EIB also continued to strengthen its ties with the UN system, following the signature of Memoranda of Understanding with UNIDO, IFAD and FAO. The EIB and UNDP signed a Memorandum of Understanding in October 2016. The thematic focuses of this partnership are climate change response, responding to crisis and post-crisis situations, the migration crisis and promoting inclusive markets and entrepreneurship. An agreement was also signed in April 2016 with UNOPS. This partnership will enable both institutions to overcome ongoing

challenges to sustainable development, most notably in fragile economies, as well as climate change and increasing the capacity of the private sector to drive growth and change.