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**PROPOSAL**

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dated:	23 May 2013
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Subject:	Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union

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Delegations will find attached a proposal from the Commission, submitted under a covering letter from Director Jordi AYET PUIGARNAU to Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union.

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EUROPEAN  
COMMISSION

Brussels, 23.5.2013  
COM(2013) 293 final

2013/0152 (COD)

Proposal for a

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on granting an EU guarantee to the European Investment Bank against losses under  
financing operations supporting investment projects outside the Union**

{SWD(2013) 178 final}

{SWD(2013) 179 final}

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

The European Union provides a budgetary guarantee to the European Investment Bank (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. The EU guarantee for the EIB's external operations is an effective means to combine EU budgetary funds, through the provisioning of the Guarantee Fund for external actions, with EIB own resources. 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.

The need for an EU budget guarantee for the EIB's external operations stems from the Bank'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 and not compromise its task of contributing to the steady development of EU Member States. The EU guarantee has been the key instrument ensuring the compatibility between the EIB's financial structure, which is significantly more leveraged than 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 Bank's AAA rating whilst limiting the EIB capital consumption. While the recently approved EIB capital increase would allow to increase EIB lending inside EU, EIB external activity should not be affected.

The overall scope and general conditions of the EU guarantee coverage for EIB 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 beginning on 1 February 2007 and ending on 31 December 2013 was established by Decision No 1080/2011/EU of the European Parliament and of the Council of 25 October 2011<sup>1</sup> (the 'current Decision'). Article 16 of the current Decision requires the Commission to present to the European Parliament and to the Council a proposal for establishing the EU guarantee under the next multiannual financial framework.

In this context, Recital 40 of the current Decision foresees specific requirements: "When submitting the proposal on the EU guarantee under the next multiannual financial framework, the Commission should be invited in particular to examine, in close cooperation with the EIB and taking into account the implications of the provisioning of the Guarantee Fund, the ceilings covered by the EU guarantee, the list of potentially eligible countries and the possibility for the EIB to provide micro-credit financing and other types of instruments. The Commission and the EIB should also examine the possibilities of enhancing, in the future, synergy between the financing through the IPA, the ENPI, the DCI, the EIDHR and the Instrument for Stability and the external mandate of the EIB".

The proposed new decision will cover the EU guarantee for EIB external financing operations over the period beginning on 1 January 2014 and ending on 31 December 2020.

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<sup>1</sup> Decision granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC (OJ L 280, 27.10.2011, p. 1).

## 2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

The Commission carried out an Impact Assessment (IA)<sup>2</sup> which accompanies this proposal. The following policy options were considered:

- No new EU budget guarantee extended to any new EIB operations outside the Union (option 0).
- A base line scenario with no change in the existing EU guarantee which would remain applicable as such in the next mandate, i.e. until 31/12/2020 (option 1).
- Adapting the current set-up of the existing mandate with a combination of amendments responding to the new policy context. Three sub-options have been defined:
  - Sub-option 2.1 (CLOSE) amending the geographical scope of the mandate in order to focus the EU guarantee on closest regions neighbouring the Union by excluding Asia, Latin America and South Africa from the geographical scope, extending the guarantee to all type of microfinance operations, substantially increasing the dedicated climate change envelope, and drafting of annual country strategy papers.
  - Sub-option 2.2 (MICRO) maintaining the current geographical scope, creating a microfinance mandate which would benefit from an EU comprehensive guarantee, introducing targets for climate change financing within the regional envelopes, and updating technical operational regional guidelines in line with the multiannual indicative programming of EU external financial instruments.
  - Sub-option 2.3 (FOCUS) focusing the mandate on less credit-worthy beneficiaries, microfinance operations continuing not to be explicitly eligible, introduction of an overall signature target accompanied by the introduction of a tracking system allowing to monitor absolute and relative Green House Gas emission reduction of all EIB projects supported under the mandate, and updating technical operational regional guidelines in line with the multiannual indicative programming of EU external financial instruments.
- Provide the guarantee to other European Financial Institutions which are eligible in the various blending facilities (option 3).

The following main impacts have been acknowledged:

Option 0 would lead to a withdrawal of the EIB from a number of countries and a significant increase in funding costs for investment projects located in these countries. This is deemed not to be politically desirable in particular in the context of the global economic crisis which emphasises the significant investment needs. It seems essential to continue preserving an adequate investment flow to countries outside the Union.

Option 1 would not respond to the new policy context.

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<sup>2</sup> SWD(2013)XX

It was acknowledged that sub-option 2.3 (FOCUS) would bring more positive impacts and ranked better than the other sub-options MICRO and CLOSE analysed, in particular in terms of budgetary impact and coherence and complementarity to the Union policies and instruments.

Option 3 would open the EU guarantee to other institutions and would therefore decrease the share of EIB guaranteed lending, which could have a negative impact on the visibility of EU action, given the EIB's EU institutional standing. Moreover, the EU budget would assume additional contingent liabilities on financing operations conducted by other financial institutions which are not strictly part of the EU institutional constellation and do not have the same shareholders. Finally, the other institutions have their own strategies agreed by their respective governing bodies which could limit the influence of the Union through its guarantee.

The preferred option is therefore the sub-option 2.3 (FOCUS).

The impact assessment was based on informal exchanges of views with key external stakeholders including representatives of Member States and main relevant NGOs' representatives, which were organised through meetings and seminars in June and October 2012 in order to take stock of the state of play of respective reflections. In particular, exchanges of views were undertaken on the problems identified in this report as well as on the options envisaged to address them. The IA report was also based on the widespread consultations of key stakeholders (those affected by the current Decision, those involved in its implementation and of the legislators) that took place in the context of the revision of the mandate 2007-2013 concluded at end-2011. All these consultations and informal exchanges of views provided sufficient ground to form a view on the position of external stakeholders.

Details on the main outcome of these consultations are provided in the Impact Assessment report.

Following a first request for resubmission, the IA Board delivered a positive opinion on the draft IA report on 29 January 2013. The IAB requested further clarifications on the status of implementation of the recommendations of the mid-term review and on EIB's role within EU financing for external action and in complementarity to other actors' activity, further improvements of the assessment of impacts and comparison of options sections, as well as more details on the stakeholders' view presentation. The report was further improved accordingly.

### **3. LEGAL ELEMENTS OF THE PROPOSAL**

The proposal for a decision 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. In particular Article 209(3), in conjunction with Article 208, 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.

The proposal falls under the exclusive competence of the Union. The subsidiarity principle therefore does not apply.

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 new EU guarantee mandate for 2014-2020 will allow the existing efficient and economically sound practice to continue.

Where possible and relevant, the draft legislative proposal incorporates the language agreed during the inter-institutional negotiations and reflected in Decision 1080/2011/EU.

#### **4. BUDGETARY IMPLICATION**

The Guarantee Fund for external actions ("Guarantee Fund" or "GF"), established by Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions<sup>3</sup>, 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 and Euratom loans. The EIB mandate represents more than 90% of the portfolio covered by the GF.

The GF is endowed by one annual payment from the EU budget. The provisioning mechanism of the GF which aims at maintaining the GF at a level of 9% of outstanding loan disbursements creates therefore de facto a limit in the size of the EIB external mandate covered by EU budget guarantee. In 2010, an external evaluation of the functioning of the Guarantee Fund concluded that the 9% provisioning rate was deemed appropriate.

The ceiling proposed is compatible with the provisioning amounts envisaged in the technical input from the European Commission to the negotiation of the individual programmes implementing the next Multiannual Financial Framework sent by the Commission on 27 March 2013 (EUR 1.193 billion for the 2014-2020 Financial Framework in current prices) and is based on expected patterns of disbursements and reimbursements of guaranteed loans.

The proposal foresees a maximum ceiling of the EIB financing operations under EU guarantee throughout the period 2014-2020 of EUR 28 bn. This maximum ceiling shall be broken down into two parts: (i) a fixed ceiling of a maximum amount of EUR 25 billion; and (ii) an optional additional amount of EUR 3 billion. The activation in whole or in part of this optional amount and its regional distribution will be decided under ordinary legislative procedure following a mid-term review.

The more limited size of the fixed ceiling compared to the current Decision is due to budgetary restraint in the amount of the provisioning budget line of the Guarantee Fund under the next Multiannual Financial Framework and is not linked to the current performance and effectiveness of the scheme or absorption capacity considerations.

The budgetary implications as regards the provisioning of the Guarantee Fund, including the underlying assumptions, as well as the human and administrative resources involved in the administration of the EU guarantee are set out in the legislative financial statement accompanying the proposal.

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<sup>3</sup> OJ L 145, 10.6.2009, p. 10.

## 5. OPTIONAL ELEMENTS

On the basis of the outcome of the impact assessment, the proposal aims to ensure the continuation of the EU guarantee for EIB external financing for the next financial perspectives 2014-2020, whilst introducing some changes:

- Focus the geographical scope of the mandate on less creditworthy beneficiaries where the use of the guarantee would display the highest value added.
- Reinforce the climate change dimension of the mandate in order to incentivise EIB operations in this key sector of the Union external action through the introduction of an overall signature target accompanied by the introduction of a tracking system allowing to monitor absolute and relative Green House Gas emission reduction of all significant EIB projects supported under the mandate.
- Better align EIB financing with the Union policies and reinforce coherence and complementarity with EU instruments to more satisfactorily mirror policy developments in a timely manner through the provision to update the technical operational regional guidelines in line with the multiannual indicative programming of EU external financial instruments.

### **Detailed explanation of the key elements of the proposal**

Article 1 extends the EU guarantee for the next financial perspective 2014-2020, with the possibility of a six-month extension to ensure the continuity of EIB financing operations. The EU guarantee is limited to 65% of the aggregate amount of the EIB outstanding disbursed amounts plus related amounts (e.g. interest, commissions, and other possible charges that are due by a guaranteed obligor to the EIB pursuant to a loan or a guarantee agreement), in line with the current Decision. It stresses that the EIB uses its own rules and procedures when granting financing covered by the EU guarantee, but also makes the guarantee coverage conditional on the EIB financing being carried out in support of the Union external policy objectives. Compared to the current Decision, the proposal clarifies explicitly that the EU budgetary guarantee covers loans, loan guarantee and debt capital market instruments issued for the benefit of investment projects.

Article 2 sets out the ceilings for EIB financing under EU guarantee (fixed and optional ceilings). The regional ceilings under the fixed ceiling are detailed in Annex I of the proposed decision.

Article 3 sets out the general objectives and principles to be pursued by EIB financing operations covered by the EU guarantee. These general objectives are local private sector development (in particular SMEs), development of social, environmental and economic infrastructure, and climate change mitigation and adaptation. Over the period covered by the new decision, climate change operations should represent an average of at least 25% of total EIB financing operations. The EIB shall, in cooperation with the Commission and following a public consultation, update its climate change strategy in this regard. Regional integration will be an underlying objective for all EIB financing activity. Moreover, EIB financing shall contribute indirectly to the Union development objectives.

Article 4 deals with the list of countries concerned by the proposal and their potential and actual eligibility. As in the current Decision, the Commission is empowered to adopt delegated acts to activate or suspend the actual eligibility for EIB financing under the EU guarantee for countries listed as potentially eligible countries, while the modification of the

list of potentially eligible countries would require a separate decision by the legislator. Article 4 also provides for the suspension of disbursements on existing EIB financing operations benefiting from a Comprehensive Guarantee in case of suspension of eligibility. Compared to the current Decision, the eligibility of Myanmar for EIB financing under EU guarantee is established. This reflects the progress that has been made in the Union's relations with this country. The more detailed justification for extending the EU guarantee to EIB financing in Myanmar is set out in the annex of the Impact Assessment accompanying this proposal. It takes into account the political situation in the country and the bilateral relations with the Union, the democracy, human rights and fundamental freedoms situation as well as the macro-economic situation and investment needs.

Article 8 outlines the nature of the EU guarantee which will cover risks of a political or sovereign nature for financing operations entered into by the EIB. It also requires that the EU guarantee, through an appropriate method, is focussed on EIB financing operations where the EU guarantee brings significant financial benefits. The aim of such a method would be to ensure that the EU guarantee coverage is utilised to the maximum benefit of beneficiaries, e.g. in countries and for operations that have difficulties in obtaining finance from the capital market on acceptable terms, while investment grade countries or borrowers may have access to EIB own risk facilities.

Article 18 provides a mid term review of the implementation of the mandate by 31 December 2017, based on an external evaluation.

Annex I sets out the regional ceilings under the fixed ceiling.

Annex II sets out the list of potentially eligible regions and countries.

Annex III sets out the list of eligible regions and countries.

Annex IV presents the regional policy framework in which EIB operates outside the Union.



Proposal for a

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union**

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) In addition to its core mission of financing investment in the Union, the European Investment Bank (EIB) undertakes financing operations outside the Union in support of the Union's external policies. This allows the budget funds of the Union available to the external regions to be complemented by the financial strength of the EIB for the benefit of the targeted third countries. In undertaking such financing operations, the EIB contributes to the general principles and policy objectives of the Union.
- (2) Article 209(3) of the Treaty on the Functioning of the European Union (TFEU), in conjunction with Article 208 thereof, 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.
- (3) With a view to supporting Union external action, and in order to enable the EIB to finance investments outside the Union without affecting the credit standing of the EIB, the majority of its operations outside the Union have benefited from an EU budgetary guarantee ("EU guarantee") administered by the Commission.
- (4) The latest EU guarantee for EIB financing operations signed during the period from 1 February 2007 to 31 December 2013 was established by Decision No 1080/2011/EU of the European Parliament and of the Council of 25 October 2011 granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC<sup>4</sup>.

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<sup>4</sup> OJ L 280, 27.10.2011, p. 1.

An EU guarantee for EIB financing operations outside the Union in support of Union policies should be established for the 2014-2020 multiannual financial framework.

- (5) A list of countries potentially eligible for EIB financing under the EU guarantee should be established. It is also appropriate to establish a list of countries actually eligible for EIB financing under the EU guarantee.
- (6) Myanmar should be added to both lists following the recent developments which allowed the Union to open a new chapter in its relations with Myanmar and in order to support the on-going political and economic reforms in the country.
- (7) In order to reflect significant policy developments, the list of countries actually eligible for EIB financing operations under the EU guarantee should be reviewed as appropriate and the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of amendments to Annex III to this Decision. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council.
- (8) In order to cater for the potential evolution of the actual provisioning needs of the Guarantee Fund in accordance with Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions<sup>5</sup>, the maximum ceiling of the EU guarantee should be broken down into a fixed ceiling of a maximum amount of EUR 25 bn and an optional additional amount of EUR 3 bn.
- (9) The amounts covered by the EU guarantee in each region should continue to represent ceilings for the EIB financing under the EU guarantee and not targets that the EIB is required to meet. The ceilings should be evaluated as part of the mid-term review of this Decision.
- (10) In order to enhance the coherence and the focus of the EIB external financing activity on supporting Union policies, and for the maximum benefit of beneficiaries, Decision No 1080/2011/EU set out general objectives for EIB financing operations across all eligible regions and countries, i.e. local private sector development, in particular in support of small and medium-sized enterprises (SMEs), social and economic infrastructure and climate change mitigation and adaptation, building on the comparative strengths of the EIB in areas where it has a well-proven track record. These objectives should be maintained in this Decision.
- (11) Improving access to financing for SMEs, including SMEs from the Union investing in the regions covered by this Decision, can play an essential role in stimulating economic development and in combating unemployment. In order to effectively reach out to SMEs, the EIB should cooperate with local financial intermediary institutions in the eligible countries, in particular to ensure that part of the financial benefits is passed on to their clients and provide added value compared to other sources of finance.

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<sup>5</sup> OJ L 145, 10.6.2009, p. 10

- (12) The coverage of the EU guarantee, which is limited to risks of a sovereign and political nature, is not sufficient in itself to ensure a meaningful EIB activity in support of micro-finance. Therefore such activity, where appropriate, should be carried out in connection with budgetary resources available under other instruments.
- (13) The EIB should continue to finance investment projects in the areas of social, environmental and economic infrastructure, and should consider increasing its activity in support of health and education infrastructure when there is clear added value in doing so.
- (14) The EIB should also continue to finance investment projects in support of climate change mitigation and adaptation, to further the promotion of the Union's climate goals on a global scale.
- (15) Within the areas covered by the general objectives, regional integration among countries, in particular economic integration between Pre-accession countries, Neighbourhood countries and the Union, should be an underlying objective for EIB financing operations. Within the aforementioned areas, the EIB should be able to support partner countries through foreign direct investments by companies from the Union that contribute to promoting technology and knowledge transfer, providing that due consideration has been made during the investment projects' due diligence to minimise the risks that EIB financing operations lead to negative repercussions on employment in the Union. The EIB should also be encouraged to support foreign direct investment in partner countries by companies from the Union at its own risk.
- (16) The practical measures for linking the general objectives of the EU guarantee and their implementation are to be set out in regional technical operational guidelines. Such guidelines should be consistent with the wider Union regional policy framework. The regional technical operational guidelines should be reviewed and further updated following the review of this Decision in order to adapt to the developments in the Union external policies and priorities.
- (17) In accordance with Article 19 of the Statute of the EIB, applications made directly to the EIB for EIB financing operations to be carried out under this Decision are to be submitted to the Commission for an opinion on the conformity with relevant EU legislation and policies. In the event that the Commission delivers a negative opinion on an EIB financing operation in the framework of the Article 19 procedure, the operation shall not be covered by the EU guarantee.
- (18) While the EIB's strength remains its distinctiveness as an investment bank, EIB financing operations should contribute to the general principles guiding Union external action, as referred to in Article 21 of the Treaty on European Union (TEU), of promoting and consolidating democracy and the rule of law, human rights and fundamental freedoms, and to the implementation of international environmental agreements to which the Union is a party. In particular, in relation to developing countries, EIB financing operations should foster their sustainable economic, social and environmental development, particularly in the most disadvantaged amongst them, their smooth and gradual integration into the world economy, the campaign against poverty, as well as compliance with objectives approved by the Union in the context of the United Nations and other competent international organisations. While contributing to the implementation of the measures necessary to further the objectives

of Union development cooperation policy in accordance with Article 209(3) of the Treaty, the EIB should strive to support indirectly the achievement of the UN's 2015 Millennium Development Goals in all regions where it is active.

- (19) The EIB activity under this Decision should support the Agenda for Change proposed by the Commission and be coherent with the relevant principles of the European Consensus on Development and the principles of aid effectiveness outlined in the Paris Declaration of 2005, the Accra Agenda for Action of 2008 and the Busan Partnership Agreement of 2011. Furthermore, it should be coherent with the EU Strategic Framework and Action Plan on Human Rights and Democracy adopted by the Council on 25 June 2012 and international environmental agreements including biodiversity commitments. It should be implemented through a number of concrete measures, in particular by reinforcing the EIB's capacity to appraise environmental, social and development aspects of investment projects, including human rights and conflict-related risks, and by promoting local consultation with public authorities and civil society. In this context, the EIB should implement and further develop its Results Measurement framework (REM) which provides a detailed set of performance indicators measuring the economic, environmental, social, and development impact of its financing operations throughout the lifecycle of the underlying investment. The implementation of the REM should be evaluated as part of the mid-term review of this Decision. When carrying out due diligence in respect of an investment project, the EIB should, where appropriate and in line with the Union's social and environmental principles, require the investment project promoter to carry out local consultations and disclose their results to the public. EIB financing agreements involving public counterparts should explicitly include the possibility to suspend disbursements in case of revocation of eligibility under this Decision of the country in which the investment project takes place.
- (20) At all levels, from upstream strategic planning to downstream investment project development, it should be ensured that EIB financing operations comply with and support Union external policies and the general objectives set out in this Decision. With a view to increasing the coherence of Union external action, dialogue on policy and strategy should be further strengthened between the Commission and the EIB, including the European External Action Service (EEAS). The Memorandum of Understanding to be revised in 2013 to enhance cooperation and early mutual exchange of information between the Commission and the EIB at operational level should continue to be applied. It is of particular importance to have an early exchange of views between the Commission and the EIB, including the EEAS, as appropriate, in the process of preparing programming documents in order to maximise synergies between their activities. The cooperation in relation to the respect of human rights and conflict prevention issues should also be reinforced.
- (21) Union external relations should be supported by new instruments from 2014, including an umbrella Regulation establishing common rules and procedures for the implementation of the Union's instruments for external action<sup>6</sup>. With a view to enhancing the coherence of overall Union support in the regions concerned, opportunities should be seized to combine EIB financing with Union budgetary resources when and as appropriate, in the form of financial instruments provided for in

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<sup>6</sup> COM(2011)842 Final

Title VIII of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>7</sup> and technical assistance for project preparation and implementation, through the Instrument for Pre-Accession Assistance II (IPA II)<sup>8</sup>, the European Neighbourhood Instrument (ENI)<sup>9</sup>, the Development Cooperation Instrument (DCI)<sup>10</sup>, the Partnership Instrument for cooperation with third countries<sup>11</sup>, the Instrument for the promotion of Democracy and Human Rights worldwide<sup>12</sup>, the Instrument for Stability<sup>13</sup>, and the Instrument for Nuclear Safety Cooperation<sup>14</sup>. Following Decision No 1080/2011/EU, the Commission established an EU Platform for Blending in External Cooperation with a view to optimising the functioning of mechanisms for the blending of grants and loans outside the Union.

- (22) In its financing operations outside the Union that fall within the scope of this Decision, the EIB should endeavour further to enhance coordination and cooperation with European Financial Institutions and International Financial Institutions, notably those participating in the EU Platform for Blending in External Cooperation. This cooperation includes, where appropriate, cooperation on sector conditionality and mutual reliance on procedures, use of joint co-financing and participation in global initiatives, such as those promoting aid coordination and effectiveness. Such coordination and cooperation should strive to minimise possible duplication of costs and unnecessary overlap. The tripartite Memorandum of Understanding between the Commission, the EIB Group and the European Bank for Reconstruction and Development (EBRD) in respect of cooperation outside the Union, which allows the EIB Group and the EBRD to act in a complementary way by relying on their respective comparative advantages, was updated in 2012 to cover the extension of EBRD's geographical scope to the Mediterranean region and should continue to be applied. The principles set out in this Decision should also be applied when EIB financing is implemented through cooperation agreements with other European Financial Institutions and International Financial Institutions.
- (23) The EIB should be encouraged to increase its operations and to diversify its operations outside the Union without recourse to the EU guarantee so that the use of the EU guarantee can be focused on countries and investment projects with poor access to the market, taking into account debt sustainability considerations, where the EU guarantee therefore provides greater added value. Consequently, and always with the aim of supporting the objectives of the Union external policies, the EIB should be encouraged to lend at its own risk, including in support of Union economic interests, in countries and in favour of investment projects having a sufficient creditworthiness according to the assessment of the EIB and taking into account its own risk absorption capacity.

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<sup>7</sup> OJ L 298, 26.10.2012, p. 1.

<sup>8</sup> COM(2011)838 Final

<sup>9</sup> COM(2011)839 Final

<sup>10</sup> COM(2011)840 Final

<sup>11</sup> COM(2011)843 Final

<sup>12</sup> COM(2011)844 Final

<sup>13</sup> COM(2011)845 Final

<sup>14</sup> COM(2011)841 Final

- (24) The EIB should expand the range of innovative financial instruments it offers, including by focusing more on developing guarantee instruments. Moreover, the EIB should actively seek to participate in risk sharing instruments and debt capital market financing of projects with stable and predictable cash flow generation. In particular, it should consider supporting debt capital market instruments issued or granted for the benefit of an investment project carried out in the eligible countries. In addition, the EIB should increase its provision of loans in local currencies and issue bonds in local markets, provided that beneficiary countries put in place the necessary structural reforms, in particular in the financial sector, as well as other measures to facilitate EIB activities.
- (25) The EIB financing operations in support of Union external policies should continue to be conducted in accordance with the principles of sound banking practice. They should continue to be managed in accordance with the EIB's own rules and procedures, including appropriate control measures and compliance with the EIB's statement on social and environmental standards, as well as with the relevant rules and procedures concerning the Court of Auditors and the European Anti-Fraud Office (OLAF). In its financing operations the EIB should adequately implement its policies towards weakly regulated or non-cooperative jurisdictions in order to contribute to the international fight against tax fraud, tax evasion and money-laundering.
- (26) The EIB should take appropriate measures ensuring that, when financing operations subject to the EU guarantee, the financial interests of the European Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities and that OLAF is entitled to conduct on-the-spot checks and Inspections in the premises of the beneficiaries.

HAVE ADOPTED THIS DECISION:

*Article 1*  
***EU guarantee***

1. The Union shall grant the European Investment Bank (EIB) a budgetary guarantee for financing operations carried out outside the Union ("EU guarantee"). The EU guarantee shall be granted as a global guarantee in respect of payments due to the EIB, but not received by it, in connection with loans, loan guarantees, and debt capital market instruments granted for or issued for the benefit of EIB investment projects that are eligible in accordance with paragraph 2.
2. Eligible for the EU guarantee shall be the EIB loans, loan guarantees, and debt capital market instruments that are granted for or issued for the benefit of investment projects carried out in eligible countries in accordance with the EIB's own rules and procedures and in support of the relevant Union external policy objectives, where EIB financing has been granted in accordance with a signed agreement which has neither expired nor been cancelled ("EIB financing operations").
3. The EU guarantee shall be restricted to 65% of the aggregate amount disbursed and guaranteed under EIB financing operations, less amounts reimbursed, plus all related amounts.

4. The EU guarantee shall cover EIB financing operations signed during the period from 1 January 2014 to 31 December 2020.
5. If, on expiry of the period referred to in paragraph 4, the European Parliament and the Council have not adopted a decision granting a new EU guarantee to the EIB against losses under its financing operations outside the Union, that period shall be automatically extended by six months.

#### *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 2014-2020 shall not exceed EUR 28 000 000 000. Amounts cancelled shall not count against the ceiling.

This maximum ceiling shall be broken down into:

- (a) a fixed ceiling of a maximum amount of EUR 25 000 000 000;
- (b) an optional additional amount of EUR 3 000 000 000.

The activation in whole or in part of the amount referred to in point (b) and its regional distribution shall be decided following the mid-term review in accordance with Article 18.

2. The fixed ceiling referred to in paragraph 1(a) 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.

#### *Article 3*

##### ***General objectives and principles***

1. The EU guarantee shall be granted only for EIB financing operations which support any of the following general objectives:
  - (a) local private sector development, in particular support to SMEs;
  - (b) development of social, environmental and economic infrastructure;
  - (c) climate change mitigation and adaptation.
2. EIB financing operations carried out under this Decision shall contribute to the general principles guiding Union external action, as referred to in Article 21 TEU and shall contribute to the implementation of international environmental agreements to which the Union is a party.
3. Regional integration among countries, including economic integration between Pre-accession countries, Neighbourhood countries and the Union, shall be an underlying objective for EIB financing operations within areas covered by the general objectives as defined in paragraph 1.

4. In developing countries, as defined in the Organisation for Economic Cooperation and Development (OECD) list of official development assistance (ODA) recipients, EIB financing operations shall contribute indirectly to the objectives of the Union policy in development cooperation as referred to in Article 208 TFEU.
5. EIB financing operations supporting the objectives provided for in paragraph 1(a) may include support to investment projects by SMEs from the Union.
6. EIB financing operations supporting the objectives provided for in paragraph 1(b) shall support investment projects in the areas of transport, energy, including renewable energy, energy systems transformation enabling a switch to lower carbon intensive technologies and fuels, energy security and energy infrastructure, including for gas production and transportation to EU energy market, environmental infrastructure, including water and sanitation and green infrastructure, information and communication technology, including telecommunications and broadband network infrastructure, health and education.
7. EIB financing operations supporting the objectives provided for in paragraph 1(c) shall support investment projects in climate change mitigation and adaptation which contribute to the overall objective of the United Nations Framework Convention on Climate Change, 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. Over the period covered by the Decision, the volume of these operations shall represent at least 25% of total EIB financing operations.
8. In line with Union and international climate change objectives, before the end of 2016, the EIB, in cooperation with the Commission and following a public consultation, shall update its climate change strategy as regards EIB financing operations.

*Article 4*  
***Countries covered***

1. The list of countries potentially eligible for EIB financing under EU guarantee is set out in Annex II. The list of countries eligible for EIB financing under EU guarantee is set out in Annex III and shall include no countries other than those listed in Annex II.
2. The Commission shall be empowered to adopt delegated acts in accordance with Article 17 concerning amendments to Annex III. The Commission's decisions shall be based on an overall economic and political assessment, including aspects related to the democracy, human rights and fundamental freedoms as well as the relevant European Parliament resolutions and Council decisions and conclusions.
3. Delegated acts amending Annex III shall not affect the EU guarantee coverage of EIB financing operations signed before the entry into force of those delegated acts, subject to paragraph 4.



4. Disbursements on EIB financing operations benefiting from a Comprehensive Guarantee as referred to in Article 8(1) shall not be made in countries not listed in Annex III.
5. The EU guarantee shall cover only EIB financing operations carried out in eligible countries that have concluded a framework agreement with the EIB establishing the legal conditions under which such operations are to be carried out.
6. The EU guarantee shall not cover EIB financing operations in a specific country with which the agreement concerning such operations has been signed after that country's accession to the Union.

#### *Article 5*

#### ***Contribution of EIB financing operations to Union policies***

1. The Commission shall update, together with the EIB, the existing regional technical operational guidelines for EIB financing operations within one year following the adoption of this Decision.

The regional technical operational guidelines shall be consistent with the wider Union regional policy framework set out in Annex IV. In particular the regional technical operational guidelines shall ensure that EIB financing under this Decision is complementary to corresponding Union assistance policies, programmes and instruments in the different regions.

In updating these guidelines, the Commission and the EIB shall take into account relevant European Parliament resolutions and Council decisions and conclusions. The EEAS shall also be consulted on policy issues, as appropriate.

The Commission shall transmit to the European Parliament and to the Council the updated guidelines, as soon as they are established.

Within the framework set out by the regional technical operational guidelines, the EIB shall define corresponding financing strategies and ensure their implementation.

The regional technical operational guidelines shall be reviewed following the review referred to in Article 18.

2. An EIB financing operation shall not be covered by the EU guarantee in the event that the Commission delivers a negative opinion on such an operation within the framework of the procedure provided for in Article 19 of the Statute of the EIB.

#### *Article 6*

#### ***Cooperation with the Commission and the EEAS***

1. The consistency of EIB external actions with Union external policy objectives shall be further strengthened, with a view to maximising synergies between EIB financing operations and Union budgetary resources, in particular through the updating of the regional technical operational guidelines referred to in Article 5, as well as through regular and systematic dialogue and early exchange of information on:

- (a) strategic documents prepared by the Commission and/or the EEAS as appropriate, such as country and regional strategy papers, indicative programmes, action plans and pre-accession documents;
  - (b) the EIB's strategic planning documents and investment project pipelines;
  - (c) other policy and operational aspects.
2. The cooperation shall be carried out on a region-by-region basis, including at EU Delegation level, taking into consideration the EIB's role as well as the policies of the Union in each region.

#### *Article 7*

#### ***Cooperation with other European Financial Institutions and International Financial Institutions***

1. EIB financing operations shall be carried out, where appropriate, in cooperation with other European Financial Institutions and International Financial Institutions in order to maximise synergies, cooperation and efficiency, to develop jointly innovative financial instruments, to ensure prudent and reasonable sharing of risks and coherent investment project and sector conditionality, and in order to minimise possible duplication of costs and unnecessary overlap.
2. The cooperation referred to in paragraph 1 shall be facilitated by coordination between the Commission, the EIB and the main European Financial Institutions and International Financial Institutions operating in the different regions, carried out where appropriate in the context of memoranda of understanding or other Union regional cooperation frameworks.

#### *Article 8*

#### ***Coverage and terms of the EU guarantee***

1. For EIB financing operations entered into with a State, or guaranteed by a State, and for other EIB financing operations entered into with regional or local authorities, or public enterprises or institutions owned and/or controlled by a State, where such other EIB financing operations have an appropriate EIB credit risk assessment taking into account the credit risk situation of the country concerned, the EU guarantee shall cover all payments due to the EIB, but not received by it ("Comprehensive Guarantee").
2. For the purposes of paragraph 1, the Palestine is represented by the Palestinian Authority and Kosovo<sup>15</sup> by the Government of Kosovo.
3. For EIB financing operations other than those referred to in paragraph 1 and for EIB financing operations consisting of debt capital markets instruments, the EU guarantee shall cover all payments due to the EIB but not received by it, where the non-receipt

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<sup>15</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

has been caused by the realisation of one of the following political risks ("Political Risk Guarantee"):

- (a) non-transfer of currency;
  - (b) expropriation;
  - (c) war or civil disturbance;
  - (d) denial of justice upon breach of contract.
4. EIB financing operations shall focus on investment projects where the EU guarantee brings meaningful financial value added according to EIB credit risk assessment.
  5. The Commission and the EIB shall set out in the agreement referred to in Article 13 a method allowing the EIB to identify, within its external activity, the operations to be financed under this Decision and the operations to be financed at the own risk of the EIB. The method shall be based on the creditworthiness of EIB financing operations as assessed by the EIB, the regions and ceilings as defined in Annex I, the nature of the counterparty (whether a sovereign/State, a sub-sovereign as referred to in paragraph 1 or private), EIB risk absorption capacity and other relevant criteria, including added value of the EU Guarantee.
  6. When the EU guarantee is called, the Union shall be subrogated to any relevant rights of the Bank in respect of any obligation in connection to its financing operations, in accordance with the agreement referred to in Article 13.

#### *Article 9*

#### ***EIB assessment and monitoring of investment projects***

1. The EIB shall carry out thorough due diligence and, where appropriate and in line with Union social and environmental principles, require appropriate local public consultation, on development-related aspects of investment projects covered by the EU guarantee.

Where appropriate, the appraisal according to first subparagraph shall include an assessment of how the capacities of the beneficiaries of EIB financing can be reinforced throughout the project cycle with technical assistance.

The EIB's own rules and procedures shall include the necessary provisions on assessment of environmental and social impact of investment projects and of aspects related to human rights and conflict prevention, to ensure that only investment projects that are economically, financially, environmentally and socially sustainable are supported under this Decision.

2. In addition to the *ex-ante* assessment of development-related aspects, the EIB shall monitor the implementation of financing operations. In particular, it shall require the project promoters to carry out thorough monitoring during project implementation until completion, *inter alia*, on the development, environmental and human rights impact of the investment project. The EIB shall verify the information provided by the project promoters.

3. The EIB monitoring shall also cover the implementation of intermediated operations and the performance of financial intermediaries in support of SMEs.
4. The EIB shall establish a comprehensive tracking system of monitoring relative and absolute greenhouse gas emissions reduction throughout significant EIB financing operations where emissions are significant and data is available.

#### *Article 10*

#### ***Annual reporting and accounting***

1. The Commission shall report annually to the European Parliament and to the Council on EIB financing operations carried out under this Decision. The report shall include:
  - (a) an assessment of EIB financing operations at project, sector, country and regional levels;
  - (b) an assessment of the application of the method referred to in Article 8(5);
  - (c) an assessment of the added value and the development impact of EIB financing operations at an aggregated basis and their contribution to the fulfilment of Union external policy and strategic objectives, taking into account the regional technical operational guidelines referred to in Article 5;
  - (d) an assessment of the financial benefit transferred to beneficiaries of EIB financing operations on an aggregated basis;
  - (e) an assessment of the quality of EIB financing operations, in particular, the extent to which the EIB has taken into account environmental and social sustainability in the due diligence and monitoring of the investment projects financed;
  - (f) calls on EU Guarantee;
  - (g) information on the climate change and biodiversity financing volumes under this Decision, the impact on absolute and relative greenhouse gas emission reductions of all significant investments as defined in the EIB climate change strategy referred to in Article 3 on an aggregated basis as well as the number of projects assessed against the climate risk;
  - (h) a description of the cooperation with the Commission and other European Financial Institutions and International Financial Institutions, including co-financing. The report shall in particular include a breakdown of Union financial resources and resources of other European Financial Institutions and International Financial Institutions used in combination with EIB financing, thus giving an overview of the overall investment supported by EIB financing operations carried out under this Decision. The report shall also mention the conclusion of new Memoranda of understanding between the EIB and other European Financial Institutions or International Financial Institutions having a bearing on EIB financing operations under this Decision;

- (i) information on the follow up of the functioning of the Memorandum of understanding between the EIB and the European Ombudsman in so far as the Memorandum concerns EIB financing operations covered by this Decision.
2. For the purposes of the Commission's reporting referred to in paragraph 1, the EIB shall provide the Commission with yearly reports on EIB financing operations carried out under this Decision including all necessary elements allowing the Commission to report in accordance with paragraph 1. The EIB may also provide to the Commission additional information relevant for the Council and the European Parliament to have a comprehensive overview of EIB external activity.
  3. The EIB shall provide the Commission with statistical, financial and accounting data on each EIB financing operation, as well as any additional information necessary to fulfil the Commission's reporting duties or requests by the Court of Auditors and an auditor's certificate on the outstanding amounts of the EIB financing operations. EIB shall also provide the Commission any other necessary documents in line with the Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>16</sup>.
  4. For the purposes of the Commission's accounting and reporting of the risks covered by the EU guarantee, the EIB shall provide the Commission with the EIB's risk assessment and grading information concerning EIB financing operations.
  5. The EIB shall provide the Commission, at least on a yearly basis, an indicative multiannual programme of the planned volume of signatures of EIB financing operations, so as to ensure compatibility of the EIB's forecast financing with the ceilings established in this Decision and for the Commission to ensure appropriate budgetary planning for provisioning the Guarantee Fund<sup>17</sup>. The Commission shall take account of this forecast when preparing the draft budget.
  6. The EIB shall continue to provide the European Parliament, the Council and the Commission with all its independent evaluation reports which assess the practical results achieved by the specific activities of the EIB under this Decision and other external mandates.
  7. The EIB shall provide the information referred to in paragraphs 2 to 6 at its own expense.

#### *Article 11*

#### ***Public disclosure of information***

1. In accordance with its own transparency policy, the EIB shall make publicly available on its website information relating to:

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<sup>16</sup> OJ L 298, 26.10.2012, p. 1.

<sup>17</sup> Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions (OJ L 145, 10.6.2009, p. 10).

- (a) all EIB financing operations carried out under this Decision, in particular indicating whether an investment project is covered by the EU guarantee;
  - (b) unless confidentiality requirements apply, any memoranda of understanding between the EIB and other European Financial Institutions or International Financial Institutions having a bearing on EIB financing operations under this Decision.
2. The Commission shall make publicly available on its website information relating to all cases of recoveries under the agreement referred to in Article 14, unless confidentiality requirements apply.

*Article 12*  
***Non-cooperative jurisdictions***

In its financing operations, the EIB shall not tolerate any activities carried out for illegal purposes, including money laundering, financing of terrorism, tax fraud and tax evasion, corruption, and fraud affecting the financial interests of the EU. In particular the EIB shall not participate in any financing operation implemented in an eligible country through a foreign non-cooperative jurisdiction identified as such by the OECD, the Financial Action Task Force or other relevant international organisations.

*Article 13*  
***Guarantee agreement***

The Commission and the EIB shall sign a guarantee agreement laying down the detailed provisions and procedures relating to the EU guarantee as set out in Article 8, and shall inform the European Parliament and the Council accordingly.

*Article 14*  
***Recovery of payments made by the Commission***

1. Where the Commission makes any payment under the EU guarantee, the EIB shall, in the name and on behalf of the Commission, pursue the recovery of claims for the amounts paid.
2. No later than the date of signature of the guarantee agreement referred to in Article 13, the Commission and the EIB shall sign a separate agreement laying down the detailed provisions and procedures relating to recovery of claims.

*Article 15*  
***Auditing by the Court of Auditors***

The EU guarantee and the payments and recoveries under it attributable to the general budget of the Union shall be audited by the Court of Auditors.

*Article 16*  
***Anti-Fraud measures***

1. The EIB shall inform OLAF immediately when, at any stage of the preparation, implementation or closure of projects subject to the EU guarantee, it detects a potential case of fraud, corruption or other illegal activity that may affect the financial interests of the EU.
2. OLAF may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EC) No 1073/1999, Regulation (Euratom, EC) No 2185/96 and Regulation (EC, Euratom) No 2988/95 in order to protect the financial interests of the European Union, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with any financing operations.

*Article 17*  
***Exercise of the delegation***

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The delegation of power referred to in Article 4 shall be conferred on the Commission for an indeterminate period of time.
3. The delegation of power referred to in Article 4 may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act adopted pursuant to Article 4 shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and to the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

*Article 18*  
***Mid-term Review***

By 31 December 2017, the Commission shall submit to the European Parliament and the Council a mid-term report evaluating the implementation of this Decision in the first years accompanied, where appropriate, by a proposal for its amendment. The report shall draw upon an external evaluation and contribution from the EIB.

*Article 19*  
***Final reporting***

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

*Article 20*  
***Entry into force***

This Decision shall enter into force on the third day 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*



## ANNEX I

### REGIONAL CEILINGS

- A. **Pre-accession countries:** EUR 8 400 000 000;
- B. **Neighbourhood and Partnership countries:** EUR 12 400 000 000, broken down into the following indicative sub-ceilings:
  - (i) Mediterranean countries: EUR 8 400 000 000;
  - (ii) Eastern Europe, Southern Caucasus and Russia: EUR 4 000 000 000;
- C. **Asia and Latin America:** EUR 3 600 000 000, broken down into the following indicative sub-ceilings:
  - (i) Latin America: EUR 2 150 000 000;
  - (ii) Asia: EUR 1 200 000 000;
  - (iii) Central Asia: EUR 250 000 000
- D. **South Africa:** EUR 600 000 000.

Within the overall fixed ceiling, the EIB shall, where appropriate, request the Commission to agree to reallocate an amount of up to 20 % of the sub-regional ceilings within regions and up to 10 % of the regional ceilings between regions.

## ANNEX II

### POTENTIALLY ELIGIBLE REGIONS AND COUNTRIES

#### A. **Pre-accession countries**

##### 1. *Candidates*

Iceland, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey

##### 2. *Potential candidates*

Albania, Bosnia and Herzegovina, Kosovo

#### B. **Neighbourhood and Partnership countries**

##### 1. *Mediterranean countries*

Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia

##### 2. *Eastern Europe, Southern Caucasus and Russia*

Eastern Europe: Belarus, Republic of Moldova, Ukraine

Southern Caucasus: Armenia, Azerbaijan, Georgia

Russia

#### C. **Asia and Latin America**

##### 1. *Latin America*

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

##### 2. *Asia*

Afghanistan, Bangladesh, Bhutan, Brunei, Cambodia, China (including Hong Kong and Macao Special Administrative Regions), India, Indonesia, Iraq, Laos, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam, Yemen

##### 3. *Central Asia*

Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan

#### D. **South Africa**

Republic of South Africa

## ANNEX III

### ELIGIBLE REGIONS AND COUNTRIES

#### A. **Pre-accession countries**

##### 1. *Candidates*

Iceland, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey

##### 2. *Potential candidates*

Albania, Bosnia and Herzegovina, Kosovo

#### B. **Neighbourhood and Partnership countries**

##### 1. *Mediterranean countries*

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

##### 2. *Eastern Europe, Southern Caucasus and Russia*

Eastern Europe: Republic of Moldova, Ukraine

Southern Caucasus: Armenia, Azerbaijan, Georgia

Russia

#### C. **Asia and Latin America**

##### 1. *Latin America*

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

##### 2. *Asia*

Bangladesh, Brunei, Cambodia, China (including Hong Kong and Macao Special Administrative Regions), India, Indonesia, Iraq, Laos, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Thailand, Vietnam, Yemen

##### 3. *Central Asia*

Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan

#### D. **South Africa**

Republic of South Africa

## ANNEX IV

### REGIONAL POLICY FRAMEWORK

EIB activity in partners participating in the pre-accession process takes place in the framework established in the Accession and European Partnerships which set out the priorities for candidates and potential candidates with a view to making progress in moving closer to the Union, and which provide a framework for Union assistance. The Stabilisation and Association Process is the Union policy framework for the Western Balkans. It is based on progressive partnership, in which the Union offers trade concessions, economic and financial assistance and contractual relationships through Stabilisation and Association Agreements. Pre-accession financial assistance helps the candidates and potential candidates prepare for the obligations and challenges of membership of the Union. This assistance supports the reform process, including preparations for eventual membership. It focuses on institution-building, alignment with the *acquis* of the Union, preparation for Union policies and instruments and promotion of measures to achieve economic convergence.

EIB activity in neighbourhood countries takes place in the framework of the new European Neighbourhood Policy "A new response to a changing Neighbourhood", adopted on 25 May 2011 and the Council conclusions adopted on 20 June 2011, which calls notably for greater support to partners committed to building democratic societies and undertaking reforms, in line with the "more for more" and "mutual accountability" principles, and provides the strategic policy framework for the EU relations with the neighbours. In the framework of this cooperation, EIB financing under this Decision will also be targeted at policies promoting inclusive growth and job creation contributing to social stability in line with an incentive-based approach supporting Union external policy objectives, including in relation to migration issues.

In order to achieve these objectives the Union and its partners implement jointly agreed bilateral action plans defining a set of priorities including on political and security issues, trade and economic matters, environmental and social concerns and integration of transport and energy networks.

The Union for the Mediterranean, the Eastern Partnership, the Black Sea Synergy, the Union Strategy for the Danube Region and the Union Strategy for the Baltic Sea Region are multilateral and regional initiatives aimed at fostering cooperation between the Union and the respective group of neighbourhood partner countries facing common challenges and/or sharing a common geographical environment. The Union for the Mediterranean aims to relaunch the Euro-Mediterranean integration process by supporting mutual economic, social and environmental development on both sides of the Mediterranean and supports improved socio-economic development, solidarity, regional integration, sustainable development and knowledge building, underlining the need to increase financial cooperation to support regional and trans-national projects. The Union for the Mediterranean supports, in particular, the creation of maritime and land highways, the de-pollution of the Mediterranean, the Mediterranean solar energy plan, the Mediterranean Business Development Initiative, civil protection initiatives and the Euro-Mediterranean university. The Union Strategy for the Baltic Sea Region supports a sustainable environment and optimal economic and social development in the Baltic Sea region. The Union Strategy for the Danube Region supports, in particular, the development of transport, energy connections and security, sustainable environment and socio-economic development in the Danube region. The Eastern Partnership aims to create the necessary conditions to accelerate political association and further

economic integration between the Union and Eastern partner countries. The Russian Federation and the Union have a wide-ranging strategic partnership, distinct from the European Neighbourhood Policy and expressed through the Common Spaces and Roadmaps. These are complemented at multilateral level by the Northern Dimension which provides a framework for cooperation between the Union, Russia, Norway and Iceland (Belarus, Canada and the US are observers to the Northern Dimension).

EIB activity in Latin America takes place in the framework of the Union, Latin America and the Caribbean Strategic Partnership. As highlighted in the September 2009 Commission Communication "The European Union and Latin America: Global Players in Partnership", the Union's priorities in the field of cooperation towards Latin America are the promotion of regional integration and the eradication of poverty and social inequality in order to promote sustainable economic and social development. These policy objectives will be fostered taking into account the different level of development of Latin American countries. Bilateral dialogue and cooperation will be pursued in areas of common interest for both regions, including environment, climate change, disaster risk reduction and energy, science, research, higher education, technology and innovation.

The EIB is encouraged to be active in Asia, in particular in less prosperous countries. In this diverse region, the Union is deepening its strategic partnerships with China and India and negotiations are progressing on new partnership and free trade agreements with South-East Asian countries. At the same time, development cooperation remains high on the Union's agenda with Asia; the Union development strategy for the Asian region aims at eradicating poverty by supporting broad-based sustainable economic growth, promoting a conducive environment and conditions for trade and integration within the region, enhancing governance, increasing political and social stability, and supporting the achievement of the 2015 Millennium Development Goals. Policies are being put in place jointly to address common challenges, such as climate change, sustainable development, security and stability, governance and human rights, as well as the prevention of, and response to, natural and humanitarian disasters.

The Union Strategy for a new partnership with Central Asia adopted by the European Council in June 2007 has strengthened regional and bilateral dialogue and Union cooperation with Central Asian countries on major issues facing the region, such as poverty reduction, sustainable development and stability. The implementation of the strategy has brought about important advances in the fields of human rights, the rule of law, good governance and democracy, education, economic development, trade and investment, energy and transport and environmental policies.

EIB activity in South Africa takes place in the framework of the Joint EU Country Strategy Paper for South Africa. The main focal areas identified in that Strategy Paper are employment creation and capacity development for service delivery and social cohesion. EIB activities in South Africa have taken place in high complementarity with the EU development cooperation programme, namely through the EIB focus on private sector support and investments in expansion of infrastructure and social services (housing, electric power, drinking water purification and municipal infrastructure). The mid-term review of the EU Country Strategy Paper for South Africa conducted in 2009-2010 has proposed the strengthening of actions in the area of climate-change through activities supporting the creation of green jobs. For the period 2014-2020, EIB activity is expected to support in a complementary fashion EU external cooperation policies, programmes and instruments by continuing to focus on key EU-South Africa priorities in order to promote equitable and sustainable economic growth,

contribute to employment creation and capacity development, and support the sustainable provision and equitable access to basic infrastructure and services

## LEGISLATIVE FINANCIAL STATEMENT

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

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management method(s) envisaged

### **2. MANAGEMENT MEASURES**

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

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

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
  - 3.2.1. *Summary of estimated impact on expenditure*
  - 3.2.2. *Estimated impact on operational appropriations*
  - 3.2.3. *Estimated impact on appropriations of an administrative nature*
  - 3.2.4. *Compatibility with the current multiannual financial framework*
  - 3.2.5. *Third-party participation in financing*
- 3.3. Estimated impact on revenue

## 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 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>18</sup>

Policy Area: 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>19</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. Objectives

##### 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 the combination of the EU budget guarantee with EIB own resources.

Through its financing operations outside the Union under the EU guarantee, the EIB should support the economic, social and environmental 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;

<sup>18</sup> ABM: Activity-Based Management – ABB: Activity-Based Budgeting.

<sup>19</sup> As referred to in Article 49(6)(a) or (b) of the Financial Regulation.



(c) climate change mitigation and adaptation.

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

Specific ABM objective No.2: "To improve the EU profile, external representation and liaison with the EIB and EBRD, other international financial institutions, and relevant economic fora aiming at 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*

An impact assessment has been carried out in conjunction to this proposal. The main impacts of the proposal have been assessed in the IA report.

1.4.4. *Indicators of results and impact*

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>20</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 will be monitored through core indicators as indicated in 2.1.

As regard the financing for projects that promote climate action, eligibility for climate change operations would be clarified against agreed criteria building on - and, if needed, tightening - existing EIB definitions to track climate change expenditure (e.g. introducing benchmarks related with GHG emission reduction, improving if appropriate the definitions for energy efficiency and adaptation), which would also be used in the monitoring phase to 'operationalise' the Rio Marker or equivalent system as proposed by the Commission to track the EU budget under the next MFF.

In parallel the EIB should keep developing methodologies to assess climate risk in order to reinforce the climate resilience for all relevant operations, and integrate carbon pricing in economic cost benefit analysis. Restrictive eligibility and criteria for carbon-intensive projects should also be improved in relevant sector policies.

<sup>20</sup> <http://www.eib.org/projects/cycle/monitoring/rem.htm>

## 1.5. Grounds for the proposal/initiative

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

Article 16 of Decision 1080/2011/EU states that the Commission shall present to the European Parliament and the Council a proposal for establishing the EU guarantee under the next multiannual financial framework (2014-2020).

Under the terms of Decision 1080/2011/EU of the European Parliament and of the Council, the EU guarantee covers EIB financing operations signed between 1 February 2007 and 31 December 2013. Therefore, a new Decision should be adopted under the ordinary legislative procedure before the current mandate expires<sup>21</sup>.

### 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 to project promoters of expertise and the application of EU environmental, social and procurement standards to the investment projects financed. In addition to the above benefits, the EIB passes on in full the financial advantages resulting from the EU guarantee and the attractive funding costs of the EIB to final beneficiaries in the form of competitive interest rates.

The mandate under EU guarantee cover provides for the necessary political and financial backing by the Union for countries and investment projects which would not normally fit within EIB's standard guidelines and criteria due to the higher risk.

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

The Impact Assessment (IA) prepared for this decision draws from lessons learned from the implementation of the previous mandates. The new legislative proposal aims at address the problems identified in the IA report.

### 1.5.4. Coherence and possible synergy with other relevant 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 will be strengthened. This will be achieved through the establishment and the mid-term update of regional technical operational guidelines which will provide 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,

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<sup>21</sup> It should be noted that, if, on expiry of the current mandate on 31 December 2013, the European Parliament and the Council have not adopted a decision granting a new EU guarantee to the EIB for its financing operations outside the Union, Decision 1080/2011/EU foresees that that period shall be automatically extended by six months.

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 31/12/2020

EIB financing operations can be signed by the EIB from 2014 to 2020. An extension of six months is foreseen if the European Parliament and the Council have not adopted a decision granting a new EU guarantee to the EIB for its financing operations outside the Union at the end of 2020.

- Financial impact from 2014 to undefined

The total duration of the action and of its financial impact will be determined by the maturity of the signed EIB financing operations. The final impact will depend on the amount of potential calls and recovery (see also point 3.2.2 below).

Proposal/initiative of **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

## 1.7. Management mode(s) envisaged<sup>22</sup>

**Direct management** by the Commission

### Comments

In line with existing provisions, the proposal foresees that the EIB finances investment projects in accordance with its own rules and procedures. The Commission is responsible for managing directly the EU guarantee. The EIB and the Commission enter into a guarantee and a recovery agreements laying down the detailed provisions and procedures relating to the implementation of the proposed Decision.

<sup>22</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 will be managed 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 existing tripartite agreement between the Commission, the Court of Auditors and the EIB of October 2003 (and agreed to be renewed for four years in 2007 and again in 2011) 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 envisaged in the proposal as in Decision No 1080/2011/EU. The Commission will annually report on the implementation of the mandate by the EIB to the European Parliament and the Council.

Reporting on results will be based on an appropriate aggregation of indicators across the entire portfolio where this is possible, or across a given sector. These indicators will be measured throughout the project cycle at appraisal level and during monitoring until the project is fully implemented as soon as the first development outcomes are measurable - typically up to three years after project completion. They will, to the extent possible, also be used for ex-post evaluation. These indicators should 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 shall provide 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 an auditor's certificate on the outstanding of the Financing Operations covered.

A mid-term evaluation will be carried out after three years from the start of the mandate.

## **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. In any case, the EU guarantee is restricted to 65 % of the aggregate amount of credits disbursed and guarantees 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. Although such recourse to the budget (i.e. beyond the Guarantee Fund amounting to EUR 2,002 mn on 31 December 2012) 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 2012 and early 2013, 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 of the countries having received guaranteed loans.

### *2.2.2. Control method(s) envisaged*

The Commission is responsible for managing the EU guarantee. EIB financing operations in the context of the proposed Decision will be 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 2.1.

## **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" currently under revision. The EIB has adopted a policy towards weakly regulated, non-transparent and non-cooperative jurisdictions in December 2010.

Moreover, Article 17 of the Decision foresees the implementation of Anti-Fraud measures.

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

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

- Existing expenditure budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Description.....]	Diff./non-diff. (23)	from EFTA <sup>24</sup> countries	from candidate countries <sup>25</sup>	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
4	01.0305 EU guarantee for EIB loans and loan guarantees for operations in third countries	Diff/	NO	NO	NO	NO
	01.0306 Provisioning of the Guarantee Fund	Non diff.	NO	NO	NO	NO

<sup>23</sup> Diff. = Differentiated appropriations / Non-diff. = Non-Differentiated Appropriations

<sup>24</sup> EFTA: European Free Trade Association.

<sup>25</sup> Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

## 3.2. Estimated impact on expenditure

### 3.2.1. Summary of estimated impact on expenditure

EUR million

Heading of multiannual financial framework:		Number	Heading 4					TOTAL	
DG: ECFIN			Year 2014	Year 2015	Year 2016	Year 2017	2018-2020		
• Operational appropriations									
Number of budget line 01 0305	Commitments	(1)	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	
	Payments	(2)	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	
Number of budget line 01 0306	Commitments	(1a)	58.48 2	239.7 59	272.6 64	199.0 39	178.0 55	159.7 50	84.82 0
	Payments	(2a)	58.48 2	239.7 59	272.6 64	199.0 39	178.0 55	159.7 50	84.82 0
Appropriations of an administrative nature from the envelope for specific programmes <sup>26</sup>	financed								
Number of budget line 01 0306		(3)	0	0	0.5	0.	0	0	0.5
<b>TOTAL appropriations for DG ECFIN</b>	Commitments	= <sup>1+1a</sup> <sub>+3</sub>	58.48 2	239.7 59	273.1 64	199.0 39	178.0 55	159.7 50	84.82 0
									1193.069

<sup>26</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 "</b>
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EUR million

		Year 2014	Year 2015	Year 2016	Year 2017	2018-2020		TOTAL
DG: ECFIN								
• Human resources		0.917	0.917	0.917	0.917	0.917	0.917	6.419
• Other administrative expenditure								
<b>TOTAL DG ECFIN</b>	Appropriations	0.917	0.917	0.917	0.917	0.917	0.917	6.419

<b>TOTAL appropriations under HEADING 5</b>	(Total commitments = Total payments)	0.917	0.917	0.917	0.917	0.917	0.917	6.419
of the multiannual financial framework								

EUR million

		Year 2014	Year 2015	Year 2016	Year 2017	2018-2020		TOTAL
<b>TOTAL appropriations under HEADINGS 1 to 5</b>	Commitments	59.39	240.6	274.0	199.9	178.9	160.6	1199.488
	Payments	9	76	81	56	72	67	7
		59.39	240.6	274.0	199.9	178.9	160.6	1199.488
		9	76	81	56	72	67	7
of the multiannual financial framework								

### 3.2.2. Estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to 3 decimal places)

Indicate objectives and outputs	Type of output <sup>27</sup>	Average cost of the output	Year					2018-2020		TOTAL
			2014	2015	2016	2017	Number of outputs	Cost	Number of outputs	
<b>OUTPUTS</b>										
↓			Number	Number	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost
<b>SPECIFIC OBJECTIVE No 1<sup>28</sup> ...</b>										
- Output										
- Output										
- Output										
Sub-total for specific objective N°1										
<b>SPECIFIC OBJECTIVE No 2</b> "To improve the EU profile, external representation and liaison with the EIB and EBRD, other international financial institutions, and relevant economic fora aiming at strengthening convergence										

<sup>27</sup> Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).  
<sup>28</sup> As described in Section 1.4.2. "Specific objective(s)..."

between their strategies and operations and EU external priorities".																
- Output	1	58.4	1	239.	1	272.	1	199.	1	178.	1	159.	1	84.8	7	1192.5
		82		759		664		039		055		750		20		69
Sub-total for specific objective N°2																
<b>TOTAL COST</b>		58.4		239.		272.		199.		178.		159.		84.8		1192.5
		82		759		664		039		055		750		20		69

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

- 01 0305 - "EC 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" preliminary budget and effectively paid in one transaction at the beginning of the year "n+1" from budget line 01 0306.

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 2012-2020 (volume of signatures and disbursements of loans).

## External action activities covered by the Guarantee Fund and Guarantee Fund assets 2012-2020 (EUR m)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
(A) Indicative volume of signed EIB financing operations (New Decision 2014-2020 - Total of fixed ceiling = EUR 25,000 million)	3 959	4 450	3 600	3 600	3 600	3 550	3 500	3 550	3 550
(B) Outstanding disbursed amount of EIB operations based on estimated disbursements and amortisations (old and new Decisions)	22 526	25 826	29 098	31 685	34 024	35 600	37 187	38 274	39 533
(C) Outstanding disbursed amount of other operations based on estimated disbursements and amortisations (MFA+ Euratom)	573	1 310	2 187	2 266	2 336	2 204	1 725	1 230	907
(D) = (B) + (C) Total outstanding disbursed amount based on estimated disbursements and amortisations	23 099	27 136	31 285	33 951	36 360	37 804	38 912	38 504	40 440

Notes: (C) These figures include new possible MFA and Euratom loans.

While the lending volumes should be compatible with the overall provisioning foreseen for the Financial Framework, annual needs for the provisioning of the Guarantee Fund could vary as they will eventually be calculated on the basis of the total outstanding disbursed amount at the end of year n-2. Should the annual needs in a future year exceed the foreseen provisioning amount for that year, the additional contribution will principally come through a reallocation from the financing instruments incorporating geographical programming, especially in case of activation of the optional additional ceiling. The budgetary impact of the possible activation of the optional additional ceiling would have to be calculated on the basis of updated forecasts on provisioning needs at the time of the mid-term review.

The expected needs for 2014-2020 take account of the impact of existing calls on Syrian defaulted loans having taken place in 2012 and early 2013, as well as further expected calls during two years after the adoption of this proposal, if the default situation persists over these years. However, they do not take into account the exceptional budgetary needs such as further possible defaults on payments by other loan beneficiaries which may occur, or adjustments of the valuation of the Fund's assets. It is indeed difficult to estimate potential further defaults on payments. It should be recalled that, according to the Guarantee Fund Regulation, the replenishment of the Fund is a compulsory expenditure which would require, in case of unexpected defaults, the recourse to other Heading 4 resources.

The semi-annual Commission reports to the European Parliament and the Council on guarantees covered by the general budget allow for the factoring in of the maximum risks covered by the budget (cf. the report [COM(2013)211 and the accompanying staff working document SWD(2013)130 - Situation at 30 June 2012]).

### 3.2.3. Estimated impact on appropriations of an administrative nature

#### 3.2.3.1. Summary

- The proposal/initiative does not require the use of administrative appropriations
- The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	Year 2014	Year 2015	Year 2016	Year 2017	2018-2020			TOTAL
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<b>HEADING 5 of the multiannual financial framework</b>								
Human resources	0.917	0.917	0.917	0.917	0.917	0.917	0.917	6.419
Other administrative expenditure								
<b>Subtotal HEADING 5 of the multiannual financial framework</b>	0.917	0.917	0.917	0.917	0.917	0.917	0.917	6.419

<b>Outside HEADING 5<sup>29</sup> of the multiannual financial framework</b>								
Human resources								
Other expenditure of an administrative nature			0.500					
<b>Subtotal outside HEADING 5 of the multiannual financial framework</b>	0.917	0.917	1.417	0.917	0.917	0.917	0.917	6.919

<b>TOTAL</b>	0.917	0.917	1.417	0.917	0.917	0.917	0.917	6.917
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<sup>29</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.

### 3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below:

*Estimate to be expressed in full amounts (or at most to one decimal place)*

	Year 2014	Year 2015	Year 2016	Year 2016	2018-2020		
<b>• Establishment plan posts (officials and temporary agents)</b>							
XX 01 01 01 (Headquarters and Commission's Representation Offices)	7	7	7	7	7	7	7
XX 01 01 02 (Delegations)							
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
<b>• External personnel (in Full Time Equivalent unit: FTE)<sup>30</sup></b>							
XX 01 02 01 (CA, INT, SNE from the "global envelope")							
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)							
<b>XX 01 04 yy<sup>31</sup></b>	- at Headquarters <sup>32</sup>						
	- in delegations						
XX 01 05 02 (CA, INT, SNE - Indirect research)							
10 01 05 02 (CA, INT, SNE - Direct research)							
Other budget lines (specify)							
<b>TOTAL</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>

Title 01.03 – International Economic and Financial Affairs is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary agents	<p>The main tasks arising from the proposal are the following:</p> <ul style="list-style-type: none"> <li>- Preparation of the legislative proposal,</li> <li>- Follow up of the legislative procedure with the European Parliament and with the</li> </ul>
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<sup>30</sup> CA= Contract Agent; INT= agency staff ("*Intérimaire*"); JED= "*Jeune Expert en Délégation*" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert;

<sup>31</sup> Under the ceiling for external personnel from operational appropriations (former "BA" lines).

<sup>32</sup> Essentially for Structural Funds, European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF).



	<p>Council,</p> <ul style="list-style-type: none"> <li>- Relations and communications with the EIB, notably for the preparation of the reporting, the preparation and follow-up of the guarantee and recovery agreements, the operational regional guidelines, the possible calls to the EU guarantee,</li> <li>- Follow-up of the EIB investment projects in the context of Article 19 of Statute of the EIB,</li> <li>- Administration of the annual budgetary procedure and management of the Guarantee Fund,</li> <li>- Preparation of reporting required by the legislation.</li> </ul>
External personnel	

3.2.4. *Compatibility with the current multiannual financial framework*

- Proposal/initiative is compatible the current multiannual financial framework.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.
- Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework<sup>33</sup>.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to 3 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
<i>Specify the co-financing body</i>								
TOTAL appropriations cofinanced								

<sup>33</sup> See points 19 and 24 of the Interinstitutional Agreement.

### 3.3. Estimated impact on revenue

- Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
  - on own resources
  - on miscellaneous revenue

EUR million (to 3 decimal places)

Budget revenue line:	Appropriations available for the ongoing budget year	Impact of the proposal/initiative <sup>34</sup>					... insert as many columns as necessary in order to reflect 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 reversed to the general budget line.

The method for calculating the possible impact on revenue is described in detail in part 3.2.2 above on the mechanism of the functioning of the Guarantee Fund.

<sup>34</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.