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COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

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

ON 2015 EIB EXTERNAL ACTIVITY WITH EU BUDGETARY GUARANTEE

{COM(2016) 585 final}

1. INTRODUCTION AND OVERVIEW

This Staff Working Document ("SWD") reviews the implementation of the current European Investment Bank ("EIB") external mandate at project, sector, country and regional levels in 2015 as well as the contribution of EIB financing operations to the fulfilment of external policy objectives, taking into account the operational objectives of the EIB. Article 11(2) of Decision 466/2014/EU of the European Parliament and of the Council of 16 April 2014 provides that for the purposes of the Commission's reporting, the EIB shall provide the Commission with yearly reports on EIB financing operations carried out under that Decision including all necessary elements allowing the Commission to report. Therefore, facts and figures mentioned in the document are mainly based on information provided by the EIB.

2 EIB CORPORATE RESPONSIBILITY

Corporate responsibility is at the heart of everything the EIB does. It is embedded in the EIB's mission as the Union bank to foster sustainable development by supporting growing, inclusive and ecologically sound economies. 2015 provided a wealth of opportunities for the EIB to reaffirm its commitment to the highest environmental, social and governance standards, whether through its financing operations or internal activities.

Following its creation in 2014, the EIB's Corporate Responsibility ("CR") Department was reinforced during 2015 with the aim of further facilitating and supporting the inclusion of robust sustainability standards and practices into the EIB's operations and activities.

In order to remain at the forefront of sustainability reporting, in 2015 the EIB decided as an early adopter to apply the Global Reporting Initiative revised reporting framework ("GRI" G4) in accordance with comprehensive option. The EIB has also continued to report extensively on its carbon footprint in accordance with the Greenhouse Gas Protocol Corporate standard and the GRI principles and indicators.

As the long-term financing body of the European Union ("EU"), the EIB promotes EU policies through its financial and other support to sustainable investment projects. The increasing prominence given to environmental and social considerations throughout all regions of operation of the EIB is reflected in its priority lending objectives as well as in the regular review and revision of its environmental and social requirements and operational practices.

The environmental and social policies, principles and standards, as well as the operational practices of the EIB, derive from and reflect the evolving EU approach, and that of other international institutions, towards the promotion of environmental sustainability and social well-being, in the broader context of the goal of sustainable development. They are developed, maintained, and disseminated by the EIB's Environment, Climate & Social Office ("ECSO").

The EIB aims to add value by enhancing the environmental and social sustainability of all the projects that it is financing and all such projects must comply with the environmental and social standards of the EIB. In particular, human rights, gender, conflict sensitivity, biodiversity and ecosystems considerations as well as climate change, are integrated into the lending policies and practices of the EIB.

2.1 Human rights

As an EU body, the EIB is legally bound by the provisions of the Charter of Fundamental Rights of the European Union, including the commitment to upholding human rights. Human rights considerations are an integral feature of the EIB Statement of Environmental and Social Principles and Standards which provides that the EIB “restricts its financing to projects that respect human rights”. This is achieved partly by excluding specific types of projects or activities from EIB lending,¹ and partly by comprehensive due diligence processes.

In late 2013, the EIB further advanced its commitment to human rights by disclosing its revised Environmental and Social Standards which integrate human rights and promote robust, human-rights-responsive due diligence processes. That document draws guidance from the EU Charter for Fundamental Rights, the EU Strategic Framework and Action Plan on Human Rights and Democracy (2012), the UN Guiding Principles for Business and Human Rights ("UNGPs"), the Renewed EU Strategy 2011-2014 for Corporate Social Responsibility and the OECD Guidelines for Multinational Enterprises (2008).

2015 marked the second year of the revised Standards’ application in the context of the services’ due diligence. It is foreseen that, following that initial applied phase, over the course of 2016 the EIB will assess the effectiveness of the framework in terms of its responsiveness to human rights considerations at the level of investments.

2.2 Gender

In July 2014, the EIB embarked upon a process aiming to mainstream gender equality and women's empowerment in its lending portfolio, both in terms of its standards-based due diligence, as well as the impact of its lending.

That exercise includes the development of a suite of procedures and tools that will effectively help mainstream gender in the EIB’s operations. A Gender Action Plan is expected to be the key vehicle to articulate the key activities and deliverables necessary for the operationalisation of such procedures. In-house training and awareness-raising in the field of gender equality and women’s empowerment are also foreseen, both in terms of EIB-wide awareness-raising seminars, as well as tailored half-day training sessions for different operational teams across the EIB.

In 2015, a draft strategic framework was prepared for the EIB. Owing to the EIB’s legal status as an EU body and the need for the EIB to align with the respective policy directives of the Council of the European Union, the European Parliament and the European Commission, its finalisation was postponed until the adoption of the EU’s Gender Action Plan 2016-2020 by the Council of the European Union (effected on 26 October 2015) and the presentation of the Commission's Strategic Engagement for Gender Equality to the Council on 7 December 2015.

The EIB’s services have already inserted references to the gender dimension in the adaptation section of EIB’s Climate Strategy and in the context of elaborating action plans to be developed under the Strategy, whereby one such action plan will be dedicated to fleshing out the linkages between climate adaptation, climate mainstreaming and gender.

¹ List of excluded activities available online via:
http://www.eib.org/attachments/documents/excluded_activities_2012_en.pdf

2.3 Conflict sensitivity

Adopting a conflict sensitive approach is of relevance for EIB operations, as violent conflicts carry substantial operational, financial, and reputational risks that may be otherwise overlooked.

In 2014 and in alignment with the conflict-sensitive methodologies deployed by peer International Financial Institutions ("IFIs"), the EIB commissioned a study with the objective to improve the understanding of potential interaction of EIB lending and violent conflict and to provide guidance on how to make EIB investments more conflict sensitive. The study was completed in 2015, resulting in a Learning and Awareness Raising Package on Conflict Sensitivity that has been made available to all EIB staff. The package includes a Good Practice Note on Conflict Sensitivity that lays out the key principles and steps of the EIB's approach.

The EIB's approach to conflict sensitivity seeks to contribute to systematic:

- i. flagging and mitigating institutional risks to the EIB and specific operational risks to EIB investments in targeted conflict affected situations;
- ii. avoiding doing harm or aggravating conflict, and
- iii. whenever possible and depending on context, seeking to contribute indirectly to conflict prevention, recovery and peacebuilding efforts through its project investments.

In the course of 2016, the developed approach will be piloted in 3-4 new operations and refined further as necessary, relying both on the cooperation with EU institutions (and in particular with EEAS and with DG DEVCO in the Commission) or peer organisations, as well as on the further enhancement of the EIB's in-house expertise.

2.4 Biodiversity

Together with its Multilateral Development Bank ("MDB") peers, the EIB has committed to track biodiversity-related financing in our operations and to publish the first report for the Convention on Biological Diversity ("CBD") Conference of the Parties ("COP") in October 2016.

The EIB will be coordinating the work with the MDBs and in consultation with its peers and the Organisation for Economic Co-operation and Development ("OECD"), is currently working to develop and apply a methodology for reporting and tracking biodiversity-related lending. The methodology being developed will look specifically at lessons learned and in particular at the definition of climate adaptation financing and tracking. The EIB is also part of a working group led by the OECD DAC ENVIRONET Task team, looking at refining the biodiversity Rio marker definitions.

2.5 Climate change

The EIB Climate Standards, related to the value added by the EIB, require that its financing as a whole is aligned with Union climate policy. Specifically, the EIB is committed to:

- Making its lending portfolio more climate-friendly by promoting climate change mitigation projects in various sectors and promoting the adoption of energy efficient solutions in the projects financed.

- Mainstream climate risk considerations generally into the project cycle and to promote Adaptation projects or projects with adaptation components and measures, in the interests of long term sustainability.
- Assessing and reporting the carbon footprint of EIB financed investment projects the annual aggregate Greenhouse Gas ("GHG") emissions and savings published in the EIB's Annual Report for each year of finance contract signature.
- Including from 2009 Climate Action in the Key Performance Indicators for the Corporate Operational Plan with currently an annual percentage target for lending of at least 25% based on a consistent set of definitions regarding climate action projects.
- Reflecting the value of carbon – both financial and economic – in its financing decision-making requirements and processes.
- Increasing transparency and accountability, advocacy and working with other institutions, including Micro Financial Institutions, Banks and Financial Institutions ("mutual reliance"), Non-Governmental Organisations ("NGOs"), the European Commission and the academic community on climate-related matters.

2.6 Transparency, governance and accountability

2.6.1 EIB Group Transparency Policy

On 6 March 2015, the EIB Group adopted a new [EIB Group Transparency Policy](#)² following an [extensive public consultation](#)³ process to which civil society organisations, Union and international institutions, the private sector, consultants, academia and members of the public participated.

The new policy is more user-friendly than the previous one, with significant improvements to its structure and clarity. It has been further aligned with applicable Union legislation, as interpreted by the case law of the Court of Justice regarding transparency and access to information.

Based on Union legislation, the policy continues to compare very favourably with international best practice, and the new policy commits the EIB to a high level of pro-active dissemination of information. As with the previous EIB Transparency Policy, the new policy continues to apply the “presumption of disclosure” principle to all information held by the EIB, with well-defined exceptions based on applicable Union legislation and case-law. The EIB publishes an annual report on the implementation of its Transparency Policy.

2.6.2 International Aid Transparency Initiative ("IATI")

The EIB has continued to regularly publish data and information on its operations outside the Union based on the IATI reporting standard. The EIB is among the top publishers in terms of the timeliness of publication. IATI data is updated on a monthly basis, with only 20 IATI publishers (out of 387) reaching that level of timeliness for the time being.

² <http://www.eib.org/infocentre/publications/all/eib-group-transparency-policy.htm>

³ <http://www.eib.org/about/partners/cso/consultations/item/public-consultation-on-eibs-transparency-policy-2014.htm>

Having joined IATI in October 2013, and following the publication of the first set of data under IATI in September 2014, the EIB remains committed to transparency and accountability in the use of its resources and further improving public access to information on its activities.

2.6.3 Transparency and monitoring of investment projects

Projects financed by the EIB are published on its website at least three weeks before they are considered for approval by the EIB Board of Directors. On 2 January 2014, the EIB officially launched its [Environmental Public Register of documents](#),⁴ which has been established under Regulation 1367/2006 regarding public access to environmental information of Community institutions and bodies. The Register contains key project-related environmental and social information/documents held by the EIB such as the Environmental and Social Data Sheets ("ESDS") of all concerned projects approved since 2013, including those financed under the External Lending Mandate ("ELM"), and is continuously updated. All documents are linked with the corresponding project summaries to put them into context.

The EIB monitors the projects it finances throughout their life cycle, with financial monitoring from the loan signature through the project implementation and operation phase until the end of the contractual relation with the project, i.e. final repayment. Physical monitoring of the project continues after completion, to follow up on results and outcomes after one year and then after three further years of operation. If deemed necessary, the physical monitoring can continue for longer. When projects financed under the new ELM reach completion, EIB is preparing to make, where possible, relevant project completion reports available to the public, excluding confidential information. The EIB has developed Environmental and Social Completion Sheets ("ESCS") that provide the EIB's assessment of project-related environmental and social aspects at project completion stage for all the investment projects it finances, and has started publishing them on the Public Register – thereby increasing even further the transparency of its financing operations.

2.7 Compliance

Compliance is integral to the EIB's ethical, professional and business approach. The independent EIB Compliance function promotes the highest standards of integrity and ensures that they are applied to all of its activities, as outlined in our integrity policy and compliance charter. The EIB adheres to the Basel Committee on Banking Supervision's definition of compliance risk as "risk of legal or regulatory sanctions, material financial loss, or loss to reputation" to which an EIB Group member may be exposed, arising from a failure to comply with applicable laws, rules and regulations.

The EIB Group, consisting of the European Investment Bank and the European Investment Fund, places great emphasis on integrity and good governance and is committed to the highest standards of anti-money laundering ("AML") and combating the financing of terrorism ("CFT") in line with the principles and standards of applicable Union legislation, best banking practices and applicable market standards including, where relevant, other international financial institutions' standards.

⁴ <http://www.eib.org/register>

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

With regard to the EIB's external activities specifically, an underlying theme in 2015 was taxation. That issue was brought to the fore of the global agenda through the efforts deployed by the G20 and the Union and in particular the workings of the OECD Global Forum with the publication of its Base Erosion and Profit Shifting package in October 2015, as well as recent corporate scandals relayed in the press.

The EIB is committed to maintaining a stringent policy against tax fraud, tax evasion and harmful tax practices in all of its activities, including when lending through financial intermediaries. It is constantly monitoring progress in international standards in order to maintain its leading role amongst IFIs in the fight against those harmful tax practices and to ensure that its policy toward weakly regulated, non-transparent and uncooperative Jurisdictions ("NCJ", the Non-Compliant Jurisdictions Policy) keeps abreast of any material developments. The EIB supports the works of the Global Forum and the Commission, whose standards, rules and guidelines greatly contributed to the harmonization of more transparent and increasingly responsible tax practices for the EIB activities. EIB is, however, not a legislator nor does it drive the tax policy agenda and therefore will continue to review its policies in light of lead organisations' output.

In terms of monitoring, the Compliance function deals with the on-going monitoring of compliance risk in operations. The Compliance monitoring activities are based primarily on the assessment of ML-FT/ integrity alerts, which may be received from services or otherwise. Other on-going monitoring activities include sanctions screening, monitoring of Politically Exposed Persons, or monitoring of transactions via Compliance clearance for certain types of payments.

In addition to Compliance of operations, the Compliance function also strongly supports a corporate culture based on ethical values and professional conduct for its staff and governing bodies.

3. OVERALL CONTRIBUTION TO UNION POLICY OBJECTIVES

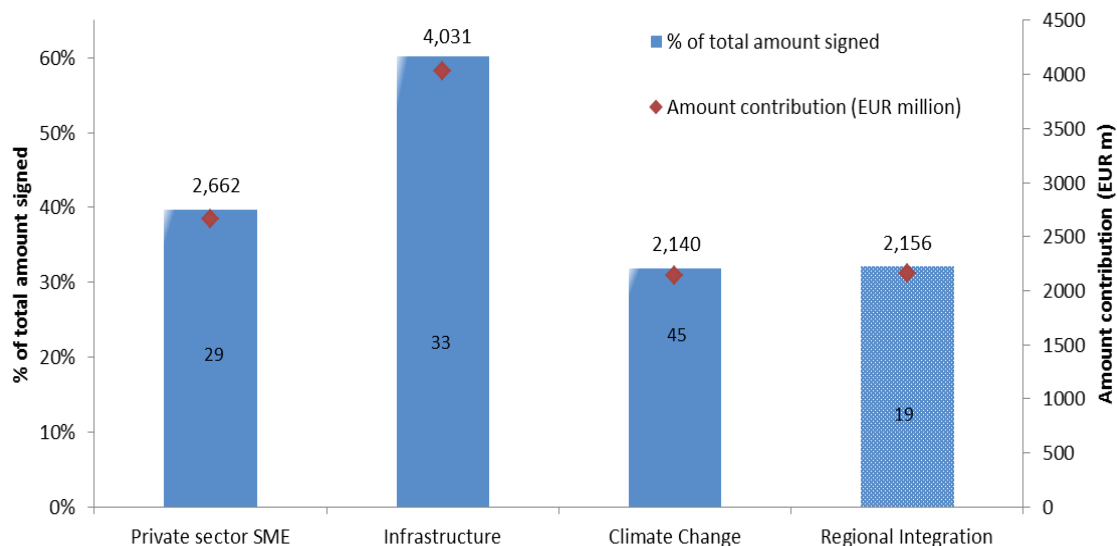
The objective of EIB operations under the Mandate is to support relevant external policy objectives of the Union. In particular, Decision 466/2014/EU maintains specific policy goals to be addressed through EIB external operations in all regions covered by the Union budgetary guarantee:

- (i) Local private sector development, in particular support to SMEs.
- (ii) Development of social and economic infrastructure;
- (iii) Climate change mitigation and adaptation;

Additional underlying objectives include the contribution to the general principles guiding Union external action, as referred to in Article 21 TEU and regional integration among partner countries, including economic integration between pre-accession countries, neighbourhood

countries and the Union (Article 3(3) of Decision 466/2014/EU). The EIB is required to also undertake financing operations in eligible countries within areas covered by the general objectives by supporting foreign direct investments that promote economic integration with the Union.

Chart 1: Contribution to Mandate objectives of EIB financing operations (all resources) on ELM Regions (% and amount contribution)



Comment on chart 1: Each project financed by the EIB outside the Union can contribute to several ELM objectives at the same time. For the purposes of the presentation, when an individual operation contributes to both local private sector development and to the development of social or economic infrastructure, that contribution is prorated according to the assessed contribution to either i or ii general objective so that total contribution equals 100% of EIB financing. Climate action and regional integration are recorded as “cross-cutting” issues on top of the 100%.

In 2015, the EIB signed a total of EUR 6.7 billion in the regions covered by the External Lending Mandate. Of this, almost three quarters (72%, EUR 4.8 billion) was carried out under the ELM with an EU guarantee, an increase of 16% compared with 2014. Of the total signed amount in the ELM regions in 2015, 40% (EUR 2.7 billion) will support local private sector development, principally through improving access to finance for small and medium-sized enterprises ("SMEs"), micro-enterprises, and mid-cap companies. 60% (EUR 4.0 billion) will contribute to social and economic infrastructure development. All EIB operations outside the Union support one or both of those objectives. As such the climate change mitigation and adaptation objective can be considered as cross-cutting objective.

32% of lending (EUR 2.1 billion) will support the cross-cutting objective of climate change mitigation and adaptation. That support is spread over a large number of individual projects this year (45), taking into account the contribution to this objective made by many operations that are focused on multiple sectors (for example, credit lines where a small proportion of

lending is estimated to support investments in renewable energy or energy efficiency measures by SMEs).

Similarly, 32%, or EUR 2.2 billion, will support the cross-cutting regional integration objective, both through infrastructure development and through support of local private sector access to finance.

3.1. Local private sector development, in particular support to SMEs

3.1.1. EIB's SME support framework

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

But starting and growing business activities requires access to appropriate sources of finance, something that is often severely lacking, particularly for smaller or younger firms, in higher risk economic environments, and in those with less developed financial systems. Often credit is unaffordable, too short term for patient, productive investment activities, or tied to prohibitive collateral requirements. Often, because in many contexts equity financing is so underdeveloped, firms cannot find the risk-taking equity finance that is suited to rapidly expanding a promising new business. Even larger firms can find it hard to secure the resources needed for riskier activities such as research and development ("R&D") or projects with positive spill-overs for society and the environment.

The EIB uses different instruments to support local private sector development. Credit lines to local financial intermediaries help to build effective and resilient banking systems and support lending to SMEs. Loans and equity investments in micro-finance institutions support those institutions to expand their outreach to underserved areas and to develop the sophistication of the services they offer. Participation in private equity funds helps to provide expertise and risk capital to high-growth-potential companies. Lastly, direct loans to larger companies or for R&D are used where there is a clear developmental impact that could otherwise be harder to finance.

3.1.2. Local private sector development in 2015

Twenty-six new projects signed in 2015 will support local private sector development. The total approved EIB financing for those projects is EUR 2.9 billion. 20 are credit lines supporting SMEs; 1 supports microfinance activities through a microfinance investment vehicle (see Box 1); and 5 support R&D activities and investment projects by a large companies.

Box 1: Bridging the financing gap for coops and the social economy

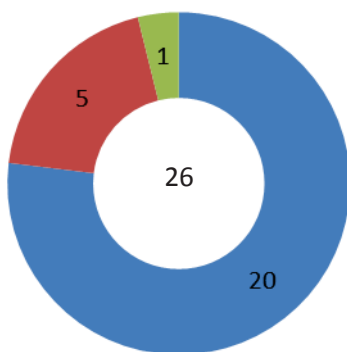
The EIB is financing CoopMed, an investment fund that will provide long-term financing to microfinance institutions and local small banks to support cooperatives, social economy

enterprises, micro-entrepreneurs and initiatives lead by NGOs. It is the first fund of its kind in the Mediterranean region. The management team will build on experience supporting the cooperative and social economy sector in Eastern Europe, bringing expertise as well as advantageous funding to partner institutions to help them to expand their activity in this sector. With operations initially focused on Morocco, Tunisia, and Lebanon, it is expected that the fund will have a strong impact on the rural economy, both through on-lending to smallholders and to agricultural cooperatives. Young people such as young micro-entrepreneurs are also expected to make up around half of the final beneficiaries.

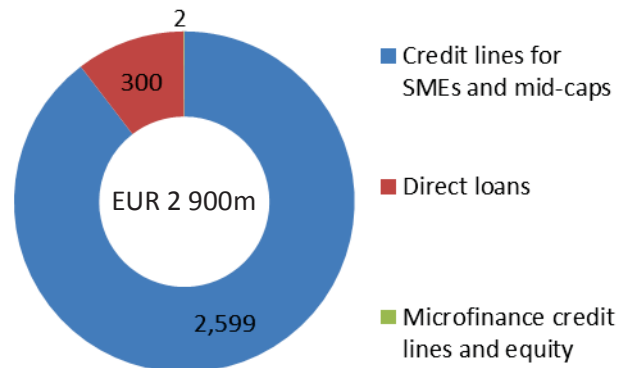
The EIB is so far the only IFI participating. By subscribing the largest portion of the mezzanine tranche of the fund, the EIB will not only provide EUR 2 million in stable financial resources, but is also expected to have a significant signalling effect, contributing to the first closing at EUR 10.5 million and the leveraging further resources to reach a target size of EUR 20 million. Given the fund’s strong explicit focus on social impact, the EIB has decided to use the enhanced “ReM+” framework to better monitor results at the final beneficiary level. An appropriate data collection system is being put into place.

Chart 2: Contribution of new projects to local private sector development by type of operation

Number of new projects:



Lending volume:



Note: Many private sector operations also contribute to the cross-cutting climate and regional integration objectives.

Credit lines for private enterprise

Lending through credit lines is important to enhance access to longer-term funding for small businesses, to create and sustain jobs, and to strengthen local financial sectors. In underdeveloped financial systems, even medium-sized and mid-cap companies can face financing constraints because of information asymmetries such as a lack of credit history.

Box 2: Revitalising Ukraine’s Agri-food sector

The Ukraine Agri-food Apex loan is designed to give a transformative boost to the country’s SMEs and mid-caps within agricultural and food processing sector, in line with the new Ukrainian Agricultural Strategy 2015-2020. As a direct loan to the Ukrainian government it will allow resources to be allocated flexibly between direct investments in infrastructure

supporting the selected agri-food value chains (e.g. laboratories and research capacity) to sub-lending through intermediary banks and companies that lease agricultural equipment. Funding is expected to reach around 1 400 companies working in the cereals, oilseeds, fisheries and aquaculture value chains, helping to support some 60 000 jobs. It will promote technological modernisation in order to improve resource efficiency, reduce waste, and enhance product safety and quality. This will reduce negative environmental impacts of agriculture and contribute to making production less vulnerable to adverse weather conditions. By contributing to the adoption of Union technical, environmental and phytosanitary norms in Ukraine, the project will help Ukraine to benefit from the removal of trade barriers and tariffs on agri-food products, as envisioned under the 2014 EU-Ukraine Association Agreement.

Access to sufficient, long-term finance is a key obstacle for the further development of the sector, particularly at a time when the financial sector in Ukraine is under strain. Further support is expected through the EU Neighbourhood Investment Facility for blending with loans and for capacity building. It is expected that this may help to target particularly underserved groups such as small farms and tenant fish farmers. Given the lack of local experience with this type of project, the EIB is heavily involved in the design and implementation of the project, drawing on lessons from similar projects in the region.

The twenty new SME credit lines in 2015 will allow intermediary banks to make nearly 21 000 loans worth nearly EUR 2.8 billion (some EUR 166 million of which will support infrastructure development). Of those loans, 19 900 will go to SMEs which will have an average estimated size of just 16 employees.

Those credit lines will also enable intermediary banks to extend the maturities of the loans they offer to SMEs and mid-caps, with the average loan tenor (weighted by loan size) for the new credit lines in 2015 expected to be 4.4 years. This is substantially longer than the maturities typically available to SME in developing contexts. It is estimated that loan maturities across the 20 credit lines will be on average 127% higher than the local market norm.

By providing essential financial resources to the final beneficiaries, including SMEs, mid-caps and a small number of public bodies and larger businesses, these credit lines will help to sustain the jobs of the 474 000 people employed by these entities.

Credit lines can also be used to encourage banks to expand into the more challenging SME sector, or by fostering sector competition by supporting second tier banks, both of which can have an important indirect effect of enhancing access to finance for SMEs. Four of 2015's new credit lines will support second tier banks (smaller banks with a lower credit rating than the leading banks in a country), while two will support banks operating in very shallow markets where credit to the private sector is less than 33% of Gross Domestic Product. Seven have a specific focus on increasing access to finance for underserved markets such as women or farming communities.

Table 1: Supporting local private sector development – overview of key expected results

	Expected outputs			Expected outcomes	
SME/mid-cap credit lines	Total loans (EUR million)	2 790	➔	Jobs sustained (total)	474 420
	Total loans #	20 822		In SMEs	343 560
	Average loan size (EUR ‘000s)	134		In mid-caps	124 610
	Average loan tenor (years)	4.4		In other	6 250

Table 2: Credit lines for private enterprise – expected results by region and firm size

Expected outputs	Region					Firm size		
	ALA	EAST	MED	PA	S.A.	SMEs	Mid-caps	Other
Number of projects	1	4	3	11	1	-	-	-
Total loans (EUR million)	150	630	240	1 570	200	1 880	830	80
Total loans #	1 200	5 295	200	13 553	574	19 890	768	164
Average loan size (EUR ‘000s)	125	119	1 200	116	348	95	1 081	488
Average loan tenor (years)	2.5	4.8	5.8	4.1	5.5	4.0	4.8	8.6

Direct loans for R&D and industry

Large investments by the private sector can also have important development impacts, including significant positive economic and environmental spill-overs. Public funding can be important to ensure that such investment takes place. In this respect, three R&D projects in Turkey were funded in 2015. In addition, two projects will support strategic investments by large companies, including the Europac project (see Box 3).

Box 3: Adding value in Morocco

This project provides funding for Europac group, a Spanish paper and board manufacturing company, to establish a factory for the production of carton board packaging materials in Tangier, Morocco. It will improve the ability of the company to supply local customers and respond to demand from the Moroccan automotive and agro-industrial sectors. The investment will contribute to the generation of employment and value added in the industrial sector in Morocco, a target of the country’s national industrial strategy. Morocco is currently faced with high unemployment rates, particularly among youth (nearly 35% of 15-24 year olds are unemployed).

The EIB is funding EUR 15 million of the EUR 31 million investment cost. The construction of the plant, including the civil works and the installation of the new equipment is expected to generate 305 person years of employment, while the factory will employ 115 full time staff when it becomes fully operational. Furthermore, having a global packaging company based locally will provide increased opportunities for local companies in a range of sectors to develop and expand export-oriented businesses in Tangier.

The results achieved:

In total, EUR 770 million was lent through 4 464 loans that went predominantly to micro and small-sized enterprises. Those 7 credit lines thereby supported companies employing 120 000 people. 59% of these jobs were in nearly 4 400 microenterprises and SMEs (Table 6).

Some 34% of total lending supported manufacturing firms, followed by 23% for the wholesale, retail and vehicle repair sector, and 7 % for the accommodation and food sector. While most credit lines had a broad sectoral mix, the credit line in Serbia had a strong focus on the agricultural sector, with very many loan supporting the purchase of agricultural machinery and equipment. The Sri Lanka SME and Green Energy credit line provided 22 loans worth EUR 34 million (37% of the total) to renewable energy projects, particularly micro-hydropower schemes.

Table 3: Ex post results for ten completed credit lines

Results achieved	All SMEs	Micro	Small	Medium	Mid-caps	All
Total loans (EUR million)	601	142	212	247	169	770
Total loans #	4 374	2 995	1 026	353	90	4 464
Average loan size (EUR '000s)	144	51	209	724	2 131	189
Average investment size (EUR '000s)	137	47	207	700	1 877	172
Average loan tenor (years)	4.0	3.8	4.1	4.6	5.4	4.0
Jobs sustained	71 000	8 200	22 000	40 800	49 034	120 034

Additionality through extended maturities:

The average tenor of the loans provided to final beneficiaries was 4 years. This is considerably higher than those companies are typically able to obtain in the local market. It is slightly shorter than the average tenor reported for completed credit lines last year, reflecting the presence this year of credit lines in a number of developing countries where financing conditions are particularly difficult.

Were the results as we expected?

Aggregate results were broadly in line with expectations. Nonetheless, ex ante estimations for some individual credit lines were less accurate than the overall estimates. The average tenor of loans provided in this sample was also lower than expected, although still acceptable. This kind of information is valuable for identifying where the *ex-ante* estimation of results can be improved. For these early Result Measurement ("ReM") operations, estimates of the number of jobs likely to be sustained were based on a model, using income per capita and average loan size, as described in the 2012 edition of the EIB's ReM report.⁵ Using that model for the 7

⁵ <http://www.eib.org/infocentre/publications/all/eib-rem-annual-report-2014.htm>

credit lines described here provides an estimate of 146 000 jobs, reasonably close to the figure of 120 000 jobs indicated by the actual loan allocation data for those operations.

Direct loans for R&D and industry projects

Two direct loans for local private sector development, which were originally appraised under the ReM framework, were completed in 2015 in the ELM regions. Both focused on research and development in Turkey. The Turk Telekom programme focused on the adaptation of new fixed and mobile broadband services to local needs through the development of advanced software applications, supporting the uptake of these services in sectors such as telecoms, education, health transport, and energy. Although Turk Telekom has only recently started to file patents from the programme, so far, 84 patent applications have been filed and 10 granted. The project has also resulted in collaboration agreements with Union-based entities.

3.2. Development of social and economic infrastructure

3.2.1. EIB's social and economic infrastructure framework

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

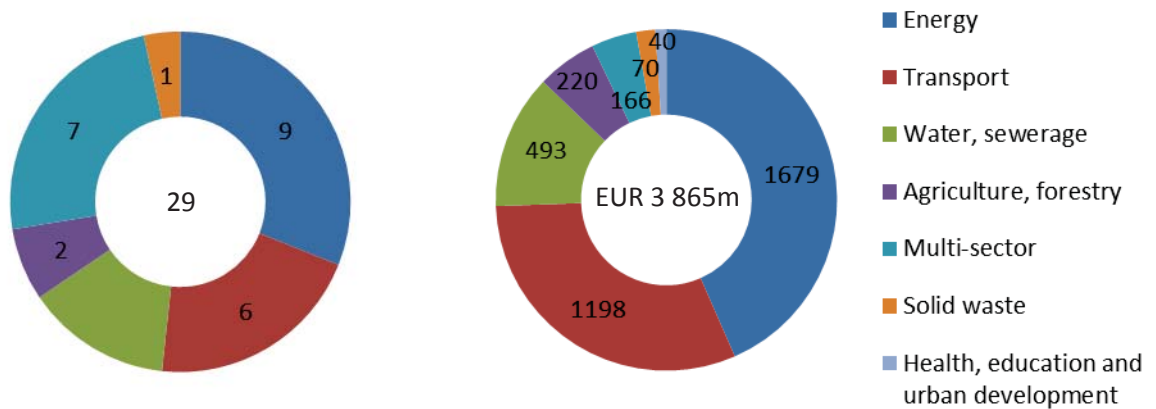
There are 29 new projects that contribute to the development of social and economic infrastructure in the ELM regions in 2015. For most of them it is possible to estimate expected results: urban transport and rail projects will benefit around 540 000 passenger per day, enabling them to save 37 million hours of traveling time each year; energy sector projects will connect 237 000 households to the grid and generate enough electricity to potentially serve over 7 million households; and projects in the water and wastewater sector will provide 1.6 million households with access to improved water supply or sanitation. Total approved EIB lending for those new projects is EUR 3.9 billion, while their total investment cost is EUR 12.8 billion.

Infrastructure projects will create around 137 000 person-years of employment during construction and 4 590 full-time jobs during operation. While projects in the energy, transport and water sectors generate the most jobs in total, the single forestry project is notable for its strong employment impact.

Chart 3: Contribution of new projects to strategic infrastructure objective by sector

Number of new projects:

Lending volume:



Note: Lending volumes for these multi-sector projects are prorated by sector where allocation by sector is defined at appraisal. Many infrastructure projects also contribute to the cross-cutting climate and regional integration objectives.

Table 4: Infrastructure projects - direct employment impact

	Employment during operation (full-time equivalent)	Employment during construction (person-years)
Energy	72 240	1 510
Transport	33 810	1 490
Water and sanitation	21 460	240
Waste management	50	1 200
Agriculture, forestry	1 300	8 000
Total	136 705	4 590

Energy

Investment in energy generation and transmission infrastructure is essential to the realisation of basic needs and to wider economic development. While an intermittent and poor quality electricity supply is a major constraint on businesses in many developing economies, access to affordable grid electricity can make an enormous contribution to standards of living, with positive knock-on effects on education and health. The energy sector is also central to efforts to mitigate climate change, both through the expansion of generation from renewables and the achievement of greater efficiencies within existing infrastructure.

The eleven new energy sector projects signed in 2015 include five focused on expanding and upgrading power transmission and distribution networks. Those projects will enable over 22 160 GWh of electricity to be supplied every year, and will connect an additional 273 300 households to the grid. Electricity transmission projects are also for meeting domestic demand by enhancing the capacity of existing networks to integrate electricity generation from renewable energy sources such as wind and hydropower, as in the Nepal Power System Expansion Project (see Box 8).

Table 5: Addressing infrastructure needs – overview of key expected results

	Expected outputs		Expected outcomes	
Energy	Generation capacity	2 494 MW	Annual electricity production	16 900 GWh
			Households potentially served	7.2 million
	New/upgraded substation capacity	2 901 MVA	Annual electricity transported	24 990 GWh
	New/upgraded power lines	2 734 km	New households connected	237 300
Transport	Length of road built/upgraded	964 lane km	Vehicles benefitting, per day	207 500
			Time savings (hours/year)	2.5 million
			Annual vehicle operating cost savings	EUR 2.1 million
	New/upgraded urban transport route (bus/tram/metro)	34 km	# passengers benefitting, per day	534 000
	New/upgraded urban stations or stops	39	Passenger time savings (hours/year)	37 million
	Vehicles or rolling stock purchased	396	Rail cargo carried (tonnes/year)	2.7 million
Water & sanitation	Railway track built or upgraded	221 km		
	New/upgraded railway stations	11		
	New/upgraded water treatment capacity, per day	82 200 m ³	Households benefitting from improved water supply	604 000
	New/upgraded water mains/pipes	26 km		

	New/upgraded wastewater treatment capacity (person-eq.)	1 290 000		Households benefitting from improved sanitation services	400 000
	New/upgraded sewer/storm pipes	945 km	→	Wastewater treated to acceptable standards (person-equiv.)	200 000
	New or rehabilitated domestic connections to sanitation services	60 000			
Solid waste	New sanitary landfill capacity (m ³)	8.4 million	→	Waste disposed on new sanitary landfill (t/yr)	400 000
	Closed/rehabilitated landfill (m ³)	7 million		Population served by new sanitary landfill	492 000
Agriculture & forestry	New forest planted	80 000 ha	→	GHG emission sequestered by forests (CO ₂ eq.)	840 000 t/yr
	Area under improved management	20 000 ha			

Five projects in 2015 focus on energy generation, three of them on the development of renewable sources of energy. Together they will generate 3 136 GWh of electricity annually, sufficient to supply 2.45 million people in the countries concerned. In one case, the EIB is taking over the risk from hydropower, transmission system and energy efficiency projects initiated by the World Bank in the Ukraine. It will also free-up World Bank lending capacity to help Ukraine finance energy imports in the shorter term to avoid the occurrence of a severe energy crisis.

The single project developing non-renewable energy resources is the Damanhour Power Plant in Egypt, which will build a new efficient combined cycle gas turbine which will have a massive impact in overcoming electricity shortages in the country, producing potentially enough electricity to serve 4.7 million households. Power cuts are not just an inconvenience for Egyptian households; a recent EIB-EBRD-World Bank survey has revealed that local businesses lose 5% of their annual revenue to those interruptions. The EIB is also supporting the rehabilitation of municipal infrastructure in Ukraine, which will have a strong focus on energy infrastructure (see Box 4).

Box 4: Rehabilitating municipal infrastructure in Ukraine

The Ukraine Municipal Infrastructure Programme will help address the problem of the aging and inefficient infrastructure in Ukraine's towns and cities. The EUR 800 million programme, 50% funded by the EIB, will include 20 to 40 selected projects to rehabilitate district heating systems, power plants, public lighting, ventilation and air conditioning systems, solid waste management systems and facilities, water supply systems or wastewater treatment facilities. This will extend the coverage and improve the quality of essential services. It will also reduce negative environmental impacts and the waste of raw materials and energy.

Each sub-project will be individually appraised by the EIB and the banks will provide technical assistance to strengthen institutional and technical capacity of the Ministry of Regional Development and of municipalities. This will focus on ensuring efficient project implementation, compliance with the EIB's environmental and social standards, procurement guidelines, and corruption prevention.

Transport

The EIB signed six new transport sector projects in 2015. Two of them are developing inter-urban rail links. The Route 10 rail rehabilitation project will upgrade 149 km of track through Kosovo from the Serbian border to the border with FYR Macedonia. By allowing trains to travel at up to 100 km/hour and enabling axle loads in line with Union standards, it will encourage a modal shift from road transport to rail and promote greater integration with neighbouring economies. As well as developing economically important infrastructure, this project is also contributing 100% to the climate action – mitigation objective, as it supports shift to a lower carbon mode of transport. The other rail project will upgrade a critical trade link in Bangladesh (see Box 5).

Urban transport is another area that can combine significant positive impacts on the environment, the economy and on quality of life. Three new projects will launch a new urban transport system in Laos (see Box 7), support varied small-scale municipal transport investments in Turkey and expand the underground metro system in Istanbul. The latter project will benefit about 460 000 passengers daily and help to reduce traffic congestion in the city.

Projects to improve road transport will upgrade 964 lane-km of road surface, with accompanying measures such as drainage, bridges, and safety features. Together, those projects will benefit over 200 000 vehicles a day, saving road users around 2.5 million hours and EUR 2.1 million in operating costs every year. An estimated 8 road accident fatalities are likely to be avoided annually. One road project in Honduras that will be particularly important for regional economic integration is described in Box 11.

Box 5: Removing a trade bottleneck in Bangladesh

In Bangladesh, the rail corridor linking Dhaka, the capital, with Chittagong, the second city and main port, is of vital economic importance. However, the condition of the existing line presents a significant barrier to the expansion of trade and personal travel. Currently, 203 km of the line is served by a single track. As part of a programme to upgrade the whole rail corridor, the EIB is lending EUR 132 million towards the upgrade of a central 70 km section of the corridor between the towns of Laksam and Akhaura.

The project intends to maximise the capacity of the line by not only upgrading the existing track but building a second track and implementing a dual-gauge to allow not only more trains but trains of different gauges to use the line. A new signalling system, extended stations and overhead capacity will increase the capacity of the line by facilitating the use of longer trains and enabling freight containers to be double-stacked. After completion, an additional 1 million tons of freight (a 200% increase) and 2.7 million passengers are expected to be carried every

year. The improvements are expected to encourage a modal shift from road to rail transport that will save passengers 9.9 million hours and avoid 64 kilotonnes of CO₂ emissions every year, from a project whose actual emissions are estimated at 62 kilotonnes of CO₂ eq/year. As well as being economically important for Bangladesh, the upgraded rail line will enhance trade links and regional integration with neighbouring Indian states and Bhutan.

Water, sanitation and waste

Four new projects in the water and sanitation sector are being supported by EUR 493 million of EIB lending. Together they will improve the access to or the supply of safe drinking water to some 1.6 million households. This can be expected to have very significant knock-on impacts in countries where poor water supply is a major cause of disease, as well as posing significant financial and time burdens on low income households.

Of particular note is also the Wadi al Arab Water System 2 project which will be important in helping the northern parts of Jordan cope with large populations of refugees from Syria. It consists of a new water intake facility from the King Abdullah Canal (fed by Lake Tiberius), a treatment plant, pumping facilities and a transmission pipeline to the Zabda Reservoir on the western side of the City of Irbid. The system will provide an additional 30 million cubic metres of potable water per year to the Northern Governorates, and areas estimated to have an urban non-refugee population of around 1.47 million people, and to be housing around 163 000 refugees at the time of appraisal. Some 10 percent of that project has been counted as contributing to adaptation to climate change impacts, specifically lower overall rainfall and more extreme drought events.

Adequate sanitation and wastewater treatment is also vital for human health and a healthy environment. The Wastewater Treatment Project in Guayaquil, Ecuador, will connect 30 000 households to the sewer system in the city. With the building of a wastewater treatment plant, associated pumping stations and 41 km of major sewage collectors, the project will improve sanitation services for around 300 000 people in total. The reduction of health risks related to water-borne diseases will improve living conditions, particularly for people living in low-income and vulnerable areas.

A single project in the solid waste management sector will make an important contribution to managing the environmental impacts of waste disposal in Yerevan, the capital of Armenia (see Box 9).

Agriculture and forestry

Building on two earlier successful EIB-funded projects, the Afforestation and Erosion Control Project 3 will support reforestation over 80 000 ha of degraded land in Turkey, forest rehabilitation on 20 000 ha and erosion control measures on a further 155 000 ha. Alongside significant positive environmental impacts with regard to both climate change mitigation and adaptation, that project is expected to have a significant direct employment impact, creating 8 000 person-years of employment during implementation and 1 300 permanent jobs associated with natural resource use and management.

Box 6 Completed project case study: Extending access to grid electricity in Brazil

Elektro Electricidade e Servicos S.A. distributes electricity to a 120 000 km² area of Brazil's São Paulo and Mato Grosso do Sul states, home to 5.7 million inhabitants. The aim of this project was to meet regulatory requirements to guarantee a certain quality and reliability of supply, reduce losses, and increase access to electricity, including for low income households in urban, peri-urban and rural areas. Enhancing the capacity of the electricity distribution system is also needed to support economic growth.

The project, completed on time and within its expected cost, involved the construction or upgrade of 2 640 km of power lines and 21 substations. Power outages have decreased over 8 percent to 8.29 hours per year, the best performance among Brazilian distributors. The installation of 69 000 new meters has contributed to Elektro reducing network losses to 6.8%, improving the performance of the system. It has been possible to connect 129 000 new customers to the network, thus expanding access to this vital service.

The EIB provided a EUR 95 million loan towards this EUR 191 million project, with a 12 year repayment period. It is significantly longer than maturities available in the local market, which typically span a maximum of seven years. Importantly, the EIB has also absorbed the foreign exchange risk on this loan, further facilitating investments of that type.

This is the first infrastructure project appraised under the ReM framework that has also reached completion. Expectations at appraisal were largely met and in some cases exceeded. The number of new customers connected to the network was notably 11% higher than expected and the improvement in power outages was also greater than the initial estimates.

São Paulo Power Distribution project

EIB contribution

- Loan equivalent to EUR 95 m
- FX risk taken by EIB
- 12 year tenor period, 5 years longer than the typical maximum maturity available in the local market



Context	Outputs	Outcomes	Impacts
<ul style="list-style-type: none"> • Growing demands on electricity network • High system losses • Demand to increase reliability of supply and electrification rates (e.g. among low income groups and 	<ul style="list-style-type: none"> • 2 640 km power lines new or upgraded • 21 new or upgraded substations • 69 000 meters installed • 1 200 person-years employment 	<p>In first full year of operation (2014):</p> <ul style="list-style-type: none"> • 129 000 additional customers connected • Power outage time reduced 8.3% 	<ul style="list-style-type: none"> • Expansion of access to electricity and improved quality of supply, supporting economic growth and poverty alleviation

rural areas)

during
construction

3.3. Climate change mitigation and adaptation

3.3.1. EIB's Climate action framework

The EIB supports the Union's aim of promoting low-carbon and climate-resilient growth globally, engaging its technical expertise and financial strength to promote sustainable development in line with its sustainability framework. It thus encourages low-carbon and climate resilient growth in the EIB mandate regions as well as in all other geographic areas of activity (not reported here).

Review of EIB Climate Strategy

During 2015, the EIB has published a formal External Lending Mandate Climate Strategy, which focuses on the following priorities:

1) Reinforcing the impact of EIB climate financing

The EIB Climate Strategy seeks to enhance both the financial and non-financial impact of its climate finance and will focus on steering its activities towards high impact climate action projects. They are projects that (i) achieve significant mitigation or adaptation gains; and/or (ii) catalyse and mobilise additional climate finance from a range of sources; and/or (iii) reduce financial and non-financial barriers to the investments needed for the transition to a low-carbon resilient economy. Once the EIB has defined and identified those high impact operations, it will put processes and systems in place to prioritise them within the climate action portfolio.

The EIB will focus on developing and diffusing low-carbon technologies in various sectors with significant potential for long-term, transformational greenhouse gas emission savings: (i) renewable energy and energy efficiency; (ii) developing transport services that reduce GHG emissions; (iii) water and sanitation; (iv) urban projects, managing solid waste and developing sustainable cities; and (v) reducing deforestation and developing "climate-smart" land use.

2) Increasing resilience to climate change

The EIB Climate Strategy emphasises the promotion of risk management approaches to increase the resilience of assets, communities and ecosystems related to EIB projects. The EIB will be developing a Climate Risk and Vulnerability Assessment tool across sectors and regions to identify and address project vulnerabilities. That work will be closely coordinated with work in disaster risk management. Pure adaptation projects will be particularly targeted.

The EIB will continue to share knowledge both within the European Finance Institutions Working Group on Adaptation to Climate Change ("EUFIWACC") group on adaptation and resilience and in the wider IFI community – working group on climate risk screening.

3) Further integrating climate change considerations across all of its standards, methods and processes and collaborating with other financial institutions

Climate change considerations will continue to be mainstreamed in the project appraisal process. The EIB has updated its shadow price of carbon to complement the carbon footprint in integrating relevant environmental external costs on the analysis of projects and will work to incorporate new evidence and research on other environmental damages or benefits in the analysis. Adaptation, resource efficiency and energy conservation principles will be further taken into consideration by the increased coverage of the EIB's sector policies and lending criteria.

The EIB aims to continually improve the carbon footprint methodology, learning from and exchanging with peers and partners, so the EIB works and takes an active and leading role in the IFI working group on GHG accounting for projects. The EIB measures its climate action financing in line with definitions agreed with all MDBs and published in the MDB Joint Report on Climate Finance. The EIB is also working with bilateral organisations, including framework organisations such as the International Development Finance Club ("IDFC").

The ELM Strategy emphasises the use of new and innovative channels and instruments to increase the impact of ELM resources.

The EIB has the ability to blend financing sources, co-fund investments and leverage significant additional public and private financing. The EIB has developed specific products, often in conjunction with funding from the Union or other donors, to catalyse private investment and leverage public funds. For those activities, the EIB is either using its own resources, for which it created a special activities reserve to allow greater risk-taking capabilities, or combining its financing activities with public funds provided by Member States and the Commission. The EIB will seek strong cooperation with the Green Climate Fund ("GCF"), develop further the EIB's green bonds – the Climate Awareness Bonds – and scale up engagement with private investors through mechanisms like the Global Energy Efficiency and Renewable Energy Fund ("GEEREF"). The strategy also clarifies sectorial and operational aspects of EIB external action.

Climate Risk Screening

Both the ELM Climate Strategy and EIB's recently approved Climate Strategy emphasize the promotion of risk management approaches to increase the resilience of assets, communities and ecosystems related to EIB projects. The EIB is developing a Climate Risk and Vulnerability Assessment tool kit across sectors and regions to identify and address project vulnerabilities. It will allow EIB to identify priorities and support adaptation actions in its financing.

The EIB has committed to the European Parliament that the EIB is systematically screening of all new ELM (and African, Caribbean, Pacific "ACP") operations against their climate risks at pre-appraisal stage in order to address project vulnerabilities. The system, still under final development, builds upon earlier pilot phases and is currently basic and manual, but by 2017 a fully integrated system is planned to be in place.

In 2015, all projects under ELM were subject to that screening. At pre-appraisal stage a triage of all new projects was carried out by EIB's Climate Change Specialist. The projects are grouped into three categories:

1. Low climate risk, Framework loans and credit lines
2. Medium- to high risk
3. Projects with expected appraisal 6 months or later

Firstly, projects considered low climate change risk as well as projects where the underlying sub-projects are still unknown, e.g. credit lines and framework loans, are not assessed but country level information on climate change impacts is highlighted to the project teams. Secondly, the potential medium and high climate risks are controlled for whether a climate risk assessment has already been carried out by the promoter or another co-financier, such as another MDB or IFI. Thirdly, the remaining projects are grouped in two categories according to their expected appraisal. Projects with expected appraisal within the next six months are screened with either a commercial online climate screening tool, by EIB's own experts, or by external consultants.

In 2015, 125 projects under the ELM were at pre-appraisal stage, of which:

1. Low climate risk, framework loans and credit lines: 21 projects
2. Medium- to high risk: 59 projects
3. Projects with expected appraisal 6 months or later: 45 projects

To enhance the resilience of new investments, the current climate risk screening "manual" phase is being actively enhanced through exploring the EIB's specific screening needs through learning-by-doing, gathering feedback from the project teams, and exploring alternative screening options.

Carbon Footprint

The EIB Carbon Footprint Exercise ("CFE") estimates and reports Greenhouse Gas emissions from projects (not only climate action projects) where, in one standard year of operations:

- absolute emissions (actual emissions from the project) exceed 100 000 t CO₂-eq/year; and/or
- relative emissions (estimated emissions increases or avoidance compared to the expected alternative) exceed 20 000 t CO₂-eq/year.

Absolute emissions refer to the direct emissions of the project itself (Scope 1 emissions) plus emissions from generation of the power supply used by the project (Scope 2 emissions). Scope 3 emissions (other indirect emissions) are not normally included in project data; however, they are included for physical infrastructure links such as roads, railways and metros. Relative emissions are estimated by comparing the absolute emissions with the emissions from a baseline identified as the expected alternative.

Whilst relative emissions are important for comparing technologies and projects, at the heart of the EIB's footprinting approach are the absolute emissions from each project, as these are what will ultimately affect our climate. Individual project GHG data is assessed at appraisal, and reported on the EIB's Environmental and Social Data Sheets (ESDS). For the purposes of aggregated annual reporting, project emissions are prorated to the volume of EIB funding of each project that year, thus avoiding possible double counting with the reporting of other IFIs.

In 2015, 23 of the projects in the ELM regions (including signed operations and large allocations approved during the year) were included in the 2015 Carbon Footprint Exercise. They represent total EIB signatures or allocation approvals of EUR 2.7 billion. The related total absolute GHG emissions are estimated as 1.4Mt CO₂-eq/year (the low absolute figures being due to a large number of forestry projects which will sequester CO₂) with saved/avoided emissions estimated at 1.3Mt CO₂-eq/year overall from the same financing.

All climate action data and GHG figures will be subject to EIB's 2016 Sustainability Audit.

3.3.2. EIB's Climate action in 2015

Of the new project lending approved for the ELM regions, EUR 2 billion will contribute to the cross-cutting policy objective of climate change mitigation and adaptation. It will be achieved through a large number of projects across almost all sectors; all of these projects also contribute to local private sector development or the development of social and economic infrastructure.

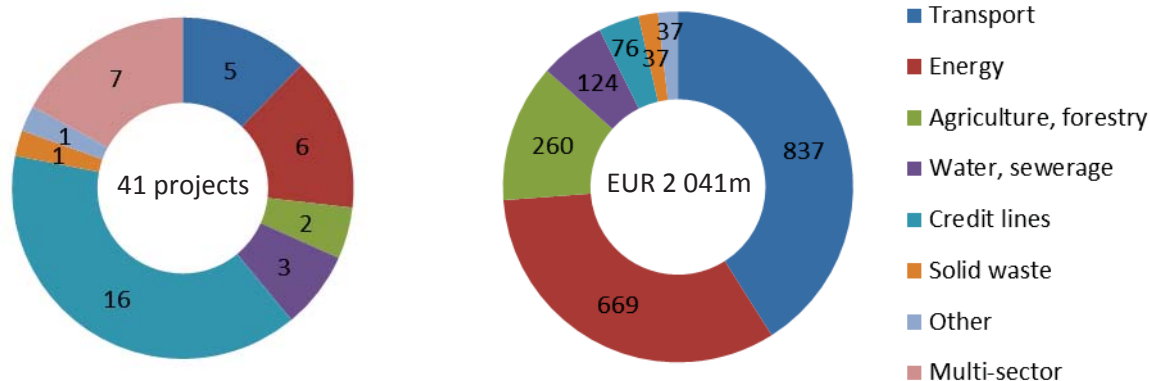
In many cases, only part of a project contributes to the climate change objective and only a proportion of that project's lending total is therefore reported as contributing towards the objective. Analysis of the results of past EIB projects has revealed that many projects make a small contribution to action on climate change even if this is not the main objective of the project. Such small contributions add up to make a significant difference. A typical example is a credit line for SMEs in which some investment projects by beneficiary businesses involve achieving greater energy efficiency in buildings or installing small-scale renewable energy generation capacity, such as solar panels. Accordingly, some 41 of the new projects in 2015 contribute to the climate action objective. They include 16 credit lines. The EIB applied in 2015 an estimate of 2% as the likely climate content that will be found in future allocations under credit lines signed in 2015 .

Nonetheless, by far the largest contribution to climate action continues to come from larger projects in the transport and energy sectors which together account for 68% of new climate action lending outside the Union in 2015. The agriculture and forestry sector also continues to play an important role.

Chart 4: Contribution of new projects to climate change objective by sector (EUR million)

Number of new projects:

Lending volume (EUR million):



Lending volumes for multi-sector projects presented in chart 4 are prorated by sector where allocation by sector is defined at appraisal. The climate change objective is cross-cutting: all projects also contribute to the private sector development or social and economic infrastructure objectives. All climate action data figures will be subject to EIB's 2016 Sustainability Audit.

Climate friendly transport

Investing in lower-carbon modes of transport such as rail and urban mass transit systems, which enable and encourage a shift from heavily polluting road transport, is an important way of reducing carbon emissions overall. At the same time, it is a way of improving the quality of life for passengers and urban dwellers and fostering economic growth and poverty reduction.

New climate action projects in 2015 include six transport sector projects. The Istanbul Underground Rail Network project will construct a new 23 km metro line with 18 stations. It will facilitate the movement of Istanbul's citizens through the heavily congested business and economic core of the city, linking it with the more residential areas in the north-western districts of Istanbul. It will offer a sustainable mode of transport, saving time, improving living conditions, reducing air and noise pollution, as well as protecting human lives through reduction in accidents. It will be used by around 460 000 passengers every day. The absolute carbon footprint of the project is estimated at 33 kt CO₂ eq/year. However, by encouraging a modal shift from road transport, it is estimated that emissions will be reduced by 43 kt CO₂ eq/year.

Another project will establish an urban mass transit system in Vientiane, the capital of Laos People's Democratic Republic (see Box 7), whilst the Laksam-Akhaura rail project in Bangladesh (Box 5) will enable 1.5 million tonnes of cargo to be carried by rail every year. It will be associated with absolute emissions of 62 kt CO₂ eq/year, whilst achieving an emissions reduction of an estimated 64 kt CO₂ eq/year, relative to the expected alternative scenario. Smaller scale urban mass transport projects will be the focus of a EUR 250 million credit line to Iller bank in Turkey.

Box 7: Sustainable Urban Transport in Vientiane

The development of urban transport in Vientiane, capital of the Lao People's Democratic

Republic, has followed an increasingly unsustainable path. Car ownership almost tripled between 2005 and 2012, while motorcycle ownership doubled. Only 1 percent of journeys are made by bus; the rest by motorcycle, car or auto rickshaw or “tuk tuks”. The consequences of increased motorisation are increased congestion, road accidents, and GHG emissions.

The EIB supports the National Government’s sustainable development strategy to facilitate a shift from private to public transport. The EIB will provide a USD 20 million loan to help finance a Bus Rapid Transit system with 11.5 km dedicated bus-ways, 21 enclosed stations and 96 new buses that will improve traffic flow and safety across the capital. The introduction of parking management and vehicle registration systems will enable traffic management and improve accessibility for pedestrians and other non-motorised traffic. Those improvements are expected to encourage a shift from private to public transport that will reduce CO₂ emissions whilst saving 1.5 million hours per year for bus passengers. The project will benefit from technical assistance provided by the EIB and funded through a EUR 5 million grant provided by the Asian Investment Facility.

Energy from renewables

Eight new energy sector projects in 2015 will contribute to mitigation of climate change, as will a number of multi-sector projects with a component focused on renewable energy generation. Total generation from renewables will be some 3 136 GWh per year, enough to potentially supply 2.445 million households in the countries concerned. The Warsak hydroelectric project in Pakistan will consist in the rehabilitation of an existing, 50 year old hydropower plant, which would otherwise be required to cease operation due to the deterioration and obsolescence of plant and equipment. The rehabilitation will restore its generating capacity to the original 243 MW, enabling the plant to produce enough electricity once more to supply the equivalent of around 810 000 households in the country. With absolute emissions of effectively zero, that project will reduce emissions by an estimated 335 kt CO₂ eq/year compared with the expected alternative power sources.

The Negev Solar Thermal project in Israel is smaller, but will be important for helping to demonstrate the viability of that new technology in a region with enormous solar energy potential. It will supply the equivalent of around 87 000 households, and with absolute emissions of 55 kt CO₂ eq/year, this project will reduce emissions by an estimated 185 kt CO₂ eq/year compared with the expected alternative power sources.

One of the key challenges with the development of renewable energy sources is their integration into electricity transmission networks. Creating capacity for the future expansion of renewables is thus a key aim of a number of new electricity transmission projects. The Nicaragua hydro development project will result not only in the installation of a 235 MW hydropower plant capable of supplying nearly 1.4 million Nicaraguan households, but also in a 21% increase in capacity of the national transmission system, creating space also for further development of renewables. Counting 85% towards Climate Action Mitigation objective, and with moderate emissions overall of 217 kt CO₂ eq/year, that project will avoid emissions by a significant amount - an estimated 532 kt CO₂ eq/year compared with the expected alternative.

That kind of grid adaptation to accommodate generations from renewables is also a central objective for the Nepal Power System Expansion Project and the Nepal Grid Development Programme (see Box 8).

Box 8: Expanding Nepal's power grid

Nepal is facing chronic power shortages, particularly during the dry season. Only 65% of the country's households have access to electricity, with only 56% connected to the national grid. Many Nepalese are becoming increasingly reliant on self-generation from diesel generator units.

This project will provide modern, efficient, and reliable transmission infrastructure to supply electricity from hydropower schemes in the Himalayan region to meet the increasing demand for power in the main load centres in Nepal, in particular in the Kathmandu Valley. The economic benefits include an increase in electricity access rates, a reduction in unmet demand, lower transmission system losses, and substitution of clean energy from indigenous hydropower resources for expensive and polluting oil-fired diesel generators.

The project will construct seven new high voltage transmission lines (386 km in total) to connect hydropower schemes in the Himalayan region to the national grid. This will enable the delivery of an estimated 1 900 GWh/year, helping to alleviate the acute power deficit. In the longer term, Nepal will increasingly be able to export energy, as the high-voltage transmission network is further expanded and additional hydropower generation capacity is added to the national grid. The EIB will provide EUR 95 million towards the total EUR 270 million investment cost.

Energy efficiency

The rehabilitation of existing infrastructure as well as all kinds of commercial and residential buildings can achieve important reductions in demand for energy and thus our demands on the environment. Aging power transmissions systems present a significant opportunity for efficiency gains. Smaller energy efficiency gains can also be achieved in other infrastructure sectors such as water, with the Wastewater treatment project in Guayaquil, for instance, achieving a saving of 0.75 MW per year through more efficient equipment.

The solid waste sector can also make an important contribution to mitigating climate change, not so much through energy efficiency gains in the narrow sense, but rather through increasing the efficiency of materials recovery through recycling and through reducing GHG emissions from landfill.

A substantial contribution to greater energy efficiency will be made by framework loans for smaller projects implemented by local public authorities, and by certain dedicated credit lines for SMEs. The Ukraine Municipal Infrastructure Programme will both extend the coverage and reduce the energy intensity of essential services including district heating, municipal lighting and new water, wastewater and solid waste systems. The refurbishment of buildings will also contribute to efficiency gains.

Another significant new intermediated operation is the Facility for Euro-Mediterranean Investment and Partnership ("FEMIP") Sustainable Energy Facility, which contributes 100% to the climate action objective, under which credit lines will be provided to local financial institutions in Jordan and Morocco to finance energy efficiency and small renewable energy investments by industry, SMEs, agribusinesses, and households. It is envisaged that 75% of the Facility will be used to finance energy efficiency investments and 25% for small renewable energy investments.

It is in the nature of those intermediated operations that the selection of sub-projects is not known ex ante and that climate impacts and other results cannot therefore be meaningfully estimated in advance. Energy efficiency gains for the new projects where estimates have been possible total 400 GWh per year. A further 47 GWh per year will be saved through losses reduction in two power distribution projects.

Box 9: Better waste management in Armenia

In Yerevan, the capital of Armenia, the existing unsanitary landfill poses considerable risks for public health and the environment. Effects include windblown litter, fires, discharge of contaminated water and emissions of greenhouse gases. Improvement of solid waste management is a priority for the country.

In response, the EIB is lending EUR 17 million and has mobilized EUR 2 million investment grant from Eastern Europe Energy Efficiency and Environmental Partnership ("E5P") Regional Fund towards a EUR 35 million project to close and rehabilitate the old landfill and build a new sanitary one. With approximately 8.4 million m³, the new landfill will receive 400 000 tonnes per year of solid waste, serving 1.9 million residents in Yerevan and surrounding areas. In addition, measures for reducing and diverting waste such as the collection of recyclable materials and bio-waste, recycling centres, material recovery and composting facilities will be evaluated and implemented. These measures are expected to have a demonstration effect, leading to similar projects being developed elsewhere in Armenia. The EIB will provide technical assistance for both the rehabilitation of the old landfill site and identifying waste diversion measures.

With emissions during operation estimated at 87 kt CO₂-eq/year, the project will contribute to climate change mitigation as it will reduce emissions from local dumpsites by an estimated 140 kt CO₂-eq/year. The project will also help to improve public health and quality of life in Yerevan.

Agriculture and forestry

Investment in those sectors can play a critical role, not just in mitigating climate change through carbon sequestration, but also in enhancing the resilience of food production systems to changing climatic patterns. The Ukraine Agri-food Apex Loan will both promote greater resource efficiency in the agriculture-food value chain and also help to improve the climate resilience of the sector.

The Afforestation and Erosion Control Project 3, also mentioned in section 3.2.1., will contribute strongly to climate change mitigation through enhanced forest growth and the fixation/sequestration of carbon. It is estimated that around 60kt CO₂ eq/year would have been sequestered by the existing degraded forest. With the planned afforestation and forest rehabilitation, sequestration is estimate to increase to 840 kt CO₂ eq/year. The operation is also expected to ensure the future supply of forest-based renewable resources to the local private sector. Around 15% of the annual harvest may eventually be used for renewable energy production from wood. In addition, this project supports adaptation to climate change impacts by focusing directly on erosion control in a climate change scenario.

Box 10: Supporting growth with wind power in Morocco

Morocco has experienced rapidly growing demand for electricity as living standards improve. At the time when this project - ONE Parc Éolien de Tanger – was appraised in 2003, electricity demand was predicted to double in 15 years, a prediction which is so far proving accurate. Sustaining that growth without severe negative impacts on the environment remains a key challenge for the country, however. In 2003, generation from renewable sources accounted for only 6% of Moroccan electricity supply.

The aim of this EUR 237 million project was to develop a wind farm 15 km east of Tanger, on the northern coast of Morocco, to expand and diversify the country's generation capacity using an abundant renewable resource. The EIB provided EUR 80 million funding to be repaid over 15 years, the expected life of the project.

The project is sited in a sparsely populated area, on poor quality land mostly used for livestock grazing and forestry, and with no nearby areas of conservation significance. However, the site is located on one of the main routes for birds migrating between west Europe and Africa. The EIB was therefore heavily involved in project preparation and early implementation, to minimise risks of negative impacts of the farm on migratory birds. With the support of a leading international ornithological institute, the placement of the wind turbines was carefully designed to create great safe corridors for migrating birds and to minimize the risks of bird strike.

The EIB also linked its financial support to a number of actions to be taken by the promoter in the project preparation phase. These actions included the appointment of an engineering consultant to provide technical assistance during implementation; the selection of wind turbines acceptable to the EIB based on proven operating experience; and satisfactory

completion of a public consultation procedure by the local authorities to ensure that minimize impacts on local communities were minimised. Successfully addressing those environmental issues required some delays in implementation.

The completed project comprises 165 wind turbines with a combined generation capacity of 140 MW, an underground electrical grid connecting the turbines to a new 225 kV substation and 3 km overhead line linking the project to the existing high voltage substation at Melloussa.

Since entering into full operation, the wind farm has so far generated around 454 GWh per year, enough to supply about 320 000 households in Morocco. It is around 10% lower than expected due to wind conditions that have been slightly less favourable than forecast over that period. Nonetheless, the farm remains an economically competitive alternative to thermal generation within the Moroccan power system, such as a Combined Cycle Gas Turbine, generating an economic rate of return of around 13% and of course, operating with very low absolute greenhouse gas emissions.

This was the second wind farm to be developed in Morocco, after Parc Eolien de Tetouan which was also part-financed by the EIB and which first demonstrated the potential of wind power in the country. The farm in Tangier contributes to the realisation of this potential.

3.4. Regional integration among partner countries

3.4.1. EIB's Regional integration framework

Improving links amongst partner countries, and between partner countries and the Union, is a cross-cutting objective of the EIB's action outside the Union. EIB projects can contribute to regional integration by facilitating the physical movement of goods and labour, but also by fostering international collaboration in the private sector, and supporting the convergence of neighbouring countries' economies towards the Union.

In that context, the EIB is to undertake financing operations in beneficiary countries that support foreign direct investments from EU companies which promote economic integration with the Union and technology and knowledge transfer.

As a horizontal priority, EIB support for regional integration often is realised through its lending in support for other objectives such as infrastructure or private sector support. For example, the EIB also promotes access to markets and development of value chains, including

operations specially focused on the EU's Deep and Comprehensive Free Trade Agreement ("DCFTA") policy framework.

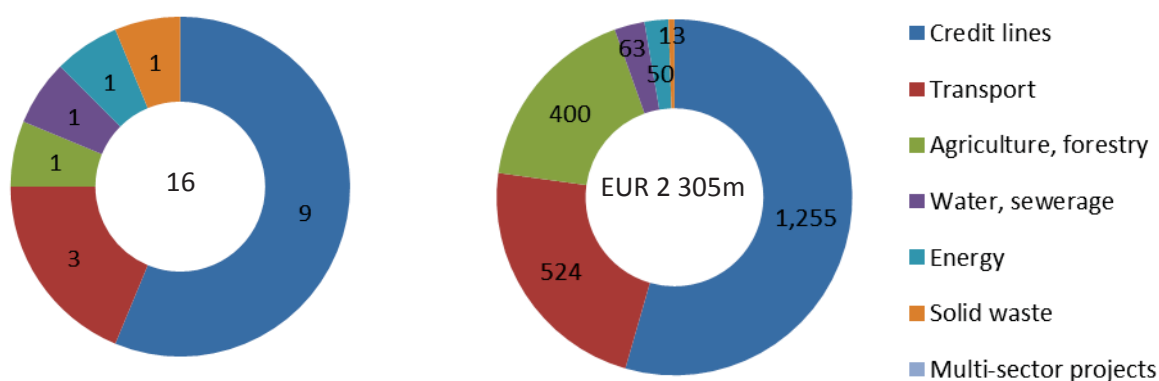
3.4.2. EIB's Regional integration action in 2015

The EIB signed 16 new projects in 2015 that contribute to regional integration. The total approved EIB finance for these projects was EUR 2.3 billion. Those projects cover energy interconnections, transport links, regional equity funds and support to convergence through local private sector development.

Chart 5: Contribution of new projects to the regional integration objective, by sector

Number of new projects:

Lending volume:



Note: Lending volumes for multi-sector projects are prorated by sector where allocation by sector is defined at appraisal. The regional integration objective is cross-cutting: all projects also contribute to the private sector development or social and economic infrastructure objectives.

Energy interconnections

The regional integration of energy resources can be important in opening opportunities for the development of renewable resources, matching generation potential in one location to demand in another. Energy network connections can also be vital for enhancing security of energy supplies.

The Caucasus Transmission Network project consists of the construction of an electricity transmission line and a High Voltage Direct Current station to create an interconnection link between Armenia and Georgia. The link will allow continuous energy trade between the two countries, enabling Armenia to access better regional and, via Georgia and Turkey, European markets. The link will transport an estimated 1073 GWh annually and improve security of electricity supply in both participating countries. For those countries, ensuring a reliable supply of electricity is one of the conditions to attract and encourage investments which will further lead to job creation and poverty alleviation.

Transport links

Transport projects can promote regional integration in the most tangible of ways: by enabling easier, faster and safer movement of people and goods across borders and regions. Four new

transport projects will have that effect. The Laksam-Akhaura rail project in Bangladesh will dramatically increase the capacity of a key trade route, not only for Bangladesh but also for neighbouring countries India and Bhutan. The Honduras road project, meanwhile, will encourage greater economic integration between Honduras, Guatemala and El Salvador (Box 11).

The Route 10 rail project in Kosovo runs directly from Serbia to FYR Macedonia and will help to bring those three economies closer together by facilitating movement between them. Lastly, one project will implement essential safety upgrade works in the main airports of Malawi, helping to ensure that international carriers can use these airports and thus maintaining vital links with the rest of the region and the world.

Box 11: Connecting Honduras, Guatemala and El Salvador

The Corredor de Occidente connects the industrial capital of Honduras, San Pedro Sula, by road to Guatemala and El Salvador. The corridor is of both national and international importance due to its impact on regional integration and cross-border trade. Recently signed customs agreements between the three countries are expected to lead to increased trade and traffic along the route. However, sections of the corridor are in a very poor state: large pot-holes, gravel sections, landslides and lack of signage raise travel times and undermine safety.

The EIB will contribute EUR 83.8 million to rehabilitate 116 km of the corridor, bringing it in line with the European Commission's Road Safety Directive - a first for the country. In partnership with the Latin America Investment Facility, the project encompasses a capacity building program that will ensure enhanced road safety through capacity-building for road safety audits. The improvements implemented by the project are expected to save travellers 2.5 million hours and reduce vehicle operating costs by EUR 2.1 million every year, whilst also reducing the number of road fatalities. Moreover, the increased connectivity and trade is expected to support development in the Copan region, one of the most deprived regions in Honduras, and strengthen Honduras' position as a logistical centre in Central America.

Supporting economic convergence

The process of private sector development which the EIB supports through its credit lines can lead to regional integration where it helps enterprises meet the standards which are required for exports into other regions – such as the EU. That is why EIB support for SMEs and mid-caps in the pre-accession region and some other Union neighbours is regarded in general as contributing to the objective of supporting regional integration. In some cases such as the Ukraine Agri-Food Apex Loan, helping local producers to meet Union standards, thereby opening up opportunities for regional trade with the Union, is an explicit focus.

Funding for research and development activities may also have a strong regional integration element, with funding often leading to intensified collaboration between EU research institutions and institutions outside the Union, helping to develop lasting economic links. One such R&D project that was originally appraised under the ReM framework reached completion in 2015.

Box 12: EU-Turkey research collaboration

The Tübitak Research Promotion project was signed in 2012 and completed in 2015. It helped to fund the Turkish public research promoter's Academic and Industrial RDI programmes, covering both basic research and downstream innovation activities. In line with EU priorities concerning the strengthening of the common European Research Area and the integration of Turkey into this area, the programme resulted in an average of 140 applications for EU FP-7 and Horizon 2020 funding in collaboration with researchers in Member States (on average 15% were successful). The programmes also resulted in an average of 1 250 patents granted per year and helped to support 212 000 person-years of employment. The EIB loan provided upstream financing to research targeted, since 2014, by the European Investment Fund's TTA Fund focussing on commercialisation of intellectual property. The RDI investment financed can be expected to help the Turkish economy to diversify and raise productivity, improving long-term growth prospects and economic integration with the Union.

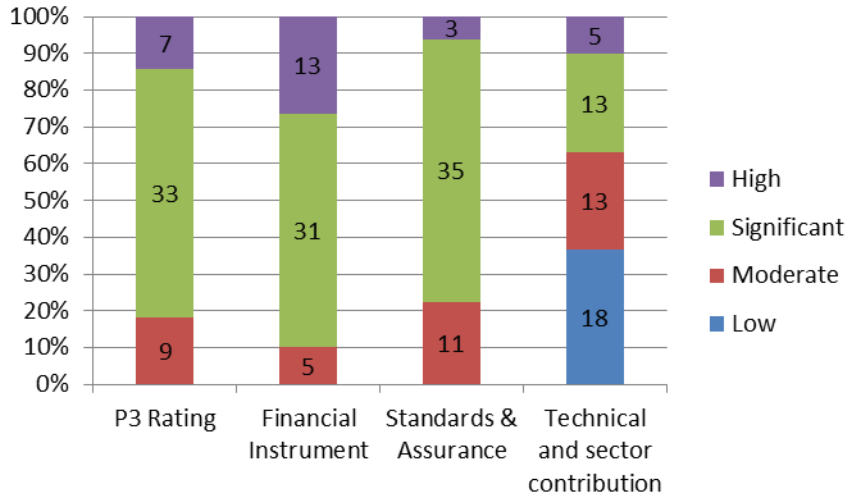
3.5. EIB additionality

The EIB is not expected to merely duplicate what the market is already able to provide. Its interventions provide more support than just standard loans. For example, the EIB's loans may be of longer tenor than is usual in the market, or may be combined with technical advice where project promoters lack of experience or institutional capacity. The EIB may also use higher risk instruments. Furthermore, the EIB's role goes beyond lending and includes the ability to attract finance from other development institutions or private players, blending loans with grants and providing advisory services.

The ReM framework measures that "additionality" (Pillar 3), the difference between the EIB contribution to an investment project and standard market finance, in three dimensions: the adequacy of financial resources for the needs of projects; the EIB's technical contribution; and the impact in terms of raising standards and facilitating contributions from other sources. The overall EIB additionality is rated on a scale of 1-Low, 2-Moderate, 3-Significant and 4-High, taking into account the three dimensions above.

In a large majority of the 49 new projects in 2015, the "additionality" of EIB support is rated "significant" (33), or "high" (7). 9 received a "moderate" rating. The degree of additionality tends to be higher for complex projects in less developed regions, where the needs of project promoters are greatest, and less pronounced where the EIB deals with very experienced promoters and intermediaries. For that reason, the most projects with a "high" additionality rating were in the Eastern neighbours and Mediterranean regions, while the additionality of 5 projects in the Pre-accession region was rated only "moderate".

Chart 6: Additionality (Pillar 3) ratings – new projects



Note: Pillar three assesses the additionality of EIB involvement. The P3 rating aggregates the three sub-components: financial Instrument, standards and assurance and technical and sector contribution.

Financial contribution

Tenor extension

The ability of the EIB to provide long-term funding that is often otherwise unavailable is one of the key elements of its contribution. Nearly all new operations in 2015 provide a tenor to project promoters or financial intermediaries which exceeds the typical maturity available in local markets. In most cases, the terms of EIB finance provide a close match to the economic life of the assets to be financed. The tenor provided for new projects in 2015 – around 15 years on average – is estimated to be, on average, around two and a half times greater than available in the local market.

Table 6: Average tenor provided, by type of operation

<i>Type of operation</i>	<i>Years</i>
Direct and framework loans for infrastructure projects	21.6
Credit lines for SMEs, mid-caps and micro-enterprises	10.0
Direct loans for industry and R&D	8.0

Funding in local currency

For selected operations, the EIB can use different mechanisms in order to absorb foreign exchange risk. It can make funding more attractive for borrowers, including the final beneficiaries of intermediated operations whose activities are focussed on domestic markets. Within the ELM regions, three credit lines in Turkey benefited from local currency funding. In

Turkey the EIB uses swap products which are available in the market to offer local currency funding.

Blending loans and grants

The EIB works to mobilise and manage grants from third parties alongside its loans. This is a significant source of additionality, particularly in the Mediterranean countries, as well as in the Eastern Neighbourhood. Twelve new projects benefitted from grants in 2015, five in Eastern Neighbours, four in ALA and three in the Mediterranean region. For example, the FEMIP Sustainable Energy Facility aims to provide credit lines to local Financial Intermediaries in Jordan and Morocco to finance energy efficiency and small renewable energy investments in the industrial, SMEs, agri-food and residential sectors. The project, which is co-financed with the EBRD (lead financier), AFD and KfW, is expected to benefit from two Union investment grants from the Neighbourhood Investment Facility ("NIF") to provide investment incentives to sub-borrowers and to finance technical assistance.

Innovation

EIB operations are considered innovative when the EIB can offer certain activities or products in a specific market context that other IFIs do not offer, or because the structure of the operation provides for a special partnership with project promoters. The Guarantee for Economic Development in Ukraine is such an operation, representing a new arrangement to make optimum use of the capabilities of the EIB and other IFIs for the benefit of the country's short and long-term energy development and security.

Enhancing standards and mobilising resources

Raising standards

The EIB seeks to ensure that all the projects it lends to have high environmental, social and procurement standards, and the requirements that accompany EIB funding often play an important role in raising such standards. In 76% of operations, the EIB's role in that regard is rated significant or high. One example is the Modernisation Routiere 2 programme, which will fund a series of road improvement projects in Tunisia. The EIB is taking a leading role in ensuring adequate standards are met for Environmental and Social Impact Assessments as well as the resettlement policy. The EIB has organised training courses to strengthen the promoter's capacity to carry out the assessment of environmental and social risks, including appropriate public consultation.

Demonstration effect

EIB involvement often helps to build the confidence of other investors in a project, including in infrastructure projects and funds that are designed to attract substantial funding from the private sector. At the same time, many projects that the EIB supports are ground-breaking in that they demonstrate the viability of a technology, practice or financing mechanism in a country or sector, contributing to the build-up of local expertise and making similar follow-up investments more likely.

In that way, the CoopMed fund (see Box 1) is important as the first microfinance fund with a specialised focus on cooperatives in the Mediterranean region, building on the fund team's previous experience in Eastern Europe. The Negev Solar Thermal Plant is also significant in helping to demonstrate the viability of this emerging technology in a region with abundant

solar energy potential but very heavy reliance on fossil fuel based generation. The EIB's demonstration effect is rated high or significant in 78% of operations.

Mobilising resources

The EIB often plays an active role in helping to design the financial package used to support projects, working with project promoters and co-financiers to achieve an effective project design and a faster financial close. In 47% of its operations, the EIB's role in working closely with co-financiers and structuring the financing package is rated significant or high.

This also helps to mobilise finance from other sources, including both other public lenders and, even more importantly, from private investors. 59% of new projects attracted private finance in 2015. This private finance was equal to 93% of total IFI finance for those projects on average. Overall, the EIB finances 38% of the total investment cost of projects outside the Union in 2015 – achieving a multiplier of 2.64.

Technical contribution

The contribution of the EIB's technical staff, or external staff under advisory missions financed by the EIB from external grants, before and during project implementation is often critical to ensuring that projects are successful and that potential negative impacts are avoided. Such technical contribution includes involvement in project preparation such as financing and supervising sector studies, providing guidance on the terms of reference for feasibility studies or environmental and social impact assessments; support to project implementation, such as technical assistance to a Project Implementation Unit; and broader sectoral support such as strengthening the capacity of key institutions. For some financial sector projects, the EIB contributes technically, such as through representation on funds' supervisory boards.

For some 37% of new projects in 2015 – 18 in total – the technical and sector contribution of the EIB is rated significant or high. Projects in the Mediterranean region, where the experience of promoters with project planning and implementation can be particularly weak, are the chief beneficiaries of such support, with support rated high or significant for 8 projects.

In 12 cases (24%), projects are expected to benefit from specific technical assistance measure for which the EIB will seek to procure funding from external sources such as the trust funds administered by the EIB or the Commission's regional blending mechanisms.

Chart 7: Operations supported by technical assistance, by region

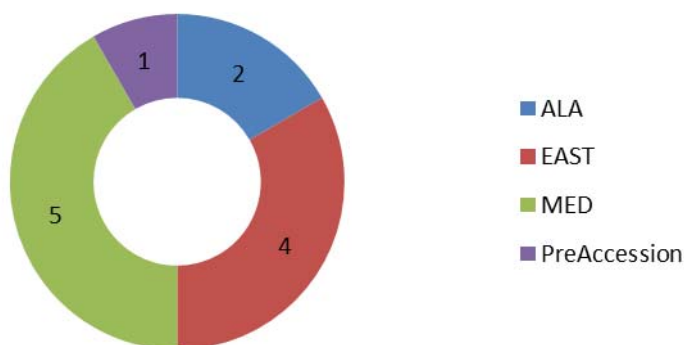
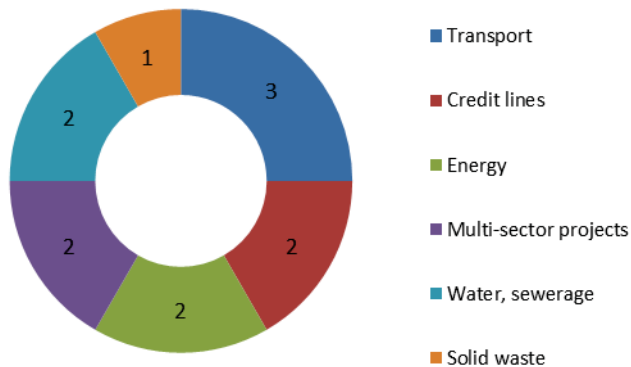


Chart 8: Operations supported by technical assistance, by sector



In financial sector projects, such as credit lines, a typical form of technical assistance has targeted financial intermediaries which receive assistance in terms of applying eligibility criteria, designing improved products and raising compliance standards. Technical assistance for the intermediaries' customers, that is to say, the private enterprises is also being developed and expanded. Some examples of technical assistance provided by the EIB are found in Box 13.

Box 13: Technical assistance in action

NEPCO Green Corridor, Jordan

Feasibility studies financed from NIF-resources made available by the EIB have been essential for the development of this electricity transmission project, designed to allow future solar power development.

Honduras Sustainable Roads

The EIB will provide advice on road safety audits and stakeholder engagement, in particular to protect the rights and interests of indigenous peoples. TA will be financed with a Latin America Investment Facility ("LAIF") grant.

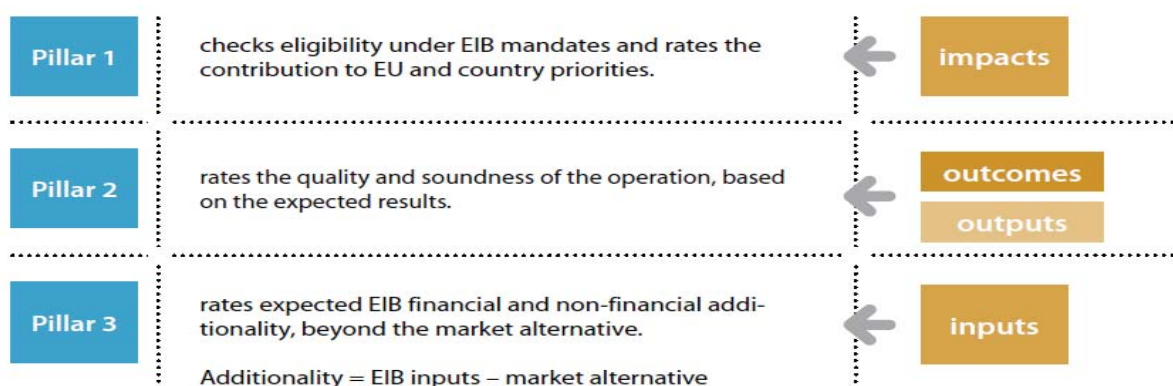
4. ACTUAL AND EXPECTED RESULTS OF EIB OPERATIONS: RESULTS MEASUREMENT FRAMEWORK (REM)

The ReM framework provides an assessment of the EIB financing operations throughout their lifecycle. It helps to select sound projects which are in line with Union priorities based on concrete results, and where the EIB involvement will add value. At appraisal, results indicators are identified, with baselines and targets that capture expected economic, social, and environmental outcomes of the operation. Performance against those benchmarks is monitored throughout the project life and reported at two major milestones: For direct investments, results are reported at project completion and again 3 years after completion. For intermediated

operations results are reported at the end of the allocation period (credit lines) or at the end of the investment period (funds). Equity fund results are reported again at the end of life of the fund.

To the extent possible, ReM indicators have been harmonised with those of other IFIs, EDFIs and EU development agencies to simplify client reporting requirements for co-financed operations. The EIB continues to be actively engaged in working with these partners to further improve coordination and harmonisation of results indicators. Pillar ratings are based on a four-point scale (4-excellent, 3-good, 2-acceptable, 1-marginal)⁶. At project appraisal stage, clear, sector-specific, standardised and measurable indicators are identified and projects are rated according to three ‘pillars’.

Chart 9: ReM Framework



The “new projects” reported in the section on project results are those for which the first financing contract was signed in 2015. For each of those projects, the full approved financing volume and the expected results associated with this expected lending are reported. This covers both the amount “signed” in 2015 and any approved balance planned to be signed under future contracts.

To avoid double counting of project results, the results associated with follow-up contracts signed under projects that have already been reported in previous reports (because earlier financing contracts were signed under them in previous years) are not reported above. However, for the sake of transparency, a break-down of 2015 lending volumes, including the volume of such follow-up contracts, is given in Table 10.

This methodology is different from that used in the reports before 2014. For that reason lending volumes and project counts may not always be strictly comparable.

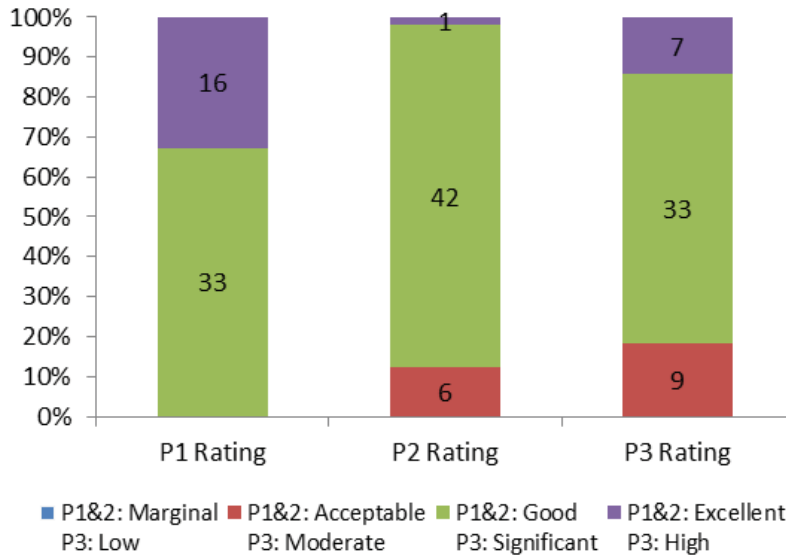
⁶ Pillar 3 ratings for additionality are slightly different: 4-high, 3-significant, 2-moderate, 1-low.

Table 7: 2015 lending volumes

	New projects (first signed in 2015)			Older projects (first signed before 2015)	Total contracts signed in 2015
	Funding approved	Contracts signed in 2015	Volume to be signed	Contracts signed in 2015	
ALA	954	951	5	170	1 121
EAST	1 623	1 481	134	0	1 481
MED	1 283	1 219	78	200	1 419
PA	2 705	2 312	393	210	2 522
South Africa	200	150	50	0	150
Local private sector development	2 900	2 392	508	270	2 662
Development of social and economic infrastructure	3 865	3 721	152	310	4 031
Climate change mitigation and adaptation	2 041	1 906	138	234	2 140
Regional integration	2 305	1 886	417	270	2 156
Total	6 765	6 113	660	580	6 693

In terms of strength of contribution to objectives (ReM Pillar 1), more than 30% of the 2015 new signatures were rated as “excellent”, meaning that they were not only eligible but seen as a high priority for both the local development objectives and for those of the Union policy covering the country or region concerned. The remainder of the operations rated “good” under Pillar 1. Chart 10 provides a distribution of ratings by pillar.

Chart 10: ReM ratings by pillar for new operations signed in 2015



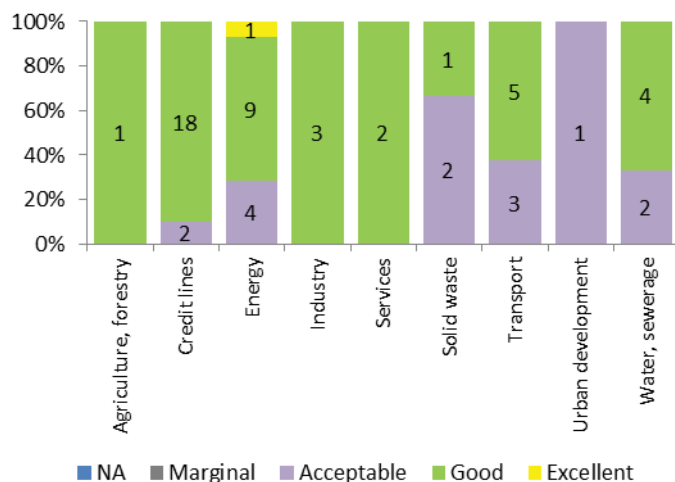
Pillar 1

In 2015, all new projects were rated at least “good” under Pillar 1, signifying that they are in line with Mandate objectives and make a high contribution to either national development objectives or those of the Union, and a moderate contribution to the other. 16 were rated “excellent” for making a high contribution to both Union priorities and national development objectives.

Pillar 2

The Pillar 2 rating is based on project soundness, financial and economic sustainability and environmental and social sustainability in the case of directly financed projects. For intermediated operations, the rating is based on the expected results, weighted by risk considerations as measured by the soundness of the intermediary and the quality of the operating environment.

Chart 11: Pillar 2 ratings by sector

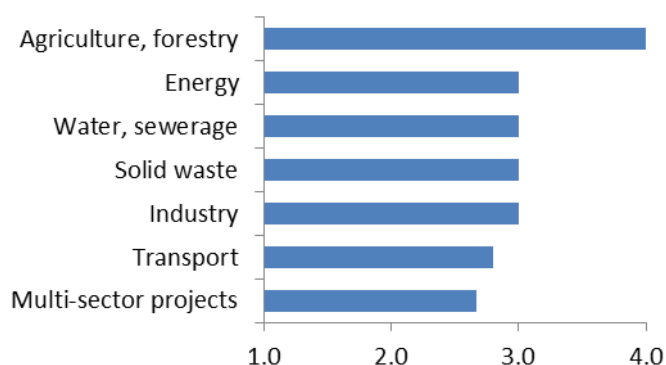


With reference to the overall Pillar 2 rating, 42 projects were rated “good”, with an average economic rate of return (ERR) of 10% to 15% in the case of infrastructure projects. One project was rated “excellent”. Another 6 projects across all sectors received an “acceptable” rating, often because of high risk environments that impact on the probability of achieving planned results. As last year, projects in Ukraine feature prominently in this category.

Environmental and social impacts are also assessed under Pillar 2, for infrastructure and industrial private sector projects. The rating is based on both the nature of the impacts and the magnitude of risks. This thus includes an underlying assessment of the robustness of arrangements to mitigate risks. Projects are rated on a scale of:

1. Marginal: Not Acceptable, for environmental and/or social reasons – not suitable for EIB financing.
2. Acceptable: Acceptable with major negative residual environmental and/or social impacts.
3. Good: Acceptable with minor negative residual environmental and/or social impacts.
4. Excellent: Acceptable with positive or neutral residual environmental and/or social impacts.

Chart 12: Average environmental and social ratings by sector



Ratings for the assessed projects ranged from “2” (3 projects) to “4” (2 projects), with 23 projects rated “3”. Sector average ratings were similar across sectors at around 3. No sectors

were outstanding in terms of being associated with particularly high or low risks, although the single agriculture project was rated 4.

Pillar 3 ratings are presented in the chapter on additionality.

5. COOPERATION WITH THE COMMISSION

The Mandate requests that the Commission, the EEAS and the EIB cooperate and that EIB strengthens the alignment of EIB external actions and Union external policy objectives, with a view to maximising synergies between EIB financing and Union budgetary resources, mainly through a regular and systematic dialogue and early consultation on Union policies, Union strategies and project pipelines.

The Mandate reinforces the alignment and complementarity between EIB operations and Union policy objectives. The general objectives of the previous Mandate were retained, complemented by the updated version of the Regional Technical Operational Guidelines (the "Guidelines") which provides guidance for aligning the scope of the EIB's interventions in different regions with Union policies, programmes and instruments. In that context, the Commission, together with the EIB and in consultation with the EEAS, updated the Regional Technical Operational Guidelines ("RTOGs") which were transmitted to the Parliament and the Council in May 2015. The RTOGs are applicable over the period 2014-2020 for EIB operations under the EU guarantee. The RTOGs provide guidance for aligning the scope of the EIB's interventions in different regions with Union policies, programmes and instruments.

The EIB continued to actively participate in the regional blending mechanisms in 2015. The EIB closely cooperated with the Commission in the technical group of experts of the EU Platform for Blending in External Cooperation ("EUBEC").

LIST OF EC-EIB PARTNERSHIPS IN THE REGIONS COVERED BY THE DECISION

Cooperation between the EIB and the Commission is daily and pervasive throughout much of the EIB activities. A substantial part of operational cooperation and coordination between the Commission and the EIB, involving also other IFIs and European Bilateral Financing Institutions, takes place within the various regional blending mechanisms set up by the Commission including the Western Balkans Investment Framework ("WBIF"), Neighbourhood Investment Facility, Asia Investment Facility ("AIF"), Latin America Investment Facility and Investment Facility for Central Asia ("IFCA").

Pre-Accession Countries

Turkey

To date, EIB lending, combined with the IPA funds made available for Turkey significantly contributes to strengthening the impact of the Union support. With the increasing decentralisation of Union funds management and with the aim of increasing blending mechanisms, the EIB has opened an office in Ankara in 2014 – after Istanbul in 2008. In the

2014-2020 IPA 2 programming period, the EIB is actively seeking to intensify further its cooperation with the Union, particularly with the EU Delegation and local managing authorities. In that context, the EU-EIB Group relation further deepened in 2015, building on the informal EU-EIB Group action plan devised in 2014, i.e. to map current areas of cooperation and identify potential areas for new blending mechanisms. Priority areas are transport, environment, SMEs, innovation and energy.

In 2015, the first IPA 2 envelopes in favour of EIB were approved. After years of attempts, the EIB helped to bring JASPERS to Turkey. A first kick-off meeting took place in the fall of 2015 for the environmental sectors. Discussions are ongoing to expand JASPERS to the transport sector. The enhanced presence of the EIB in Ankara proved effective, given the continuing decentralisation of Union funds management in Turkey. The local representation also favoured the intensification of the dialogue at operational level between the EIB headquarter, the local offices and DG NEAR in Brussels: an EIB Group-DG NEAR high level programmatic meeting took place in February 2015 in Brussels, where the main lines to deepen cooperation were identified. It was decided to organise a high level joint visibility event in Ankara in 2015 to enhance visibility of Union support, but it was postponed to 2016 in the light of the political uncertainty facing Turkey during 2015.

In 2015, following the worsening of the Syrian crisis, dedicated refugees facilities have gained momentum: the EIB Group is in close contact with the Union to discuss possible modalities to blend EIB loans and EU grants from the EU Trust Fund (the MADAD Fund) and possibly the Turkish Refugee Facility which is under consideration.

Box 14: EIB's response to the refugee crisis

In the context of the continuing refugee crisis, the EIB is developing an operational plan, consisting of both short term and long term actions, within and outside the Union.

On the short term, the EIB provided EUR 5 million contribution to the Council of Europe Development Bank (CEB) Migrant and Refugee Fund to address an exceptional humanitarian emergency situation. The Fund is being used to increase the reception capacity of the countries along the Western Balkans Route.

Also on the short term, the EIB converted existing projects to open a special eligibility window for expenditures connected with refugees.

It is also to be noted that the EIB is one of the only International Financial Institutions capable to address the refugee crisis in the various refugees' routes and respective countries of origin, transit and destination both inside and outside Europe and could do even more if loans are blended with grant resources deployed by the Union and Member States, as it is the case under the MADAD Fund under which strong collaboration has been undergoing with the Commission.

As to the long term response, the EIB undertook a comprehensive assessment with its key counterparts to identify the needs in terms of direct funding and/or blending of resources and is

exploring the possibility to adapt further its offer to meet the long term needs identified by the partner countries.

Western Balkans

Since 2009, the EIB, the European Commission, KfW and the EBRD have been cooperating under the Western Balkans Investment Framework. It provides a joint grant facility and a joint lending facility for priority investments in the region. The objective is to simplify access to credit by pooling and coordinating different sources of finance and technical assistance, with a focus on infrastructure sectors, including social infrastructure. In 2015, almost EUR 80 million of assistance (investment grants, guarantees, technical assistance) was provided under the WBIF.

Neighbourhood: Mediterranean

In the domain of blending, the EIB continued to be an active participant in the Neighbourhood Investment Facility, leading 2 operations approved for EUR 42 million during the year, and participating as co-financer on 2 further operations totalling EUR 37 million in partnership with the EBRD and the AFD. Those operations included investment grants, risk capital allocations and also technical assistance activities.

One of the two EIB-led NIF approvals was a second tranche for the EIB's new Risk Capital Facility for the Southern neighbourhood, for which the overall agreement was signed at the end of the year. The Facility will initially be provided with a total amount of EUR 142.5 million, of which the European Commission will contribute EUR 50 million (EUR 47.5 million for Financial Instruments and EUR 2.5 million for Technical Assistance) through the NIF. The aim of the Risk Capital Facility is to pool public and private resources for the financing of private equity and venture capital funds and microfinance institutions, with the purpose of providing financing to local SMEs in the Southern neighbourhood.

Linked to this, the 2015 FEMIP Conference focussed on the links between entrepreneurship, innovation and jobs and discussed this new facility alongside other tools to finance pioneering investments in the Mediterranean region. Organised jointly by the EIB, Luxembourg's Presidency of the Council and the Union for the Mediterranean, the event took place in Luxembourg in October and was attended by over 150 participants both from the Union and the Mediterranean partner countries.

A further proposal currently under development relates to a facility to support trade and competitiveness in the Southern Neighbourhood, linked in Tunisia and Morocco in particular to the DCFTA preparations. After the successful launch of the DCFTA Facility for the Eastern Partnership countries during 2015, discussions are also underway to develop a similar facility for eligible countries in the southern neighbourhood. As in the East, that facility would take a value chain approach, combining EIB financing with grants and technical assistance for businesses throughout a whole sector, for example from food production, through processing to packaging and export.

In addition to those blending operations, a number of other initiatives have developed during the year.

Notably, the EIB took a leading role in the Deauville Partnership IFI Coordination Platform, of which the EIB held the secretariat in 2015. Alongside a number of working meetings held throughout the year, one highlight was an event which the EIB proposed and coordinated with the Arab Fund for Economic and Social Development to facilitate further exchange between IFIs and the Arab funds. This meeting, the first Forum on International Cooperation in Kuwait in November 2015, brought together representatives of the Arab Funds and a number of international organisations, as a first step in an ongoing dialogue between these partners.

The EIB is also participating actively in the enhanced coordination meetings with the Commission and other IFIs (European Bank for Reconstruction and Development "EBRD", International Monetary Fund "IMF", World Bank Group "WBG") called for by Commissioner Hahn, the first meeting of which was held in December 2015 and attended by EIB Vice-President Fayolle. The EIB has offered to play a leading role in the organisation of further efforts in this respect, which applies both to the southern and eastern neighbourhood regions.

Finally, throughout the year, the EIB continued and/or renewed its collaboration with a number of other institutional partners, including the Union for the Mediterranean (to which a senior officer is seconded from the EIB), the Centre for Mediterranean Integration in Marseille (in partnership with the World Bank), and a new Memorandum of Understanding ("MoU") with the Parliamentary Assembly of the Mediterranean. In addition, in continuation of an earlier fruitful collaboration with the International Labour Organization ("ILO"), the EIB also received approval from the Deauville MENA Transition Fund for a new joint project to support measurement of labour impact of EIB investments in Tunisia.

Neighbourhood: Eastern Europe, Southern Caucasus and Russia

The EIB is in regular contact with the Commission and the EEAS in a number of contexts related to the Eastern Neighbourhood region. It is an active participant of the Eastern Partnership ("EaP"), contributing to a number of platforms and panels in the multilateral dimension, including in sectors such as energy, environment, transport and SMEs. EIB loans are blended with Union budget funds through the Neighbourhood Investment Facility in which the EIB plays a key role (see Annex 3 and 4).

In Brussels, the EIB has continued to follow Union developments in areas such as strategic programming, the review of the ENP (to which it also contributed), Union blending and policy dialogue with partner countries. A next series of bilateral meetings between the Commission and the EIB to discuss joint priorities in the region will take place early in 2016. Those central efforts are complemented by regular contacts at country level, through the EIB's country offices, where they exist, and otherwise liaising with EU Delegations on a regular basis.

The EIB continues to cooperate closely with the other IFIs active in the Eastern neighbouring countries. The EIB has approved in 2015 a new Procurement Procedural Framework with the EBRD in order to facilitate project implementation and monitoring for ongoing and future co-financed projects with EBRD, to the benefit of the two banks' mutual clients/promoters. The Framework is based on trust and mutual reliance on the application of agreed procurement procedures, in line with the Memorandum of Understanding signed by EIB, EBRD and the Commission in 2012, committing each other to work towards mutual recognition of policies and procedures.

In 2015, the EIB supported several investment projects in Southern Caucasus involving co-financing or parallel financing with KfW, under the Mutual Reliance Initiative, and Asia Development Bank.

The EIB was also involved in an emergency initiative by the Union and international financing institutions aimed at preventing an energy crisis in Ukraine by facilitating the provision of financing to Ukraine to purchase gas. In that context, the EIB signed a guarantee to cover eligible investment projects of the World Bank; this would free up World Bank's exposure to enable them to participate in the financing of purchase of gas by Ukraine in which the EIB cannot intervene given statutory restrictions.

An Eastern Partnership Summit took place in May 2015 in Riga in which Member States and partner countries reiterated the high importance of the EaP as a specific dimension of the European Neighbourhood Policy. Differentiation according to partner countries' needs and ambitions was a key theme. Leaders also reaffirmed the importance of the reform agenda in the eastern Partner countries, in particular in terms of transparency and anti-corruption. Discussions on multilateral cooperation included the need to develop market opportunities by improving the business environment, as well as ensuring energy security and improving interconnections for both energy and transport. The EIB, which helped co-organise the Eastern Partnership Business Forum which preceded the summit, is fully committed to these aims.

Asia, Central Asia and Latin America

Cooperation between donors and IFIs by means of blending grant aid for investments and technical assistance with loans and risk capital has become increasingly important in development finance, with a view to increasing financial flows for development. Therefore, to offer products that meet the needs of emerging market and development country clients, close cooperation with the Commission, Member States and other third party donors to attract grant financing has become imperative to the EIB's business. The EIB is participating in particular in the regional blending mechanisms (Latin America Investment Facility, Asia Investment Facility and Investment Facility for Central Asia), promoting additional investments and key infrastructures with a priority focus on energy, environment and climate change, transport, SMEs and social infrastructure sectors.

The LAIF's main purpose is to promote investments and key infrastructures in priority areas for sustainable socio-economic development in region such as transport, Information and Communication Technologies, energy, SMEs, Private sector development, water and environment, with a particular focus on climate change mitigation and adaptation. For the period 2014-2020 the indicative amount for that Facility is EUR 350 million, of which EUR 56 million have already been allocated. That figure includes EUR 10 million for a project in Honduras presented by the EIB in order to reach the required concessionality levels for a total EIB investment of over EUR 80 million. EIB activities under LAIF will continue to prioritise operations where the LAIF funds will help reaching the level of concessionality required for a country's external debt. Notwithstanding, opportunities for blending may also materialise in other economies of the region. EIB's main line of proposals to the LAIF Board will continue to be direct investment grants.

Under the AIF, a loan of EUR 82 million (signed in 2013) was blended with a TA grant in support of an energy project in Bangladesh and a loan of EUR 20 million was blended with a

TA grant in support of an urban transport project in Laos. The EIB will use such grants in Asia only if absolutely necessary. It is expected that the operations in the poorest countries (e.g. Laos, Myanmar) would require TA grants to blend with EIB loans.

With funds from the IFCA, the EIB has established a technical assistance unit in Kazakhstan in cooperation with the EU delegation in Astana. The IFCA operates by providing financial non-refundable contributions to support loans to Central Asian countries from the EIB, the EBRD and other European multilateral and national development finance institutions. The allocation made to the facility for the period 2014-2020 is of EUR 140 million. In 2015, technical assistance was approved for a loan of EUR 150 million approved to the Kazakh State-owned DAMU Fund, for on-lending to small and medium-sized enterprises (SMEs) and Mid-Caps investing in projects eligible under the EIB's own-fund Climate Action and Environment Facility (CAEF).

Table 8: EU Budget Resources complementing EIB loans in 2015 (Blending)

	2014 (from July)	2015
Regional blending mechanisms (TA, grants approved)		
Western Balkans Investment Framework (WBIF)*	4.42	62.00
Neighbourhood Investment Facility (NIF)	132.70	108.05
Investment Facility for Central Asia (IFCA)	-	2.00
Latin America Investment Facility (LAIF)	-	10.00
Asia Investment Facility (AIF)	5.00	0.00
Other TA and grants complementing EIB projects		
SME Finance Facility (SME FF)	0.60	-
FEMIP Support Fund (excl. Turkey) **	0.27	
Support to FEMIP envelope (2007-2013)	2.67	-
FEMIP Trust Fund*	0.99	0.99
Risk Capital signatures		
MEDA / ENPI Risk Capital	4.00	-
FEMIP Trust Fund*	1.00	-
Impact Financing Envelope of FEMIP Trust Fund	-	2.00

Global Energy Efficiency and Renewable Energy Fund*	-	12.00
TOTAL	151.65	197.04

* includes other sources of funding than EU budget

** negative value corresponds to de-commitment

Table 9: List of EIB-managed Union Budget-funded operations (TA, Grants, Equity) signed or approved in 2015

Contract Name	Instruments	Target countries	2015 (EUR m)
Western Balkans Investment Framework (WBIF)* (approved)			
(EC contrib. - approved)			
Design of Medical Centre	TA	Bosnia - Herzegovina	0.88
Route 4 Rail Bar Vrbnica - Design of concrete bridges		Regional	3.00
Railway Stalac Kraljevo Rudnica		Kosovo	1.40
Rail Route 10 - Fushe Kosovo - Mitrovica		Kosovo	1.00
Mediterranean Corridor (CVc): Bosnia and Herzegovina - Croatia Road Intern	IG	Regional	22.00
Mediterranean Corridor (R2a): Bosnia and Herzegovina - Croatia Interconnection		Regional	6.80
Orient-East-Med Corridor (R4): Montenegro - Serbia Rail Interconnection		Regional	20.00
Railway tunnel Inspection and DD	TA	Montenegro	2.50
Feasibility Study Highway E80 SEETO route 7		Serbia	1.70
Feasibility Study Railway Durres to FYROM border		Albania	0.72
PPP in Western Balkans (EPEC)		Regional	2.00
Total			62.00
Neighbourhood Investment Facility (NIF)** (approved)			
Kafr El Sheikh Wastewater Expansion	IG	Egypt	17.00
Kutaisi Wastewater	IG	Georgia	4.75
Deep and Comprehensive Free Trade Agreement Facility East (DCFTA) Facility East	2 RC, 2.3 TA, 57 IG	Regional	61.30

Risk Capital facility for the Southern Neighbourhood countries	25 FI	Regional	25.00
Total			108.05
Investment Facility for Central Asia (IFCA) (approved) (EC contrib. - approved)			
DAMU Green Loan for SMES and MIDCAPS	TA	Kazakhstan	2.00
Total			2.00
Latin America Investment Facility (LAIF) (approved) (EC contrib. - approved)			
Honduras Sustainable Roads	3 TA, 7 IG	Honduras	10.00
Total			10.00
FEMIP Trust Fund (signed)			
Etude de la liaison Permanente entre l'autoroute A4 et la ville de Bizerte: Supervision independente de l'ouvrage principal	TA	Tunisia	0.08
Etude de faisabilité d'une Liaison Permanente entre l'autoroute A4 et la ville de Bizerte.	TA	Tunisia	0.32
Assistance to the Palestinian Water Authority (PWA) for the implementation of the Water Supply to Gaza, Seawater Desalination Project (Phase A)	TA	Palestine	0.60
Total			0.99
Risk Capital signatures			
Impact financing Envelope of FEMIP trust fund : COOPMED	RC	Regional Med	2.00
Global Energy Efficiency and Renewable Energy Fund: SolarArise	RC	India	12.00
Total			14.00
Total			197.04

*The EIF contributed with EUR 17.5 million to the financing of the WBIF

*I.P.F. Infrastructure Project Facility. Technical Assistance contract signed for EUR 35 million contributing to the financing of projects under the WBIF

*EDIF Enterprise Development Innovation Facility. Contract of technical assistance signed for EUR 2.5 million contributing to the financing of projects under the WBIF

6. CO-OPERATION WITH EUROPEAN OMBUDSMAN

The Memorandum of Understanding signed between the EIB and the European Ombudsman ("Ombudsman") in 2008 sets the basis for the two stages of the EIB Complaints Mechanism - the internal ("EIB-CM") and the external (Ombudsman) - approved by the EIB Board of Directors in 2010 after extensive public consultation. It achieves a common understanding of

purpose and consistency of application across its internal and external parts, with a specific focus on:

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

Table 10 shows the evolution of the number of complaints handled by the EIB-CM in the past 5 years. The nature of the complaints refers to allegations related to the projects financed by the EIB in the areas of Environment and Social, Procurement as well as Governance (legal and financial structure of the project, EIB's general due diligence of the project, implementation of EIB policies by borrowers, etc.).

Table 10: Project related complaints lodged with the internal part (EIB-CM) of the EIB Complaints Mechanism over 2011-2015

	2011	2012	2013	2014	2015	5 years
EU Member States	9	15	13	13	13	63
Non-EU, of which	16	17	18	16	14	81
in External Mandate Countries	13	15	16	13	13	70
in ACP, OCTs	3	2	2	3	1	11
Total (EU & Non EU Members)	25	32	31	29	27	144

As Table 10 shows, the number of annual new project-related complaints remained relatively stable since 2011. The number of new cases registered in External Lending Regions was 13, the same as in 2014. Those new cases are located in Bosnia and Herzegovina, Brazil, Egypt, Morocco, Paraguay, Russia, Serbia, and Tunisia. Out of the 13 cases opened concerning the External Lending Mandate, 2 are related to Environmental and Social impacts, 5 to Procurement, and 6 to Governance matters.

The outcome of the complaints handling process varied from "allegations not grounded" to "areas for improvement recommended". During 2015, the EIB-CM closed two cases concerning the Yacyreta transmission line to be built in Paraguay containing allegations related to potential breach of the obligations of the promoter under its contractual obligations with the EIB. Based on the gathered information and on an external legal opinion requested by the EIB's services on the issues challenged by the complainant, the EIB-CM concluded that the EIB's services due diligence of the project had been properly performed and therefore there was not a breach of the contractual arrangements. The EIB-CM also carried out an

investigation concerning the Belgrade By-pass (Serbia) following an unsuccessful attempt to establish a mediation process between the complainant and the Promoter concerning the expropriation borne by the complainant. The EIB-CM concluded that most of the allegations were not grounded and in some cases had been settled by ruling of the Serbian national court. A mediation process was closed successfully following an expropriation dispute investigated by the EIB-CM in the construction of roads in Albania. The EIB-CM provided advice to the EIB's services on the allegations to the procurement process of two large transport infrastructure projects (metro lines of Quito and Hanoi), for which the EIB was yet to provide the final no-objection at the time of receiving the complaint and therefore they were outside the scope of the EIB-CM.

At the end of the year, the EIB-CM was reviewing several cases related to procurement in Georgia (allegations of unfair contract award in a programme of modernisation of water infrastructure) and Serbia (the upgrading of judiciary buildings), as well as procurement in the road sector in Tunisia, Bosnia Herzegovina, and Serbia. Concerning the follow-up activities, the EIB-CM implemented the Technical Assistance provided to the promoter of the Cairo Metro Line in order to set up its own internal grievance mechanism. Final approval by the promoter of the proposal made by the consultants was pending at the end of 2015.

During 2015, the Ombudsman received no complaints related to the EIB activities in the External Lending Region. However, and following the critical remark made by the Ombudsman to the EIB in 2014 concerning the handling of the procurement process of the Corridor V c) project in Bosnia and Herzegovina, the EIB carried out an audit of its monitoring of its procurement operations in 2015.

7. COOPERATION WITH INTERNATIONAL FINANCING INSTITUTIONS

Cooperation with IFIs on development finance

2015 has been a very busy year for development, with several key international events such as the Third International Conference on Financing for Development (Addis), the UN Summit (New York) and the UN Framework Convention on Climate Change Conference of the Parties in Paris (COP 21).

In that context, the EIB has further intensified its cooperation with other Multilateral Development Banks and has notably co-authored with the MDBs and the IMF several important reports. In particular, the joint report "From billions to trillions: MDB contributions to financing for development", which was issued ahead of the Addis Conference in July 2015 had a significant impact in drawing attention both to the joint and individual achievements of MDBs and to the considerable scaling up that is needed.

MDB cooperation is intense at all levels: the Presidents meeting on a regular basis to collectively set the course and make key decisions, while Heads of Strategy regularly discuss issues of a strategic nature and more than 100 specialised working groups focus on specific sectors or issues (Climate, infrastructure, finance, risk, results measurement, evaluation, debt etc.)

The EIB has had the responsibility in 2015 of chairing the MDB working group of the G7 Deauville Partnership for which the President of the EIB reported to the G7 Ministerial meeting at the WB-IMF Annual Meetings.

In 2015, the EIB has pursued its cooperation with the G20 through regular participation in and contribution to the G20 Infrastructure Investment Working Group ("IIWG"). The EIB has also strengthened its ties with the UN System, with new Memoranda of Understanding signed with two institutions, International Fund for Agricultural Development and United Nations Industrial Development Organization. The EIB has continued to contribute to the work of the OECD Development Assistance Committee ("DAC") on the modernisation of Official Development Assistance ("ODA").

The Making Finance Work for Africa Partnership was launched in 2008, following an initiative by the German Presidency of the G8. Bringing together development institutions and relevant stakeholders of the African financial sector (regulators, banks, institutional investors, academics...) It is meant to act as a hub in policy discussions on approaches to strengthen and deepen the role and effectiveness of finance in Africa. The EIB is a founding member of the Partnership (to which it has recently increased its financial contribution) and actively participates in its governance within the Executive and Steering Committees, alongside partners such as AfDB, AFD, GIZ, USAID, as well as WB and IMF.

The EIB also supports the Let's Work Partnership, in cooperation with the other MDBs and interested donor countries. The objective of Let's Work is to further our common understanding of how development finance can best support the creation of quality jobs. It is done through a combination of methodological and country studies, as part of a three-year work programme.

In 2015, the EIB continued to be an active member of the IFI working group on the Harmonisation of Indicators for Private Sector Operations ("HIPSO"). That forum includes 25 IFIs who meet on a regular basis to help foster collaboration and enhance development impact through common development indicators which reduce the burden on clients and facilitate lesson learning. A MoU on Harmonized Indicators for Private Sector Operations was first agreed in 2013 and this was further developed in 2015 when the HIPSO working group finalised a consultancy on harmonisation of further qualitative indicators, considered its recommendations, and signed an amendment to the MoU which now includes 38 shared indicators.

Coordination with others MDBs on Climate

The EIB has continued to cooperate throughout 2015 with MDBs and other IFIs and relevant groups in order to harmonise climate finance tracking and impact reporting standards.

The EIB tracks climate finance using definitions developed and harmonised in cooperation with peer institutions. During 2015, WBG coordinated the 2014 Joint Report on MDBs' Climate Finance (taking over from EIB the previous year). The report showed that, in 2014, MDBs delivered USD 23.8 billion in climate finance. In 2016 that work is being led by ADB and the 2015 Joint Report is expected to be published mid-2016. After this, since each MDB

will have coordinated one year's coordination of the report, the group will develop proposals for a longer term plan for data gathering and reporting.

MDBs are also working with other bilateral and national organisations (International Development Finance Club, IDFC: among the members worldwide are KfW, AFD, JICA but also BNDES, DBSA and China Development Bank) and during 2015 published the MDB/IDFC Common Principles for Mitigation Tracking, and initial Common Principles for Adaptation Tracking. Work continues on tracking in challenging sectors and on how to reach the ultimate aim of compatible reporting. However, although the Common Principles are a big step forward, the two groups are still far away from a fully harmonised approach. One of the main difficulties is agreeing on accounting methods (granularity of investments).

In another new work-stream in 2015, the MDBs, in close discussion with IDFC and OECD, developed a methodology for tracking “mobilised” funds in climate finance. As a first step, the methodology started by tracking the public and private co-finance figures for MDBs' 2014 Climate Finance which was made public at the COP21 in the MDB Joint Statement. That work, led initially by EBRD and now by WBG, has been coordinated within the EIB by PJ/ECSO and Ops/NPST – and has been shared with other parts of the EIB grappling with quantifying “leverage”, “mobilisation” or “multipliers”.

Further work has progressed between MDBs, IDFC and a now widened group including commercial financial institutions such as HSBC, Credit Agricole and Yes Bank (India) on Principles for Mainstreaming Climate Action in Financial Institutions, as requested at the Heads of MDBs meeting at WB Spring meetings. This work-stream, was officially launched at COP21 at a side event co-hosted by EIB with CAF and AIDA-Americas (a Latin American CSO). In addition, EIB is hosting, on a temporary basis, the Principles for Mainstreaming website: www.eib.org/FIclimatemainstreaming

Those Principles should provide a platform to gather an ever increasing number of supporting financial organisations (e.g. commercial banks, insurance companies, institutional investors). The headlines of the Five Voluntary Principles are:

- COMMIT to climate strategies (including targets, priorities)
- MANAGE climate risks (stranded assets, vulnerability analysis, adaptation)
- PROMOTE climate smart objectives (instruments, leverage, knowledge sharing)
- IMPROVE climate performance (measuring, impact)
- ACCOUNT for your climate action (reporting)

A larger group including all 6 MDBs, plus AFD, KfW, NIB and other IFIs, has also developed and published, via the Green Bond Principles Network, a harmonised framework for green bond impact reporting. EIB has used it in its March 2015 CAB Newsletter, and led the group to finalise a second version published at COP21. This impact reporting is linked to harmonised approaches on GHG accounting and reporting, developed by the IFI working group in which the EIB is a key participant.

On Adaptation the EIB also continues to work closely with the EU financing institutions in the EU Financing Institutions Working Group on Adaptation to Climate Change. EIB co-organised with other EUFIWACC members and hosted at its Brussels Office in June 2015 an Adaptation Day, to exchange and build capacity in Climate Risk and Vulnerability assessment

and Climate Risk management. That day was attended by nearly 100 consultants and benefitted also from expert input from the German Climate Service Centre.

ANNEX I - LIST OF OPERATIONS SIGNED IN 2015

List of operations signed in ALA Region (Latin America, Central Asia and Asia)

 full contribution
 + partial contribution

COUNTRY	OPERATION	Signed (EURm) / Framework			Objective supported				Sector
		ELM - Compreh. Guarantee	ELM - Political Risk Guarantee	ORF	Local private sector dev.	Social & Economic Infra	% Climate Action	Regional Integrat.	
Bangladesh	LAKSAM AKHAURA DOUBLE TRACK RAIL PROJECT	135					100%		Transport
Brazil	BRASIL LOAN FOR SMES AND MIDCAPS		150				2%		Credit lines
Brazil	SAO PAULO POWER DISTRIBUTION II			150					Energy
Ecuador	WASTEWATER TREATMENT PROJECT IN GUAYAQUIL	93							Water, sewerage
Honduras	HONDURAS SUSTAINABLE ROADS	79					3%		Transport
India	SBI LOAN FOR SMES AND MID-CAPS C	100			+	+	30%		Credit lines
Kyrgyzstan	CENTRAL ASIA SOUTH ASIA ELECTRICITY TRANSMISSION	70							Energy
Lao People's Democratic Rep.	VIENTIANE SUSTAINABLE URBAN TRANSPORT	19					100%		Transport

Nepal	NEPAL GRID DEVELOPMENT PROGRAMME	30							84%		Energy
Nepal	NEPAL POWER SYSTEM EXPANSION PROJECT	99							100%		Energy
Nicaragua	NICARAGUA HYDRO DEVELOPMENT AND TRANSMISSION	146							85%		Energy
Pakistan	WARSAK HYDROELECTRIC POWERSTATION REHABILITATION	50							100%		Energy
	Total 2015 Operations Signed	821	150	150							

List of operations signed in Eastern Neighbours in 2015

COUNTRY	OPERATION	Signed (EURm) / Framework		ELM - Political Risk Guarantee	Local private sector dev.	Objective supported		Regional Integrat.	Sector
		ELM - Compreh. Guarantee				Social & Economic Infra	% Climate Action		
Armenia	CAUCASUS TRANSMISSION NETWORK	10							Energy
Armenia	YEREVAN SOLID WASTE PHASE I	8				25%			Solid waste
Azerbaijan	IBA LOAN FOR SMES AND MIDCAPS	50				2%			Credit lines
Georgia	KUTAISI WASTE WATER	100				4%			Water, sewerage
Georgia	PROCREDIT LOAN FOR SME AND PRIORITY PROJECTS II GE		15			2%			Credit lines
Georgia	BANK OF GEORGIA LOAN FOR SMES AND MID-CAPS		40			2%			Credit lines
Ukraine	UKRAINE MUNICIPAL INFRASTRUCTURE PROGRAMME	400				50%			Energy
Ukraine	UKRAINE AGRI-FOOD APEX LOAN	400			+	35%	+		Credit lines
Ukraine	GUARANTEE FOR ECONOMIC DEVELOPMENT IN UKRAINE	458				16%			Energy, Transport
	Total 2015 Operations Signed	1,426	55						

List of operations signed in the Mediterranean Neighbours

COUNTRY	OPERATION	Signed (EURm) / Framework			Objective supported				Sector	
		ELM - Compreh. Guarantee	ELM - Political Risk Guarantee	ORF	3rd party res.	Local private sector dev.	Social & Economic Infra	% Climate Action		Regional Integrat.
Egypt	CAIRO METRO LINE 3 PHASE 3 - B	200						100%		Transport
Egypt	PRIVATE SECTOR DEVELOPMENT AND ECONOMIC GROWTH	120						2%		Credit lines
Egypt	DAMANHOUR CCGT POWER PLANT	550								Energy
Israel	NEGEV SOLAR THERMAL PLANT			141		+		100%		Energy
Jordan	NEPCO GREEN CORRIDOR	66						100%		Energy
Jordan	WADI AL ARAB WATER SYSTEM II PROJECT	50						10%		Water, sewerage
Morocco	FEMIP SUSTAINABLE ENERGY FACILITY (BMCE)		5					100%		Credit lines
Morocco	EUROPAC INDUSTRIAL PACKAGING PLANT IN TANGIER		10							Industry
Morocco	ONEE – UPGRADE AND REHABILITATION OF EXISTING WATER SUPPLY AND SANITATION	75						30%		Water, sewerage
Regional - Mediterranean	COOPMED				2					Services
Tunisia	AMEN BANK PRETS PME ET ETI		50					2%		Credit lines

Tunisia	MODERNISATION ROUTIERE II	150																				Transport
	Total 2015 Operations Signed	1,211	65	141	2																	

List of operations signed in Candidates and Potential Candidates Countries

COUNTRY	OPERATION	Signed (EURm) / Framework		ORF	Local private sector dev.	Objective supported			Sector
		ELM - Compreh. Guarantee				Social & Economic Infra	% Climate Action	Regional Integrat.	
Kosovo	ROUTE 10 RAIL REHABILITATION	42					100%		Transport
Montenegro	MONTENEGRO WATER AND SANITATION D	10							Water, sewerage
Montenegro	IDF LOAN FOR SMES AND PRIORITY PROJECTS II	40			+		2%	+	Credit lines
Serbia	SGRS LOAN FOR SMES AND OTHER PRIORITIES III A		80		+		2%	+	Credit lines
Serbia	EB LOAN FOR SMES AND OTHER PRIORITIES III		50		+		2%	+	Credit lines
Turkey	ILLER BANK URBAN TRANSPORT AND ENVIRONMENT LOAN	250					100%		Solid waste, Transport, Water, Sewerage
Turkey	YAPIKREDI LOAN FOR SMES AND MIDCAPS		150				2%		Credit lines
Turkey	VAKIFBANK LOAN II FOR SMES AND MIDCAPS B		100				2%		Credit lines
Turkey	EXIMBANK LOAN FOR SMES AND MIDCAPS II B		100				2%		Credit lines

Turkey	TURK TRAKTOR RDI		35		20%		Industry
Turkey	FINANSBANK LOAN FOR SMES AND MIDCAPS		50		2%		Credit lines
Turkey	TSKB LOAN III FOR SMES MIDCAPS AND INNOVATION A		100		2%		Credit lines
Turkey	TUBITAK RESEARCH PROMOTION II	200			3%		Services
Turkey	AFFORESTATION AND EROSION CONTROL III	120			100%		Agriculture, fisheries, forestry
Turkey	ZIRAATBANK LOAN FOR SMES AND MIDCAPS II A		100		2%		Credit lines
Turkey	GARANTI BANK LOAN FOR SMES AND MIDCAPS II		200		2%		Credit lines
Turkey	ISBANK LOAN FOR SMES AND MIDCAPS		200		2%		Credit lines
Turkey	ISTANBUL UNDERGROUND RAIL NETWORK	295			100%		Transport
Turkey	FORD OTOSAN RDI		100				Industry
Turkey	HALKBANK LOAN III FOR SMES MIDCAPS AND PRIORITIES		200		20%		Energy, Credit lines
Turkey	SEKERBANK LOAN FOR SMES AND MIDCAPS		100		2%		Credit lines
	Total 2015 Operations Signed	957	1,565				

List of operations signed in South Africa

COUNTRY	OPERATION	Signed (EURm) / Framework		ELM - Political Risk Guarantee	Local private sector dev.	Objective supported			Sector
		ELM - Compreh. Guarantee	ELM - Political Risk Guarantee			Social & Economic Infra	% Climate Action	Regional Integrat.	
South Africa	SOUTH AFRICA PRIVATE SECTOR FACILITY - IDC, FNB, NEDBANK	50	100						Credit lines
	Total 2015 Operations Signed	50	100						

Annex II - List of operations signed in the regions covered by the Mandate in 2015 and co-financed with other IFIs or benefiting from EU grants

List of operations signed in the regions covered by the Mandate in 2015 and co-financed with other IFIs or benefiting from EU grants

MANDATE / FACILITY	COUNTRY	CONTRACT NAME	PROJECT COST (EUR M)	EIB LOAN SIGNED IN 2015 (EUR M)	Multilateral Financing Institutions	European Bilateral Institutions	EU budget contrib.
ELM East-Ru. 2014-2020	Armenia	CAUCASUS TRANSMISSION NETWORK	113.10	10.00		X	NIF
ELM MED 2014-2020	Morocco	FEMIP SUSTAINABLE ENERGY FACILITY (BMCE)	137.50	5.00	X	X	NIF
ELM Asia 2014-2020	Nepal	NEPAL POWER SYSTEM EXPANSION PROJECT	270.20	98.94	X		
ELM Latin America 2014-2020	Honduras	HONDURAS SUSTAINABLE ROADS	167.74	79.42	X		LAIF
ELM Pre-Accession 2014-2020	Montenegro	MONTENEGRO WATER AND SANITATION D	114.22	10.00		X	IPA WBIF
ELM East-Ru. 2014-2020	Ukraine	UKRAINE MUNICIPAL INFRASTRUCTURE PROGRAMME	800.00	400.00			NIF, (EPTATF, E5P expected)
ELM Latin America 2014-2020	Ecuador	WASTEWATER TREATMENT PROJECT IN GUAYAQUIL	212.30	92.93	X		
ELM Central Asia 2014-2020	Kyrgyzstan	TAJIK - KYRGYZ POWER INTERCONNECTION	281.70	70.00	X		
ELM Pre-Accession 2014-2020	Turkey	ILLER BANK URBAN TRANSPORT AND ENVIRONMENT LOAN	550.00	250.00			MFF, IPA II
ELM East-Ru. 2014-2020	Ukraine	GUARANTEE FOR ECONOMIC DEVELOPMENT IN UKRAINE	1,550.87	457.67	X		
ELM Asia 2014-2020	Bangladesh	LAKSAM AKHAURA DOUBLE TRACK RAIL PROJECT	554.90	135.00	X		

ELM East-Ru. 2014-2020	Georgia	KUTAISI WASTE WATER	280.00	100.00	X		NIF EPTATF
ELM East-Ru. 2014-2020	Armenia	YEREVAN SOLID WASTE PHASE I	35.00	8.00	X		NIF MPSF
ELM MED 2014-2020	Jordan	NEPCO GREEN CORRIDOR	146.10	66.27		X	NIF
ELM MED 2014-2020	Jordan	WADI AL-ARAB WATER SYSTEM II PROJECT	101.66	49.71		X	NIF, FEMIP Trust Fund
ELM Asia 2014-2020	Pakistan	WARSAK HYDROELECTRIC POWERSTATION REHABILITATION	150.00	50.00		X	
ELM Asia 2014-2020	Lao People's Democratic Rep.	VIENTIANE SUSTAINABLE URBAN TRANSPORT	87.76	18.91	X	X	AIF
ELM Asia 2014-2020	Nepal	NEPAL GRID DEVELOPMENT PROGRAMME	65.16	30.00		X	AIF
ELM MED 2014-2020	Egypt	DAMANHOUR CCGT POWER PLANT	1,207.53	550.36	X		
ELM Pre-Accession 2014-2020	Kosovo	ROUTE 10 RAIL REHABILITATION	208.40	42.00	X		
ELM MED 2014-2020	Tunisia	MODERNISATION ROUTIERE II	342.90	150.00			PJ consultancy
ELM East-Ru. 2014-2020	Ukraine	UKRAINE AGRIL-FOOD APEX LOAN	800.00	400.00			NIF, EPTATF
ELM MED 2014-2020	Egypt	CAIRO METRO LINE 3 PHASE 3 - B	2,417.90	200.00		X	NIF
ELM Latin America 2014-2020	Nicaragua	NICARAGUA HYDRO DEVELOPMENT AND TRANSMISSION	1,090.45	146.09	X		
Total, of which EIB financing volume			11,685.39	3,420.29			
- co-financed with other IFIs				2,220.29		- benefiting from EU grants	1,777.30