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From: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 14 September 2016

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
the European Union

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Subject: COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY  
OF THE EVALUATION Mid-term evaluation of the European Union  
Guarantee for the EIB External Lending Mandate Accompanying the  
document REPORT FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT AND THE COUNCIL on the mid-term review of the  
application of the Decision N° 466/2014/EU as regards the EU guarantee  
to the European Investment Bank against losses under financing  
operations supporting investment projects outside the Union

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Delegations will find attached document SWD(2016) 294 final.

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Brussels, 14.9.2016  
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**COMMISSION STAFF WORKING DOCUMENT**

**EXECUTIVE SUMMARY OF THE EVALUATION**

**Mid-term evaluation of the European Union Guarantee for the EIB External Lending  
Mandate**

*Accompanying the document*

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

**on the mid-term review of the application of the Decision N° 466/2014/EU as regards the  
EU guarantee to the European Investment Bank against losses under financing  
operations supporting investment projects outside the Union**

{ COM(2016) 584 final }  
{ SWD(2016) 295 final }

## **Executive Summary**

This Staff Working Document communicates the methodology, analysis, findings, conclusions and recommendations of the mid-term evaluation of the European Union Guarantee for the European Investment Bank ("EIB") External Lending Mandate ("ELM"). The purpose of this evaluation was to assess the application in the first years of Decision No 466/2014/EU ("the Decision") adopted on 16 April 2014 by the European Parliament and the Council.

The independent external evaluation has been executed by a contractor who works under direct monitoring and supervision of a Steering Committee consisting of representatives from relevant Commission DGs, the European External Action Service ("EEAS") and the EIB. The findings of the final evaluation report of the Contractor and contribution from EIB feed into the Commission's mid-term report.

## **Background**

The Decision has the purpose of granting an EU guarantee to the EIB against losses under financing operations signed over the period 2014-2020 in support of investment projects in eligible countries outside the Union (Annex III to the Decision). Following the signature of the Guarantee Agreement by the Commission and the EIB on 25 July 2014, the current ELM entered into force. The EU guarantee is granted as a global guarantee in respect of payments which were due to the EIB but were not received by it. Those payments must be in connection with loans, loan guarantees and debt capital market instruments granted for or issued for the benefit of EIB investment projects outside the Union.

The EU guarantee is granted only for EIB financing operations which, while complying with the requirements laid out in the Decision, have added value on the basis of the EIB's own assessment and support any of the following high-level objectives, defined in the Decision:

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

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

## **Evaluation results and conclusions**

### *The design of the ELM*

All the operations launched under the ELM since its inception in July 2014 are fully aligned with the three objectives stated in the Decision. Those three objectives themselves are aligned with the Sustainable Development Goals as defined by the United Nations. Moreover, the ELM has supported the Union's external policy agenda, showing sufficient flexibility and

reactivity to the geopolitical challenges as demonstrated through the cases of Syria, Ukraine (the Ukrainian crisis), Egypt and Morocco (“Arab spring”) and Jordan (the refugee crisis). The ELM has played a role in the economic and political stabilisation of those countries hit by a political crisis. As a result, in some of the regions (Asia; South Africa; Central Asia; Russia, Eastern Europe, South Caucasus), the volume of funds allocated so far represents up to 78% of the regional ceiling, which leaves limited leeway for responding to potential future challenges. EIB cooperation with Russia is restricted because of the restrictive measures introduced by the European Union in the context of the Ukraine conflict.

#### *The management of the ELM*

The management of the ELM by the EIB has been compliant with the requirements of the Decision and contributed to the effective use of the EU guarantee. Indeed, the project appraisal results in a comprehensive analysis of the project and provides the decision-maker with sufficient information for assessing the quality and the relevance of the latter. Key part of the appraisal, the Result Measurement Framework (“REM”) is well adapted to the operational objectives of the EIB in the framework of the ELM. The reporting from the EIB to the Commission is compliant with the requirements of the Decision and covers effectively the main aspects of the ELM.

#### *The added value of the ELM*

Without the EU guarantee, the EIB would not have financed most of the projects under consideration, as the country profiles of the recipient countries are too risky for the EIB to carry out the lending using the own-risk facilities. The added value of the ELM financing operations is substantial compared to private sector both in terms of the interest rate – much lower than the local commercial interest rates – and longer maturity. Thus, it expands greatly the access to funds for the local SMEs and midcaps. Moreover, there is a clear evidence of non-financial benefits for the final beneficiaries generated by the EIB lending: technical assistance, promotion of good financial standards within the local banking sector, procurement standards.

#### *Climate change mitigation and adaptation*

The ELM has substantially contributed to the climate change-related objectives, especially in terms of mitigation. It exceeds the quantitative target of 25% and even the future target of 35% by 2020, as the climate change-related actions account for 40% of the total EIB contribution. In addition, the ELM operations have allowed saving an estimated 1.35 Mt CO<sub>2</sub>-eq/year of greenhouse gas (“GHG”) emissions through the operations signed between July 2014 and December 2015.

#### *The communication and the ELM contribution to the visibility of the Union*

The communication efforts allowed the borrower to be informed of the Union support. However, it does not ensure that the visibility of the Union is sufficiently enhanced at the final beneficiary level. Communication and visibility objective should be further promoted and supported within the ELM.

In light of the evaluation conclusions, the Commission considered the following changes in the mandate in order to achieve the specific policy and operational objectives:

- **Review of the eligible countries' list** specified in Decision 466/2014/EU according to the country risk profile.
- **Better target the External Lending Mandate on the Union priorities** in order to improve the response to external policy objectives: A new horizontal high-level objective in response to the migration crisis, increase of the target for climate action projects to 35% of the total volume of EIB operations, reinforcement of the EIB's mandate contribution to climate change adaptation, reinforcement of the added value of EIB operations with a focus of the lending under the ELM on higher risk profiles by a review of the allocation policy, activation of the optional additional amount of EUR 3 billion (of which EUR 1.4 billion for the EIB Resilience initiative for operations involving public counterparts, increase of the overall ceiling by EUR 2.3 billion for EIB financing operations to private sector applicable to projects in support of refugees and/or host-communities with an extension of risk coverage by the EU guarantee for these operations, introduction of more flexibility with re-allocation of funds between regions and sub-regions to 20%, enhancement of EIB support to SMEs from the Union, direct contribution of EIB mandate to the achievement of some goals of the SDGs.
- **Improvement of the communication strategy for all projects at country level to reinforce the impact of the ELM and EU visibility**, through reinforcement of the cooperation between the EIB, the Commission and other entities of the EU working in a specific country.
- **Update of the Regional Technical Operational Guidelines**, which should reflect the evolutions of the Union's priorities and the EIB's alignment with them. The EEAS should continue to be closely associated to the elaboration of the Regional Technical Operational Guidelines.
- **Improvement of the reporting between the EIB and the Commission and new reporting**, with some improvements in the procedure and coordination between the EIB and the Commission which could further enhance the reporting system. The annual reporting from the Commission to the European Parliament and to the Council on EIB financing operations with EU guarantee should include an assessment of the contribution of EIB financing operations in response to the migration crisis. The EIB should implement and develop a set of indicators in its Results Measurement framework for projects in the public sector and in the private sector directed to refugees and host communities.