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**COMMISSION STAFF WORKING DOCUMENT**  
*Accompanying the document*

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

**ON 2014 EIB EXTERNAL ACTIVITY WITH EU BUDGETARY GUARANTEE**

{COM(2015) 649 final}

## 1. INTRODUCTION AND OVERVIEW

This Staff Working Document (SWD) reviews the implementation of the current EIB external mandate at project, sector, country and regional levels in 2014 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. According to the Decision 466/2014/EU of the European Parliament and of the Council of 16 April 2014, article 11.2 stipulates 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 this Decision including all necessary elements allowing the Commission to report. Therefore, facts and figures mentioned in section 3 regarding the overall contribution to EU policy objectives and in section 4 on actual and expected results of EIB operations resulting from the EIB's results measurement framework (ReM) are mainly based on information provided by the EIB.

The tables below summarise the overall EIB external lending activity over the period 2007-2014: overall signatures (Table 1), the signatures under EU guarantee (Table 2), the signatures under EIB own risk facilities (Table 3).

**Table 1: Overview of overall EIB lending signatures outside the EU (all resources)**

EUR m	2007	2008	2009	2010	2011	2012	2013	2014
Pre-Accession	2.909	3.473	4.309	3.430	3.406	3.106	2.958	2.436
Mediterranean	1.438	1.290	1.596	2.547	975	1.689	583	1.612
Eastern Neighbours, Russia	230	170	233	631	776	934	1.805	1.176
Asia and Latin America	925	469	1.251	1.222	1.182	700	1.248	1.370
South Africa	113	203	280	50	165	100	260	175
<b>Total in Mandate Regions</b>	<b>5.615</b>	<b>5.604</b>	<b>7.669</b>	<b>7.880</b>	<b>6.504</b>	<b>6.529</b>	<b>6.854</b>	<b>6.768</b>
ACP countries/OCTs	742	567	822	967	580	644	728	993
EFTA countries	146	-	170	50	200	236	144	62
<b>Total Signatures outside EU</b>	<b>6.503</b>	<b>6.172</b>	<b>8.661</b>	<b>8.897</b>	<b>7.284</b>	<b>7.409</b>	<b>7.725</b>	<b>7.823</b>

NB: Lending in ACP countries/OCTs and EFTA countries are provided for information. Volumes in 2007-2012 include EUR 2billion signed under the Pre-Accession Facility in Croatia before its accession to the EU. Implementation of the Mandate 2014-2020 started in July 2014.

**Table 2: EIB lending signatures under EU guarantee**

EUR m	2007	2008	2009	2010	2011	2012	2013	2014
Pre-Accession	389	2.009	2.859	1.535	1.024	821	960	621
Mediterranean	1.205	1.195	1.510	2.009	926	1.655	530	1.382
Eastern Neighb, Russia	-	170	233	631	675	934	1.686	1.176
Asia, Latin America	305	469	1.051	643	310	450	997	820
South Africa	-	203	280	50	115	100	260	175
<b>General Mandate Total</b>	<b>1.899</b>	<b>4.045</b>	<b>5.932</b>	<b>4.867</b>	<b>3.050</b>	<b>3.960</b>	<b>4.433</b>	<b>4.174</b>

**Table 3: EIB lending signatures under EIB own risk facilities**

EUR m	2007	2008	2009	2010	2011	2012	2013	2014
Pre-Accession	1.176	1.444	1.450	1.796	2.358	2.285	1.998	1.815
Mediterranean	185	33	56	516	39	11	-	230
Eastern Neighb, Russia	-	-	-	-	101	-	119	-
Asia, Latin America	500	.....	200	579	861	250	242	550
South Africa	-	-	-	-	50	-	-	-
<b>Total</b>	<b>1.861</b>	<b>1.477</b>	<b>1.707</b>	<b>2.891</b>	<b>3.409</b>	<b>2.546</b>	<b>2.359</b>	<b>2.595</b>

## **2 EIB CORPORATE RESPONSIBILITY**

The EIB contributes to sustainable development and is held accountable by stakeholders and society. In 2014 the EIB established a separate Corporate Responsibility Department to promote further integration of sustainability standards and practices into its activities.

As a rule, EIB activities and decisions are driven by EU policy and its operations are governed by the need to improve environmental and social impacts:

- integrating high environmental and social standards in its business activities;
- ensuring strong governance, transparency and accountability, for the EIB and for counterparts;
- minimising its own environmental footprint.

### **2.1 Transparency, governance and accountability**

In 2014, EIB worked on the revision of its Transparency Policy from 2010 including an extensive public consultation. It aims to set out the EIB Group's approach to transparency and stakeholder engagement and to define the EIB procedures concerning information requests from the public as well as the information that the EIB makes routinely available to the public. (The new transparency policy was meanwhile adopted in March 2015).

#### **2.1.1 International Aid Transparency Initiative (IATI)**

The International Aid Transparency Initiative (IATI) has been operating since 2011 and allows organisations involved in development, including donor and developing countries, civil society organisations and other experts in aid information, to increase the transparency of aid and development finance. During 2014, the EIB was an active participant within the consultation process coordinated by the IATI Secretariat, to set in place an implementation schedule for IFIs and DFIs. This schedule has been co-presented by IATI programme manager and the EIB during the IATI Steering Committee in October 2014.

In September 2014, EIB published the first set of data and information on its operations outside the EU based on the IATI reporting standard. Having joined IATI in October 2013 and now publishing to its standard reflects EIB's commitment to transparency and accountability in the use of its resources and further improves public access to information on EIB's activities.

#### **2.1.2 Transparency and monitoring of investment projects**

All projects financed by the EIB are published at least 3 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, which has been established under the EC Regulation 1367/2006 regarding public access to environmental information to Community institutions and bodies. It contains the Environmental and Social Data Sheets (ESDS) of all concerned projects approved since 2013, including those financed under the 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 mandate reach completion, EIB is preparing to make, where possible, relevant project completion reports available to the public, excluding confidential information. The EIB is also developing Environmental and Social Completion Sheets (ESCS) that will provide the EIB's assessment of project-related environmental and social aspects at project completion stage for all the investment projects it finances, increasing the transparency of its financing operations.

## **2.2 Compliance**

The independent EIB Compliance function promotes the highest standards of integrity and ensures that they are applied to all of the EIB's activities, as outlined in EIB's integrity policy and compliance charter. It strongly supports a corporate culture based on ethical values and professional conduct as well as combating money laundering and the financing of terrorism. As such, compliance is integral to the EIB's ethical, professional and business approach.

Areas of activity within Compliance include:

- integrity checks on operations and counterparties
- integrity of staff and governing bodies (ethics)
- ensuring that procurement selection procedures comply with internal rules.

Furthermore, 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.

## **2.3 Environmental and Social standards**

EIB's Environmental and Social Framework articulates the commitment to environmental and social sustainability and the protection and respect of human rights. This framework comprises the EIB Statement of Environment and Social Principles and Standards 2009, and the ten EIB Environment and Social Standards 2013. These ten Standards are directed towards promoters and provide the requirements and guidance on how to identify risks, impacts and opportunities. They are designed to help avoid, mitigate, remedy and manage risks and impacts; intrinsically linking this to doing business in a sustainable way while, in relation to project-level activities, improving transparency, accountability and better engaging with the local communities affected by EIB operations.

The Standards also reflect the evolution in good practice for sustainability, and are aligned with the policy objectives enshrined in several key environment and human rights-related reference documents and policies of the EU. Central to these ten Standards are human rights considerations, climate change, biodiversity and ecosystems and resource efficiency. The EIB reviews each project to ensure that they are consistent with the relevant standards and international best practice.

## **2.4 Human Rights**

As an EU body, EIB is legally bound to 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 partly achieved by excluding specific types of projects or activities from EIB lending<sup>i</sup> and effectively complemented by comprehensive due diligence processes.

Drawing 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), the EIB further advanced its commitment to human rights and in late 2013 disclosed its revised Environmental and Social Standards which effectively integrate human rights and promotes robust, human-rights-responsive due diligence processes. 2014 marked the first year of the revised Standards’ application. It is foreseen that over the course of 2015 the EIB will assess the effectiveness of the new framework in terms of its responsiveness to human rights considerations.

## **2.5 Gender**

In June 2014, the EIB embarked upon a, 18-month-long gender mainstreaming exercise, aiming to support the EIB services in the development of a strategic approach to gender, both in terms of its safeguards-based due diligence, as well as the impact of its lending. This approach is expected to be complemented by a suite of procedures and tools that will effectively help mainstream gender in its operations. A Gender Action Plan is expected to be the key vehicle to articulate the undertaking of key activities and deliverables necessary for the application of gender mainstreaming going forward.

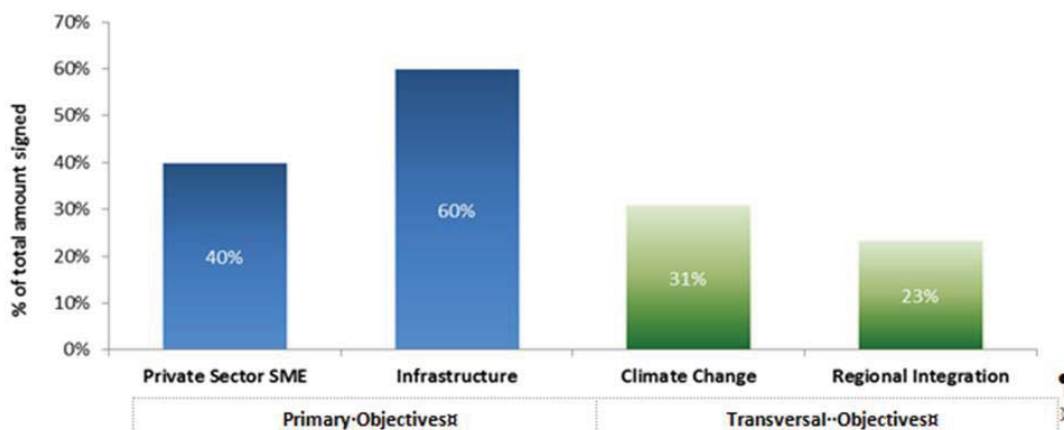
## **3. OVERALL CONTRIBUTION TO EU POLICY OBJECTIVES**

The objective of EIB operations under the Mandate is to support relevant external policy objectives of the EU. In particular, the Decision 466/2014/EU maintains specific policy goals to be addressed through EIB external operations in all regions covered by the EU 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 EU 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 the Decision). The EIB shall 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 – total operations 2014**



Note: Contribution to mandate objectives in terms of proportion of operations signed in 2014 (all resources). A single project may contribute to more than one mandate objective. Contribution to “cross-cutting” objectives is recorded on top of the 100% primary objectives.

*Comment on chart 1:* Each project financed by the EIB outside the EU 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, this 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 2014, the EIB signed finance contracts totalling EUR 6.8 billion in support of 72 investment projects in the regions covered by the ELM. The largest contribution was to social and economic infrastructure, in terms of both number of projects and signed volumes, followed by local private sector development. 23 projects, and a total of EUR 2.1 billion is contributing to climate change mitigation and adaptation. An equal number (23 projects) with 23% of total signature volume contributes to the regional integration objective.

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

#### 3.1.1. EIB's SME support framework

Supporting access to finance for SMEs and midcaps is a top priority for the EIB because a dynamic private sector, in which entrepreneurs are able to obtain finance to implement sound business investments, is vital for job creation and inclusive growth. Furthermore, investments in the private sector have the greatest development impact and SMEs are important drivers of, private sector development, employment and innovation, as well as growth and social inclusion.

The EIB supports local private sector development through a variety of channels to ensure increased impact; credit lines to local financial intermediaries to on-lend to SMEs; participation in private equity funds to provide expertise and risk capital to high-growth potential companies; credit lines and equity finance for microfinance providers to support

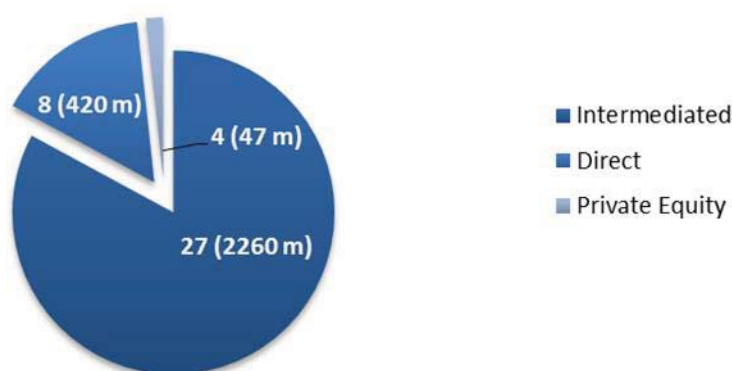


access to finance and basic financial services; and direct loans to larger companies where this is critical to realising wider developmental benefits, particularly job creation.

### 3.1.2. Local private sector development in 2014

EIB signed EUR 2.7 billion financing for 39 operations that will support local private sector development in ELM regions during 2014. Of the 39 operations, 33 relate to new operations having the first signature in 2014. Most are intermediated operations, either credit lines supporting SMEs and Mid-Caps (21 operations), microfinance investment vehicles or private equity funds (4 operations). Also 8 direct financing operations (including 3 infrastructure projects) support local private sector development either fully or partially.

Chart 4: Operations contributing to local private sector development by type of operation  
Total operations 2014 (in EUR million)



### Expected Results of new projects

Lending to **SMEs and Mid-Caps through credit lines** to local financial intermediaries is important to both enhance access to longer-term funding, particularly for small businesses, and to strengthen local financial sectors. Small businesses often have great growth potential, but face financing constraints because of small size and information asymmetries such as a lack of credit history.

By providing funds to entrepreneurs to start or expand their businesses, credit lines can help create employment, extend and improve services for customers, contribute to export earnings and foster competitive local markets. In many contexts, improving access to formal funding may help the transition of informal enterprises into the formal sector, something which has further impacts on standards and access to credit.

21 new credit lines in 2014 are expected to enable intermediaries to make more than 12 000 loans to financial beneficiary businesses, helping to sustain more than 370 000 jobs. These loans, 96% of which will go to SMEs, are expected to have a total value of EUR 2.6 billion. A number of credit lines have a strong focus on very small enterprises, particularly in the agricultural sector in Turkey and Moldova.

These credit lines will also extend the maturities of the loans offered to SME and Mid-Caps, with the average loan tenor expected to be 5.4 years, and therefore much more closely matching the economic life of investments than the maturities typically available to SMEs in

developing contexts. Expected results are reported for the EIB-financed amount only, and not for the matching funding provided by each promoter (as the aggregate expected results of both sources of funding were previously reported, the figures presented here are lower than those presented in previous reports, but this does not reflect a real change in outcomes or impact).

**Table 10: Credit lines for SMEs, expected results by region – new operations 2014**

Expected Outputs	ALA	EAST	MED	PA
Number of projects	2	4	3	12
Total loans (EUR million)	350	545	170	1,485
Total loans #	720	1,810	207	9,728
Average loan size (EUR '000s)	486	301	821	153
Average loan tenor (years)	10.4	9	8	5

Many credit lines have a particular impact on the development of local financial sectors and their capacity to support private sector growth. They may enhance competition by supporting a second tier bank expand its market presence, help extend the range of products offered or enable banks to target currently underserved groups.

**Table 11: Credit lines supporting SMEs and mid-caps – new operations 2014**

EXPECTED OUTPUTS	SMES	MIDCAPS	OTHER	ALL	EXPECTED OUTCOMES
Total loans (EURmillion)	1 690	764	46	2 600	Jobs sustained (total): 373 324
Total loans #	11 934	309	222	12 465	▶ In SMEs 226 893
Average loan size (EUR '000s)	137	2 472	658	205	▶ In Mid-Caps 125 108
Average loan tenor (years)	5.5	5.1	5.2	5.4	In other 21 323
Number of credit lines:					
Increasing access to finance for underserved markets				5	Supporting the development of local financial sectors
Increasing access to finance for first time borrowers				3	
Financing second tier bank, improving competition				1	▶ Increasing access to financial services for underserved segments
Lending in local currency				5	
Supporting introduction of new products				2	
Supporting lending in a shallow market				4	

Similarly to previous years, the majority of new credit lines were signed in the Pre-Accession region, under the EIB own-risk Pre-Accession Facility providing support to enterprises to modernise, expand and apply EU standards. In terms of lending volume, Eastern Neighbourhood was also an important beneficiary region, with new signatures including e.g.



EUR 120million support for the upgrading of the agricultural value chain in Moldova and a large (EUR 400million) loan to Ukrainian banks via the State. This loan operation will help strengthen the capacity of private enterprises to stay in business during the crisis and remain able to participate in international trade. In the Mediterranean, new agreements were signed in Tunisia, Egypt and Lebanon with focus e.g. on high-growth enterprises and on industrial pollution abatement. In Asia and Latin America, credit lines give emphasis to renewable energy or energy efficiency projects undertaken by SMEs, or to improving the conditions of financing working capital needs.

**Private equity funds** are specialised in meeting the needs of start-ups and high-growth potential companies for risk-absorbing finance. They complement this finance with professional expertise to help investee firms make a break-through to long-term financial sustainability and growth.

EIB provides private equity and microfinance support by using third party resources in the Mediterranean. The Abraaj North Africa Fund II pools EUR 5million of EU budget resources and EUR 15million from the Agencia Española de Cooperación (via a partnership agreement) to support the growth of mid-market companies established in North Africa. This funding will be leveraged by a factor of nine by the EUR 180million fund. It will invest in 12 companies to create an estimated net total of 2 500 permanent jobs. An equity participation in First National Bank in the Lebanon will enable this second tier bank to extend financing to an additional 680 SMEs.

Arguably the most severe financial constraints are faced by micro-entrepreneurs, particularly women and those in rural areas that tend to be particularly underserved by financial systems. Microfinance combines social and economic development objectives to extend access to basic financial services to secure and improve livelihoods and drive development from the ground up.

**Table 12: Microfinance – new operations 2014**

EXPECTED OUTPUTS		EXPECTED OUTCOMES	
Loans to final beneficiaries (#):	11,670	Jobs sustained in final beneficiaries -	
Loans to final beneficiaries (EURmillion):	557	including self-employed (#):	7,970
Average loan size (EUR):	78%		
Women as % of final beneficiaries:			

In 2014, three new microfinance operations were signed in Morocco, Tunisia and Jordan. The microfinance providers being financed have a strong focus on women (78% of expected beneficiaries) and on very small scale lending, with an average expected loan size of EUR 557 (EUR 500 on average for Attadmoune (AMSSF II) and Microfund for Women in Morocco and Jordan, and EUR 1500 on average for Taysir in Tunisia). These loans are expected to help sustain nearly 8 000 jobs, including many self-employed persons. EIB finance is expected to be able to provide many micro-entrepreneurs with more than one loan over time, with funding

being revolved (for this reason the expected number of loans is larger than expected jobs sustained).

A credit line to Microfund for Women is the EIB's first intervention in the Jordanian Microfinance sector. In this instance, the EIB is supporting a well-established institution with a very strong focus on women (95% of more than 100 000 borrowers). It is one of the few microfinance institutions in the region providing micro-insurance services at a large scale, therefore further contributing to the improvement of living conditions amongst the poorest, through cover of life and health risks. In Tunisia, by contrast, the EIB is supporting the establishment of a new microfinance institution, Taysir (see below) in a relatively underserved market.

### ***Taysir Microfinance***

*The EIB is supporting the establishment of a new microfinance provider, Taysir, in Tunisia, a country that is relatively underserved by microfinance, with so far only one established provider.*

*A EUR 1million loan is being provided under the FEMIP Trust Fund's impact investing envelope for higher risk and higher impact projects. This will enable Taysir to lend an average of EUR 1500 to 670 micro-entrepreneurs. 70% of these are expected to be women while 40% are expected to be first time borrowers. By providing a subordinated, long-term, local currency loan at favourable pricing, the EIB is helping Taysir to become established and attract additional sources of finance. EIB requirements will also mean an accelerated implementation of good market practices in fields such as anti-money laundering, client protection principles and environmental standards. The establishment of Taysir will help to diversify the financial sector and extend access to finance to groups such as young micro-entrepreneurs and small farmers.*

**Direct loans** to large companies also support local private sector development, particularly where investment activities have positive knock-on effects for the local economy, regional integration or the environment. Public funding is important to ensure that such investment with positive externalities takes place.

Examples of such new projects in 2014 include two R&D projects by Turkish manufacturers, in line with the priorities of the Instrument for Pre-Accession for Turkey. They will contribute to both local economic diversification and cross-border R&D cooperation, supporting the creation of the Euro-Mediterranean Innovation Space (EMIS). Another project with a Turkish ethylene manufacturer is expected to have positive effects on local downstream industries. In Ukraine, two projects will enhance local grain storage and processing capacity which is seen as important for enhancing resilience to the effects of climate change.

### **Impact of local private sector development projects on employment**

Taken together, new projects in 2014 will help 12 200 SMEs and Mid-Caps and 8 000 microenterprises gain access to finance. This is expected to help sustain around 381 000 jobs in these businesses. Direct loans to industry investment projects are expected to create 1 027 permanent jobs and 6 150 person-years of employment during project implementation.

In 2014, the first 8 operations approved under the ReM framework reached completion. The completed operations are all credit lines for SMEs in Pre-Accession countries: 5 in Turkey, 2 in Serbia and 1 in the Former Yugoslav Republic of Macedonia (FYROM). Credit lines tend to reach completion in a much shorter time than infrastructure projects. Due to the level of experience of the financial intermediaries in the Pre-Accession countries, signature and disbursement processes can be relatively fast. An operation in FYROM is described in more detail in the Case Study.

**Table 13: Ex post results for eight credit lines**

Results Achieved	ALL SMES	MICRO	SMALL	MEDIUM	MID-CAPS	ALL
Total loans (EUR million)	527	56	163	307	183	710
Total loans #	937	204	421	312	74	1,011
Average loan size (EUR '000s)	562	275	388	984	2,473	702
Average investment size (EUR '000s)	863	458	593	1,692	4,164	1,179
Average loan tenor (years)	4.9	6	5	5	4.4	4.8
Jobs sustained #	53,888	1,783	12,308	39,797	51,656	105,544

**The results achieved:** These 8 operations helped to sustain over 100 000 jobs in beneficiary companies, approximately half of which were in Mid-caps. In total, EUR 710million was lent though just over 1 000 loans that went overwhelmingly to SMEs, the companies that are typically confronted with the most severe credit constraints. Loans to SMEs were on the small side averaging around EUR 560 000. Manufacturing was the sector that benefitted most, with 38% of total lending. This was followed by the wholesale and retail sector (35%, and transport (9%). Investment projects financed included a small scale Hydropower plant in Macedonia, new machinery for a small food processing business and a production facility for a polyester manufacturer, both in Turkey.

**Additionality through extended maturities:** The average tenor of the loans provided to final beneficiaries was 4.8 years. For microenterprises, the average tenor offered was as much as 6.1 years. These are much higher durations than SMEs and mid-caps are typically able to obtain in these markets and will have helped the beneficiary companies to carry-out long-term investments – such as investments in machinery and equipment – which raise productivity but require a longer pay-back period.

## **3.2. Development of social and economic infrastructure**

### **3.2.1. EIB's social and economic infrastructure framework**

The development of social and economic infrastructure is a top priority, reflected by the fact Infrastructure is one of the four EIB Public Policy Goals. Investments in this priority sector provide a foundation for economic growth, job creation and social development as well as for regional integration. On this basis, the EIB will continue to support infrastructure projects in

its traditional sectors of intervention: energy, transport, water and sanitation, urban development, and health and education. It is expected that the current focus on energy and transport will be maintained, given that these two sectors continue to account for a large share of investment needs.

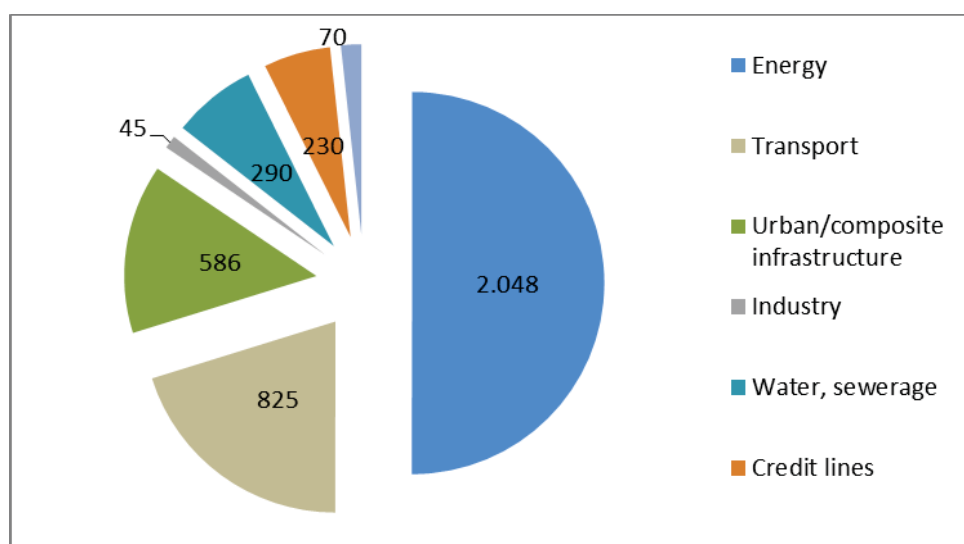
### 3.2.2. Social and economic infrastructure action in 2014

In 2014, the EIB signed a total of 41 new operations worth EUR 3.7 billion in order to help developing social and economic infrastructure in various sectors. Additionally, contracts for a further EUR 388 million were signed as second or later financing tranches for projects first signed and reported on in previous years.

Highlights of the 41<sup>1</sup> new infrastructure projects signed in 2014 include:

- 15 energy sector projects that will generate 6 668GWh a year and support the energy needs of 678 000 households.
- 7 transport projects expected to save road users and rail passengers a total of 39million hours a year and achieve operating cost savings of EUR 78million a year.
- 6 water sector projects expected to improve the supply of safe water for 3.3 million people, and
- 5 urban development projects expected to provide improved housing for 23 500 households.
- 

**Chart 3: Projects signed in 2014 contributing to economic and social infrastructure by sector**



Note: Some projects are multi-sector. Lending volumes for these projects are prorated.

<sup>1</sup> 29 of the 41 operations have been signed under the ELM

- **Expected results of new projects: Energy sector**

EIB prioritises energy generation from renewables, energy efficiency and effective energy networks. Many of the key challenges in this sector are institutional and policy-related. These include inadequate expertise, inappropriate regulation, fossil fuel subsidy usage or weak private sector participation. In this context, the EIB can add value by mobilising technical assistance and providing advice, often in cooperation with other IFIs.

The EIB signed contracts for 15 new projects in the energy sector in 2014. Among these, 6 energy generation projects are expected to add 1 091MW of generation capacity, enough to serve an additional 678 000 households. Projects to extend and improve the transmission of electricity and gas will improve efficiency and extend essential energy supplies. Over 23 600 households are expected to benefit from additional connections to electricity networks.

**Table 5: Energy – new projects overview**

# PROJECTS:			15
DEVELOPING:			generation from renewables (5) generation from gas (1) gas production and transport (2) power distribution (2) facilities for renewable energy and energy efficiency projects (5)
TOTAL INVESTMENT COST:			EUR 8.3billion
APPROVED EIB FINANCE:			EUR 2.2billion
<b><u>EXPECTED OUTPUTS</u></b>		<b><u>EXPECTED OUTCOMES</u></b>	
Generation capacity:	1091 MW	Annual electricity production:	6 668 GWh
		Households potentially served:	678 000
		Annual savings from import reduction or export gains:	EUR 108million
Power transmission substations constructed or upgraded:	146	Additional annual electricity transported:	6 354 GWh
Power lines constructed or upgraded:	3 623 km	New households connected:	23 640
Gas pipelines constructed:	501 km	Gas transported per year:	249 900 GWh
Gas production capacity (barrel of oil equiv. pa):	60million	Savings from reduced imports:	EUR 190million/ yr
Projects increasing energy generation and distribution efficiency:	4	Energy savings per year:	1 694 GWh

One of the 6 energy generation projects signed in 2014 is the El Shabab Power Plant project in Egypt and this year's only fossil-fuel based generation project is about energy efficiency: the project will convert an existing open cycle gas turbine power plant to modern combined-cycle technology, generating an additional supply of 4 672 GWh/year through improved efficiency, without needing to increase the quantity of gas used as fuel.

The EIB also supports the development of electricity and gas networks which increase the rational use of energy and economic development through regional integration, enhancing reliability and security of supply and increasing access to affordable energy. Two projects focus exclusively on extending and upgrading electricity networks to improve reliability and efficiency and to reach more households and businesses. For example, the Tajik-Kyrgyz Power Interconnection project will re-establish regional electricity trade and ensure continuous power supply in Tajikistan.

The Urengoy-Pomary-Uzhgorod Gas Pipeline project, meanwhile, which comes under the EU support package for Ukraine, involves the replacement of two compressor units and 119 km of corroded sections on a pipeline which transports natural gas from Russia to Ukraine and the EU. The investment will reduce the fuel consumption of each compressor unit from around 9 000 m3 of gas per operating hour to 7 000 m3 per hour while at the same time improving security of supply and extend the operational reliability of the pipeline.

Also in the gas sector, the ETAP South Tunisian Gas project will allow gas discovered in the south of Tunisia to be delivered to the north of the country. With a total investment cost of more than EUR 1 billion, it will save Tunisia EUR 190 million per year in terms of avoided imports of oil products and it will generate EUR 50 million per year of additional government revenue. Furthermore, EIB will provide financing through five new intermediated loans to smaller renewable energy and energy efficiency projects, mostly in the private sector including two projects in India. A further two loans in Turkey will finance energy and environmental improvements in industrial processes.

- **Expected results of new projects: Transport sector**

EIB involvement in the transport sector ensures that projects meet international environmental standards, social implications of project interventions are adequately addressed, and good procurement practices are followed.

**Table 6: Transport – new projects overview**

# PROJECTS:		7	
TOTAL INVESTMENT COST:		EUR 1.76billion	
APPROVED EIB FINANCE:		EUR 609million	
<b><u>EXPECTED OUTPUTS</u></b>		<b><u>EXPECTED OUTCOMES</u></b>	
Length of roads built/upgraded (lane km):	3 293	Vehicles/day benefitting:	41 900
		Road fatalities avoided (lives/year):	117
		Time savings (hour/year):	21million
		Annual vehicle operating cost savings:	EUR 71million



New urban transport trains:	73	# passengers benefitting annually:	518million
		Passenger time savings (hours/year):	18million
Length of track built or upgraded:	1.8 km	Annual operating cost savings:	EUR 7million
		Additional cargo carried (tonnes/year):	300 000

The EIB signed contracts for 7 new projects in the transport sector in 2014. As indicated in Table 5, every year, these projects are expected to achieve some 39million hours of time savings for road and rail passengers, and EUR 78million in saved operating costs, as well as significant safety improvements.

For example, the "Programme de modernisation routière" in Morocco will focus on improvements across the national road network, identified by the World Economic Forum as the most important of the country's infrastructure shortcomings. The Vlõre bypass project will reduce congestion on the roads of the second largest port city in Albania, achieving time savings and improving safety. Integration of road safety into EIB funded road projects is an action that the EIB is prioritising.

Urban rail transport helps to reduce congestion and environmental impact in cities, while railways in general tend to be the most energy efficient and least polluting land transport mode. In south west Ukraine, the construction of a twin track tunnel will remove a significant impediment to a Trans-European Transport corridor, promoting trade. Acquisition of 73 train sets in São Paulo will alleviate the current overcrowding of the local metropolitan commuter railway services, benefitting over half a million passengers a year.

#### ***Upgrading Montenegro's roads***

*This project will improve transport conditions, including safety, through the rehabilitation and upgrading of six sections of the national road system which is vital for international transit traffic as well as to international and national tourist and goods traffic to the Adriatic Coast. It will also cover the construction of two city bypasses and a tunnel. These improvements are expected to result in 20million hours of time savings and EUR 18million in vehicle operating cost savings every year. It will improve safety, contribute positively to economic development in the country and improve living conditions in two cities (Niksic and Rozaje) by diverting transit traffic from inhabited areas.*

*Having already been active in financing road rehabilitation in Montenegro, the EIB was able to assist in project preparation and is providing a long-term loan of EUR 30million towards a total project cost of EUR 65.7million. As part of the project, technical assistance will also be provided in relation to road safety, institutional strengthening and project implementation, with the EIB specifically supporting the tender process. During construction, 2400 person/years of employment will be created.*

- **Expected results of new projects: Water and sanitation sectors**

Challenges in water and sanitation sectors include defining realistic service levels, reducing water losses, the institutional strengthening of municipal and regional utilities, and improving



regulation. Rapid urbanisation, changing consumption patterns and climate change impacts add further to the challenges in this sector. The achievement of the water and sanitation targets of the United Nations Millennium Development Goals is a central component of EU development policy outside the EU.

The EIB signed contracts for 6 new projects in the water and sewerage sector in 2014. These projects are expected to improve access to safe drinking water for 3.3million people, and enhance sanitation services to more than 627 000 people across Bangladesh, Egypt, Mongolia, Armenia, and the Republic of Moldova.

One of the new projects signed in 2014, the Dhaka Environmentally Sustainable Water Supply project in Bangladesh, is notable for the very large size of the population that will benefit from improved water supply. It is expected to improve the quality and resilience of the water supply for some one million households by substituting new sustainable surface water extraction for over-exploited groundwater resources. In addition, this project was counted as 15% adaptation to climate change because it addresses water supply demands, whilst making the system more resilient to extreme weather variations. Given the large proportion of the population in many countries that are still without adequate access to safe drinking water and adequate sanitation, projects in the water sector often bring important benefits to very large number of people. For instance, the North Moldova Water project is expected to benefit 231000 people, approximately 8% of the country's 2.9million population.

The Kafr El Sheikh Wastewater Treatment project in Egypt involves the construction of two wastewater treatment plants, and the expansion of a further three, as well as the laying of 697 km of sewers. It will result in an additional 48 400 000m<sup>3</sup>/year of waste water treated to acceptable standards. It will reduce the discharge of untreated sewage into the environment, including the Mediterranean Sea, by 85 000 m<sup>3</sup>/day.

**Table 7: Water and sanitation – new projects overview**

# PROJECTS:		6	
TOTAL INVESTMENT COST:		EUR 1billion	
APPROVED EIB FINANCE:		EUR 270million	
<b>EXPECTED OUTPUTS</b>		<b>EXPECTED OUTCOMES</b>	
New or rehabilitated water treatment capacity (m <sup>3</sup> /day):	533 000	Population benefitting from improved water supply:	3 306 000
New/upgraded water storage capacity (m <sup>3</sup> ):	9 800	Average %-point reduction in non-revenue water: <sup>2</sup>	21.5
New/upgraded water mains/pipes:	712 km		
New/upgraded domestic water connections:	175 300		
New or rehabilitated wastewater treatment	388 900	Population benefitting from improved	627 500

<sup>2</sup> Non-revenue water (%) is the percentage of water supplied that is not billed because of leakage or illegal connections

capacity (person-equiv./day):		sanitation services:	
New/upgraded sewer and storm pipes:	728 km	Reduction in untreated sewage discharged to environment (m <sup>3</sup> /day):	85 000
New or rehabilitated domestic connections to sanitation services:	21 800	Additional wastewater treated to acceptable standards (m <sup>3</sup> /year):	48million

- **Expected results of new projects: Education and urban development**

Programmes to develop or renew urban areas, to improve quality of life and promote economic growth, often involve the planned renovation or creation of new higher-quality housing, schools and hospitals. New projects in education and urban development will allow an additional 36 000 school students in Tunisia to be enrolled. 23 500 households in Morocco and Turkey will benefit from improved housing.

#### ***Modernising Tunisia's schools***

*This EUR 213million programme, supported by an EUR 70million EIB loan, will target a quarter of all secondary schools in the country, as well as some primary schools and other facilities. In total, it will build 59 new schools and renovate a further 310, creating 36 000 new places for students and allowing the number of teachers and support staff to rise by 3 350. As well as expanding access to education, the programme will provide better facilities for teachers and students, enhance safety, allow more children with special needs to attend normal schools and reduce maintenance costs. Particular attention will be paid to schools in disadvantaged areas. The ultimate goal of the programme is to ensure that young people leave school with better skills in order to help tackle the high youth unemployment in the country.*

*The EIB is providing long-term finance – otherwise unavailable in the market – to match the economic life of school buildings.*

A infrastructure development programme is often dynamic and complex and will require financing through intermediaries such as public municipalities, which then channel funds to finance a large number of smaller projects. Ex-ante reporting on expected results of intermediated loans is not possible in all cases, and particularly in case the intermediary is implementing through a flexible programme of investments, when results can only be reported ex post (e.g. the Ukraine Early Recovery programme).

**Table 8: Education and urban development – new projects overview**

# PROJECTS:	6
TOTAL INVESTMENT COST:	EUR 1.9billion
APPROVED EIB FINANCE:	EUR 820million
<b><u>EXPECTED OUTPUTS</u></b>	<b><u>EXPECTED OUTCOMES</u></b>

New schools constructed:	59	Additional students enrolled:	36 000
Schools refurbished:	310		
Value of new school equipment:	EUR 29million		
New or refurbished housing units:	23 500	Households with improved housing:	23 500
Urban streets and associated infrastructure built or upgraded:	29km	Public employees in new buildings:	9 000
New/upgraded sewer and storm pipes:	70km	Residents benefitting from increased open space and parks:	300 000
Area developed:	219ha		

Multi-sectoral urban development programmes will support the provision of new or improved housing and services for nearly 17 000 households in Morocco in a new town near the capital; will replace or improve 5 000 residential buildings to improve earthquake resilience in Turkey; and will renovate buildings used by 9 000 public employees in Quito, the capital of Ecuador, helping to improve the quality of public services.

The Ukraine Early Recovery programme a EUR 200million framework loan will finance the repair or replacement of small-scale infrastructure damaged during the conflict in Ukraine. This will cover utilities such as water and sanitation systems, electricity and district heating; damaged roads and railways; and the repair of administrative buildings, schools and hospitals. It will also assist municipalities affected by significant influxes of displaced persons due to the conflict.

### **Impact of social and economic infrastructure projects on employment**

Infrastructure projects will lead to the creation of nearly 6 500 permanent jobs and around 170 000 person-years of temporary employment during construction. The biggest direct contributions to employment will be water and sanitation projects, which will create more than 55 000 person-years of temporary employment, and health, education and urban development projects that will create almost 4 000 permanent jobs.

**Table 9: Job creation - Infrastructure**

Sector	Permanent employment	Employment during construction
	(full-time equiv.)	(person-years)
Energy	1 132	18 440
Transport	151	39 340
Water and sanitation	157	55 293
Education and urban development	3 990	51 305
<b>Total</b>	<b>6 457</b>	<b>170 528</b>

### **3.3. Climate change mitigation and adaptation**

#### **3.3.1. EIB's Climate action framework**

The EIB supports the EU'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).

In November 2013, EIB issued the Statement on Climate Action presenting its objectives and approaches in support of EU leadership on climate issues and also acting as a guide for EIB activities and outlines the standards that the EIB requires of the projects that it finances to promote sustainable development. Within this statement is the objective "to integrate climate considerations effectively into all EIB activities and practices, including those related to the project cycle, the sector lending policies and the project-specific performance standards". This objective is pursued through application a number of project standards and practices related to climate, whereby:

- Climate Action lending is tracked and reported based on objective and transparent criteria - climate action financing is measured in line with definitions agreed with all MDBs and published in the MDB Joint Report on Climate Finance.
- The promotion of risk management approaches to increase the resilience of assets, communities and ecosystems related to EIB projects.
- The measurement of the carbon footprint of the projects it finances according to international practices.

Furthermore, the EIB applies an appropriate economic price of carbon in its project- specific analyses wherever appropriate, in order to take account of the economic rather than financial cost of the GHG emissions, in order to inform EIB financing decisions.

#### **Review of EIB Climate Strategy**

In late 2014, EIB has launched a review of its approach to supporting climate action aimed at formulating strategic orientations and priorities for the future applicable for all regions – inside and outside the EU. A public consultation on this review took place from January to March 2015, with meetings and discussions with stakeholders such as Civil Society Organisations, the European Commission, the EEAS and many others. The review process is taking place in parallel to the ongoing climate negotiations on a successor agreement to the Kyoto Protocol. Meanwhile the new Climate strategy was adopted by the September 2015 EIB Board, although, while appreciating EIB's leading role in the Climate debate, the Commission and shareholders voiced concerns on the level of ambition of the new Strategy.

Furthermore, Decision 466/2014/EU requires an update of ELM Climate Strategy which has been introduced following the mid-term review of the previous ELM in 2011, before the end of 2015.

#### **Biodiversity**

Together with its MDB peers, the EIB has committed to track biodiversity-related financing in its operations and publish the first report for the Convention on Biological Diversity (CDB) Conference of the Parties (COP) in October 2016. In consultation with its peers and the OECD, the EIB is currently working to develop and apply a system for reporting and tracking biodiversity-related lending. The methodology being developed will look specifically at lessons learned and in particular the definition on climate adaptation financing and tracking. The Rio markers for biodiversity will be integrated into the performance methodology of EIB-financed projects. EIB is also part of a working group lead by the OECD DAC ENVIRONET Task team looking at refining the biodiversity Rio marker definitions.

### Climate Risk Assessment

During 2014, EIB has been trialling a second pilot version of a climate risk assessment tool, based on the methodologies published as part of the EU’s Adaptation Strategy in 2013. It is planned to launch this climate impact assessment tool during 2015. During this trialling stage, EIB undertook extensive work to support climate resilience in a number of specific projects and associated systems, and introduced a systematic screening for new projects.

### Carbon Footprint

The EIB applies its Carbon Footprint Exercise (CFE) methodology to all sectors, not only climate projects. It estimates greenhouse gas (GHG) emissions and reports for projects where emissions are expected to be significant, i.e. above defined thresholds, thus enabling to capture approximately 95% of emissions from EIB’s investment projects.

In 2014, CFE was applied to 11 projects signed in the regions covered by the Mandate because they had estimated emissions above the Absolute or Relative emissions thresholds. These 11 projects represent total EIB signatures of EUR 1.4 billion. The related total absolute GHG emissions are estimated as 2.08 Mt CO<sub>2</sub>-eq/year, with an overall saving from the same financing estimated at 0.70 Mt CO<sub>2</sub>-eq/year.

Several of the CFE projects signed in 2014 involve the development of renewable energy power generation and show significant savings in GHG emissions :

- Megalim Solar thermal plant (121 MW capacity plant in Israel – 38 kt CO<sub>2</sub>-eq/year absolute emissions and 129 kt CO<sub>2</sub>-eq/year savings)
- Ka Xu CSP project (solar electricity generation in South Africa – 272 kt CO<sub>2</sub>-eq/year savings, 8 kt CO<sub>2</sub>-eq/year absolute emissions),
- Renewable Energy HPP Vranduk (20 MW new hydro plant – Bosnia Herzegovina 122kt CO<sub>2</sub>-eq/year savings, zero absolute emissions).

**Table 4: 2014 Carbon Footprint Exercise (CFE) Overview**

Prorated to 2014 financing: CO <sub>2</sub> -eq/yr	Total	Other Energy	RE&EE	Transport
Number of projects	11	3	7	1

<b>Absolute emissions - Mt CO2-eq</b>	2.08	0.04	2.01	0.03
<b>Relative emissions - Mt CO2-eq</b>	-0.70	-0.24	-0.45	0

*The GHG figures are prorated to EIB actual financing in 2014, to avoid double counting of emissions, or emissions savings with other co-financiers.*

Some energy projects can create emissions increases, if they are, for example, addressing a suppressed demand for much needed power for development. In the Tajik – Kyrgyz Power Interconnection project signed in 2014, the project emissions are estimated as 13 kt with an increase in emissions created of 84 kt CO2-eq/year, as the project brings much needed power to regions severely lacking in supply.

Transport projects can also generate decreases or increases in CO2 emissions, with savings coming from modal shifts where the projects incentivise more climate-friendly means of transport (typically, from road-based to metro or railway). In the 2014 portfolio, for example, the Bosphorus Tunnel Tranche B rail project in Turkey is estimated to produce 30 kt CO2-eq/year savings (470 kt CO2-eq/year absolute emissions).

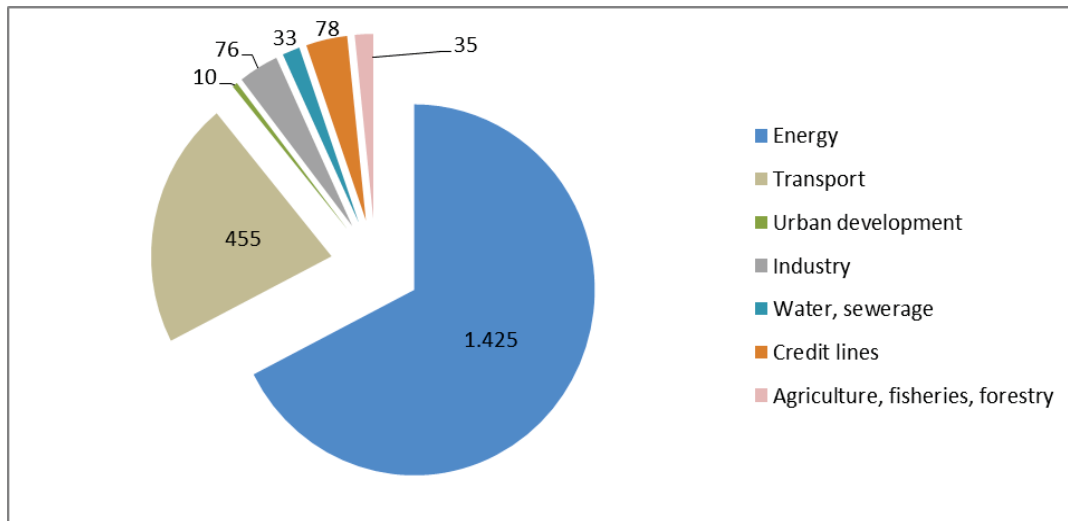
### **3.3.2. EIB's Climate action in 2014**

As regards climate action, 2014 overall EIB signatures amounted to EUR 2.1 billion, representing 31% of total EIB financing in the regions covered by the Decision (32% of signatures under the EU guarantee). This proportion is above the EIB's global target of 25% of overall lending. EIB's lending climate components in the area of climate adaptation stands at 2% of climate lendings, reflecting developing countries' lack of appetite in borrowing for adaptation as well as the limited attractiveness that this sector has for private sector investors.

The EIB's support to investment projects in this area has been growing in line with the general objectives both inside and outside the EU.

Many of the world's least carbon efficient economies are situated in Asia. Therefore, climate action lending remained strong in Asia with 68% of signatures contributing to climate action. It reached 54% in Latin America. In South Africa where climate-friendly energy projects have significant potential, 100% of the new financing volume signed in this country contributed to climate action. In the Mediterranean, 31% of the financing signed in 2014 supported climate action. Substantial amounts of climate action finance were also mobilised for projects in the Pre-Accession and Eastern Neighbourhood regions, but the overall proportion (21%) is less there in the light of strong other lending priorities, notably private sector development. In the Eastern Neighbourhood, the proportion is limited to 12% of total signatures.

**Chart 2: Contribution to climate change mitigation and adaptation, by sector –  
Total 2014 signatures (in EUR million)**



The energy sector accounted for the largest part in terms of climate financing volume (EUR 1.4 billion) with 5 projects, reflecting especially the strong demand for investments in energy efficiency and renewable energy. Other projects which contributed to the EIB’s climate action objective were in the sustainable transport (EUR 455million) and urban development (EUR 10 million), water and sewerage (EUR 33 million), industry (EUR 76 million), "natural resources" (EUR 35 million). An additional EUR 78 million in credit lines were extended through financial intermediaries for on-lending to small and medium sized climate change and energy efficiency projects.

**Expected results of new projects: Energy sector.**

EIB financing projects played an important role by facilitating a shift to renewable or more efficient sources of energy. The 5 new projects will develop renewable sources of energy. The 591MW additional capacity provided by these projects will provide an alternative to fossil fuel-based alternatives in countries where renewables are often only a small proportion of total generation capacity.

Efficiency within the energy sector is often supported by the EIB through intermediated loans that fund smaller scale investments, such as the framework loan for small energy projects provided to IREDA in India (see below). Small-scale energy efficiency operations include, for example, investment in cogeneration – the simultaneous generation of electricity and useful heat – to serve for business and household needs.

***Investing in cleaner energy in India***

*The electricity sector in India suffers from chronic energy shortages and relies heavily on imports of fossil fuels to meet growing energy demand. India will need an estimated 100 GW of additional generation capacity over 2012-2017, 30% of which should come from renewables, according to government targets. To help meet this goal, the EIB is providing*



*EUR 200million to the Indian Renewable Energy Development Agency (IREDA) for small and medium-scale renewable energy and energy efficiency projects, some of which will be implemented by small and medium-sized enterprises.*

*Although it is not possible to quantify detailed outputs and outcomes before allocations to sub-projects are submitted and approved, the framework loan is expected to assist India in addressing a severe power supply deficit, contributing to sustainable economic growth by reducing energy imports and carbon emissions. The operation supports the EU-India Strategic Partnership, which foresees cooperation in fighting climate change.*

*The availability of long-term funding dedicated to climate change mitigation projects is scarce in the Indian market. EIB funding will enable IREDA to extend loans tenors provided to the final beneficiaries so as to match the economic life of projects financed. IREDA will also apply the EIB's eligibility criteria and standards with regard to technical, economic and financial viability, environmental and social issues and procurement, with all allocations reviewed ex-ante by the EIB.*

Energy generation projects can also contribute to climate change mitigation by increasing the efficiency of production from conventional sources. The conversion of the natural gas-fired El Shabab plant in Egypt to a combined cycle operation will increase electricity generation, providing much needed extra electricity in the country. The absolute emissions for this power plant after the conversion are estimated at 4023kt CO<sub>2</sub>-eq/yr; however the power plant will generate electricity in a far more energy efficient manner after the conversion project, and use of the waste heat, with an efficiency gain of 1400GWh/year, is estimated to avoid GHG emissions in the order of 502kt CO<sub>2</sub>-eq/yr, compared to the likely alternatives for this power generation. Three other energy projects will achieve a further 294GWh/year to bring total energy savings that have been estimated for new projects to 1694GWh/year in total.

- **Expected results of new projects: Transport, industry and water sectors**

Promoting the shift from high carbon, and often more polluting forms of transport, to more sustainable modes also makes a significant contribution to climate change mitigation. Two new projects in 2014 will promote a shift from private road transport to rail, with associated reductions in carbon emissions. In Brazil, the acquisition of trains for use on metropolitan railway lines in São Paulo (see below) will reduce overcrowding and attract road users, while work on the Beskyd railway tunnel in Ukraine will enable the transport of freight containers. As a result, an estimate 300 000 tonnes of cargo per year will shift from road to railway.

***Encouraging more commuters on to rail in São Paolo***

*The São Paulo regional rail network carries more than 2.5 million passengers every day. During peak hours, trains are over-crowded, carrying eight passengers per square meter, far exceeding the European comfort standards of four passengers per square meter, and deterring more commuters from taking the train.*

*This EUR 765million project, supported by a EUR 200million loan from the EIB, will finance 73 eight-car "Electric Multiple Unit" trains to alleviate peak hours overcrowding and allow passenger number to rise to a planned 3.6 million passengers a day in 2015. By encouraging a modal shift from road transport (particularly buses) to rail, the project is expected to reduce*

*fuel consumption and pollution emissions, achieve operating and maintenance cost savings of EUR 11million a year, and to bring wider economic benefits for the metropolitan area of São Paulo. As well as providing long-term financing to match the economic life of the rolling stock, the EIB was also able to enhance the procurement standards used.*

Investment in innovative low-carbon technologies also has the potential to contribute to climate change mitigation. For example, the EIB is funding research and development in Turkey into improving the fuel efficiency of passenger vehicles through Tofas in Turkey.

#### ***Supporting R&D for cleaner, safer vehicles***

*A EUR 55million loan will support a EUR 115million R&D project to improve the environmental performance and safety characteristics of vehicles. Tofas, an automotive manufacturer based in Turkey and co-owned by the Fiat Chrysler Group, will focus on improved fuel efficiency and safety, electric vehicle development, fuel storage systems and advanced manufacturing processes.*

*EIB funds will help address financing constraints often encountered for R&D because of the high degree of uncertainty inherent this type of investment. An additional 75 engineers will be hired by Tofas, which also expects to be able to increase patents applications carry forward its collaboration agreements with 11 universities across Turkey and Europe.*

The water sector is also important, both in terms of energy efficiency and in terms of adaptation and improved resilience to the effects of climate change. The adaptation impact of the Dhaka Environmentally Sustainable Water Supply project is particularly notable in this regard. It will develop a new sustainable surface water resource based on water intake at the Meghna river that will reduce extraction from over-exploited groundwater resources and improve resilience of the city's water supply system to increasing droughts as well as more extreme flooding events; both likely to be an increasingly frequent adverse impact of climate change.

Challenges in the water sector include defining realistic service levels based on user preferences and ability to pay, regulatory reforms, proper phasing of investments, the implementation of physical water loss reductions measures, as well as environmental considerations.

- **Expected results of new projects: Agriculture and sustainable land use.**

As the effects of climate change become ever more apparent, investments that support adaptation to climate change and the reduction of adverse impacts for social and economic development will become ever more important. In lower income countries, the poor state of existing infrastructure and the fragility of livelihood systems make investments in adaptation doubly important. This is an issue that is growing in importance for the EIB, and that will continue to do so. The agriculture sector is very important in relation to climate change adaptation because of its particular sensitivity to changing weather patterns. Four new projects signed in 2014 are focused on the agricultural sector and make a contribution to climate change adaptation. The Ziraat Bank credit lines will contribute to the sustainable adaptation of the agricultural sector and rural areas in Turkey, by providing significant support to environmental, climate action and resource efficiency investments. In the Fruit Garden of

Moldova project (see below), the EIB will work with both public and private promoters to support the entire horticulture value chain.

### ***Revitalising the horticulture sector in Moldova***

*The Fruit Garden of Moldova project will support the revitalisation of the horticulture sector, an important source of employment in the country. In line with the EU/Moldova Action Plan and Partnership Agreement, the objective is to support rural employment and income generation through developing holistically the entire value chain: from improving the quality of fresh produce to the final dispatch of packaged and processed products.*

*The project will improve the resilience of the horticulture sector to climate change impacts and reduce the sector's greenhouse gas emissions by:*

- establishing new fruit tree plantations on land exposed to erosion,*
- funding drip irrigation systems for fruit orchards and table grape vineyards,*
- reducing the use of fertilizers and other inputs,*
- replacing the existing old equipment with energy efficient technologies (e.g. on-farm cooling, transport, cold and controlled atmosphere storage and processing) and increasing the overall capacity along the value chain, thus reducing the waste, and*
- providing dedicated training (including dissemination of knowledge on climate adaptation measures) to the participants in the value chain.*

*The EIB's EUR 120million long-term loan will be accompanied by a EUR 6million NIF grant that will fund partial loan guarantees to enable local banks to extend loans to underserved agricultural SMEs. The project will finance long-term agricultural loans (mainly for orchard and table grape vineyard development), the leasing of plant and equipment, and investments in infrastructure such as testing laboratories and training facilities. Around 1 000 loans will be provided to SMEs through local intermediaries. Energy efficiency and resource efficiency are important climate mitigation elements in this project, and research into crops that will more suited to the future climate of Moldova is an important adaptation component.*

Two directly financed projects will increase resilience to increasing climate and harvest volatility in Ukraine by expanding grain and oilseed storage capacity. These loans will help improve the resource efficiency of the country's agri-food sector and contribute to better food security and self-sufficiency. The Astarta investment highlights how additional storage capacity (714 000 tonnes for grain, 200 000 tonnes for oil seed) will help to buffer supply against adverse climate events, particularly droughts. The incremental storage capacity represents 2% of the country's cereal production and would secure yearly consumption needs of 5.8 million people.

## **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 EU, is a cross-cutting objective of the EIB's action outside the EU. 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 EU.

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

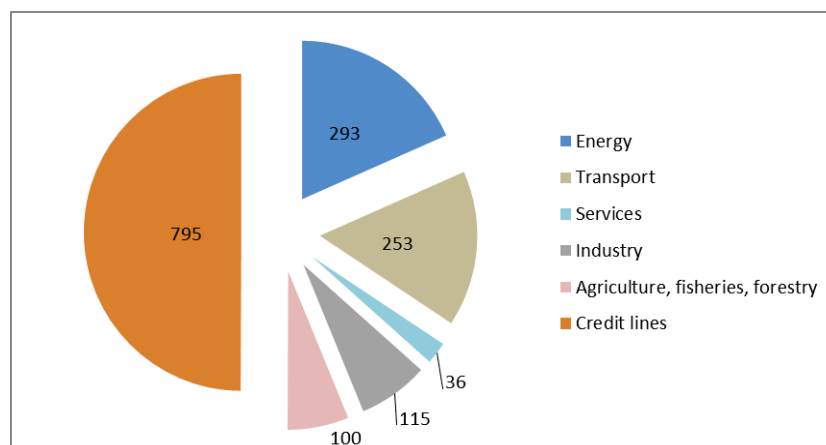
As a horizontal priority, EIB support for regional integration often is realised through its lending in support for other objectives such as infrastructure or private sector support. For example, the bank also promotes access to markets and development of value chains, including operations specially focused on the EU's DCFTA policy framework.

### 3.4.2. EIB's Regional integration action in 2014

In 2014, the EIB signed a total of 23 financing contracts worth EUR 1.6 billion contributing to regional integration. 19 new projects contributed to regional integration, for which contracts worth EUR 1.45 billion were signed in 2014. These projects include the funding of transport and energy infrastructure, investment in innovation, as well as credit lines and regional funds supporting local financial sector development.

The majority of projects funded by the EIB in the transport sector do not only upgrade national infrastructure but also facilitate mobility across borders. For example, two road operations, in Bosnia and Herzegovina and Albania, will improve connectivity along pan-European corridors in Eastern Europe. The upgrade of the Beskyd tunnel in the Carpathian mountains in Ukraine will enable long distance freight movements in particular along Trans-European Corridor V, linking Trieste, Italy to Lviv, Ukraine.

**Chart 5: Projects contributing to regional integration by sector (EUR million)**



Note: Projects may contribute to more than one sector.

Regional integration can be key in enhancing access to energy in countries that may lack natural energy resources and may also open up opportunities for further development of renewable resources. At the same time, cross-country connections provide producers with the opportunity to export energy. Two new transmission lines between Kyrgyzstan and Tajikistan are part of a wider project to re-establish regional electricity trade, which broke down in 2009 after transmission connections to Tajikistan and Uzbekistan were cut and dismantled. This

project highlights one of the key issues in supporting the integration of energy markets: the importance of a conducive economic and political context. Energy projects also contribute to regional integration by expanding generation capacity, allowing cross-border energy trade using existing connections to improve the cost, reliability and sustainability of energy supplies across a region.

Supporting eligible projects in the private sector can also contribute to regional integration, where the implementation of the project involves or will result in international cooperation. This is often the case when the EIB co-funds investment in Research and Development (R&D) outside the EU. Innovative firms tend to have international links, as they may attract skilled labour from abroad, and participate – sometimes formally – in international R&D networks. Both of the two R&D projects funded by the EIB outside the EU in 2014 will strengthen cooperation in innovation activities across Europe and the Mediterranean. The firms involved, operating in Turkey in the consumer electronics and automotive sectors, regularly cooperate with firms and research institutions in the EU.

Cross-border financial services are an important aspect of regional integration, helping to spread service models and expertise, and achieving synergies and economies of scale across markets that are often small and financially under-served. This is why many private equity funds have a regional rather than a nation-level focus. A regional perspective can also be important for identifying and capitalising on for cross-border investment and partnership opportunities. Six new credit lines will also support regional integration. All but one of these projects, involving EUR 670million EIB lending in total, are located in the pre-accession region where they will support convergence with the EU in terms of local private sector development, enhancing opportunities for trade and business relationships with the EU.

### **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, 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.

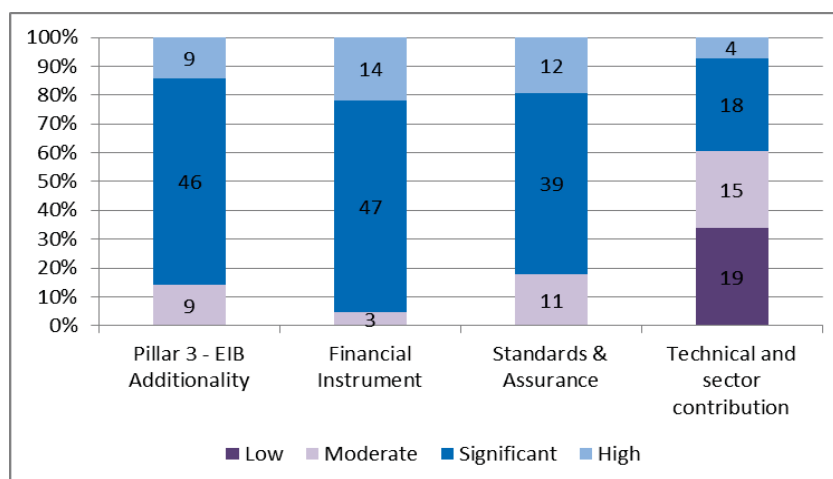
The ReM framework measures this “additionality” (Pillar 3), the difference between the EIB contribution to an investment project and standard market finance, in three dimensions: the adequacy of financial resources for the needs of projects; EIB's technical contribution; and the impact in terms of raising 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 2014, all operations were expected to bring advantage to borrowers compared to market finance. None was rated low in terms of additionality; 14 % (9 operations) ranked moderate, more than 70% (46 operations) ranked significant, and 14% (9 operations) featured high expected additionality. The degree of additionality provided in each case reflects the needs of projects and promoters – it will be higher for complex projects in less developed regions, and less pronounced where the EIB deals with highly experienced promoters or sophisticated



intermediary banks. Significant or high additionality is provided most frequently by the characteristics of the “Financial Instruments” provided, followed by “Standards & Assurance” (raising standards, demonstration effects and mobilising resources). Technical and sector contribution takes place where needed, in consideration of the experience and capacity of promoters and Government entities.

**Chart 6: Additionality "pillar 3" ratings – New operations 2014**



- **Financial Instruments**

**Tenor extension:** All operations provide a tenor which exceeds the standard maturity available in the local markets and matches the economic life of the assets to be financed. The tenor provided by the EIB is often two to three times the standard tenor available in the local market, and sometimes up to 5 times greater.

**Table 14: Average tenor provided, by type of operation**

Type of operation	Years
Direct and framework loans for infrastructure projects	20.7
Credit lines for SMEs, mid-caps and micro-enterprises	11.7
Direct and framework loans for industry projects	9.7
Equity-type operations	10.2

**Blending loans and grants:** The EIB manages grants from third parties alongside its loans. In the regions covered by the ELM these typically take the form of investment grants. This is a significant source of additionality particularly in the Neighbourhood regions. These grants often originate from the EC’s regional blending mechanisms, such as the Neighbourhood Investment Facility, and typically are used to support projects that strongly promote EU policy orientations, meeting more than one policy objective. For example, two projects benefiting from grants are the Ouarzazate solar plants in Morocco, which will contribute to infrastructure development and climate action, and the Fruit Garden of Moldova project, which contributes to private sector development, infrastructure and climate action.

**Funding in local currency:** A number of the EIB's credit lines for private enterprises and microfinance offer loans with repayment terms denominated in local currency. This is particularly important for enterprises whose activities are focused on domestic or regional markets and cannot rely on hard currency income. Where allowable, local currency loans for infrastructure projects can be also be beneficial for the borrower in cases where the revenue stream of a project is based on tariffs in local currency, which would otherwise come under pressure if the financing were in foreign currency.

In Turkey, the EIB uses swap products which are available in the market and contributes to deepening the market for such products. In the Mediterranean region, the EIB has access to third party funds from the EU's Neighbourhood instrument, which allow for higher risk taking (the EIB prices anticipated currency losses, but possible excess losses are borne by these funds, and possible gains credited to them).

**Innovative features:** 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. Innovative operations are most frequent in the ALA and MED regions.

A primary example of innovation is demonstrated through the EIB's collaboration with Réseau Entreprendre in Tunisia, a civil society organisation that promotes the establishment of micro-enterprises by providing interest-free loans combined with customised coaching for entrepreneurs during the early years of their businesses. As part of this collaboration, Réseau Entreprendre will select such enterprises and introduce them to the intermediary Banque Tuniso-Koweitienne (BTK) for possible financing at a preferential rate of interest under the EIB line of credit, as well as providing continuous support to the selected enterprises. Similarly, EIB's support and innovative approach to private sector development in Mexico through collaboration with commercial banks is described in Project Focus 8.

#### ***Overcoming finance bottlenecks in Mexico***

*Mexico's 4.1 million SMEs account for more than half of the country's GDP and for 80% of employment. Nonetheless, less than 35% of these firms have access to a bank loan or credit line. Bottlenecks that prevent small businesses from getting essential credit include high interest rates, short tenor periods, excess bureaucracy and strict guarantee requirements from banks.*

*The EUR 150m Mexico Global Loan for SMEs and Mid-Caps will help address the issues of availability and maturity of funding for these companies by providing long-term funding to Banco Santander (Mexico) SA., which will pass on this funding advantage through EUR 300million lending to companies in the manufacturing, services, health and social services and tourism industries. The project will be beneficial to entrepreneurs with limited working capital and will give them the opportunity to expand their businesses. Further, by making entrepreneurs less dependent on informal sources of financing, the project will lead to a more level playing field for smaller businesses in the country.*



- **Raising standards and mobilising other sources of finance**

EIB gives support to raising the environmental or procurement standards for the implementation of the investment projects to be financed. In more than three quarters of all operations, this additionality dimension is rated significant or high. This effect of EIB's intervention is particularly strong in framework loans in the Pre-Accession region (e.g. TSKB Energy, Development Bank Energy) and ALA (e.g. Ireda, Chile CCFL), where intermediaries are bound to adhere to the EIB's strict requirements, notably in the field of environmental impact assessment and mitigation.

**Mobilising resources:** The EIB works with the project promoters and co-financiers in order to design the financing package or accelerate financial close. In 40% of the operations, the EIB's role in structuring the financing package is rated significant or high. In 36% of the operations, the EIB dedicates significant or high efforts towards

working with co-financiers in order to reach financial close. This has an impact on mobilising finance from other institutions. In particular, private financiers participate in about 60 % of operations, providing significant amounts of finance (typically between 50% and 100% of the EIB financial contribution).

**Demonstration effect:** In certain regions, primarily MED and ALA, the EIB's intervention has a significant demonstration effect. Notably, the demonstration effect in the Mediterranean region is rated significant or high in 94% of the operations. The EIB provides assurance to other financiers about the quality of projects which are assessed by the EIB and thereby encourages the participation of other institutions in the financing of these projects, or similar projects in future.

This is often the case for operations which promote environment protection where EIB may contribute significantly its expertise during the assessment phase or in operations where the EIB takes a leading role in the financial structuring and coordination of other financiers. It can also arise in credit line operations where the EIB works with smaller, second tier or specialised banks or in partnership with sector-specific public institutions.

Complex infrastructure projects such as the Bosphorus Tunnel, or large urban infrastructure projects in the water sector, such as the Ulaanbaatar Water Supply project (see below) is another area where the demonstration effect is observed. Overall the EIB has a demonstration effect which is rated significant or high in more than three quarters of all operations.

***Ulaanbaatar Wastewater System, Mongolia***

*In Mongolia's capital city, Ulaanbaatar, approximately 800 000 people live in growing peri-urban "Ger" areas. These expanding, unplanned settlements of low and medium income households are characterised by unserviced plots, unpaved roads, and limited infrastructure. A large majority of the population in the "Ger" areas can access water through kiosks operated daily between 10 AM and 8 PM. The lack of wastewater collection infrastructure means that large amounts of pollutants are being released into the ground, seriously threatening the quality of groundwater, the city's main source of water supply.*

*In parallel co-financing with the Asian Development Bank, the EIB is providing a EUR 50million long-term loan for a multi-sector urban development investment project aimed at*

*improving the living conditions in these informal settlements. It will extend water distribution and wastewater collection infrastructure, including 20 000 new domestic connections, to up to 400 000 inhabitants of the Ger areas. This is expected to reduce water-borne diseases by a third.*

- **Technical and Sector contribution**

The technical contribution that the EIB makes to projects includes involvement in project preparation such as the review of 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. Under ReM framework, each of these components is rated and an overall technical contribution rating is calculated. The EIB also contributes technically to financial sector projects, for instance through representation in funds' supervisory boards, thus effectively contributing to the strategic guidance of the corresponding operations.

In total the technical and sector contribution to operations was rated high or significant in 22 cases, around one third of operations. Projects in the Mediterranean (9) and Pre-Accession (10) countries most often benefitted from a significant technical contribution.

***Technical assistance in action***

*Pollution Abatement Programme III, Egypt – EIB-managed technical assistance funds from the NIF, in association to a direct investment grant, to a line of credit financing both public and private industrial companies investing in pollution reduction technologies.*

*Renewable energy, Bosnia and Herzegovina – WBIF funded support for project preparation of a 20MW hydro plant.*

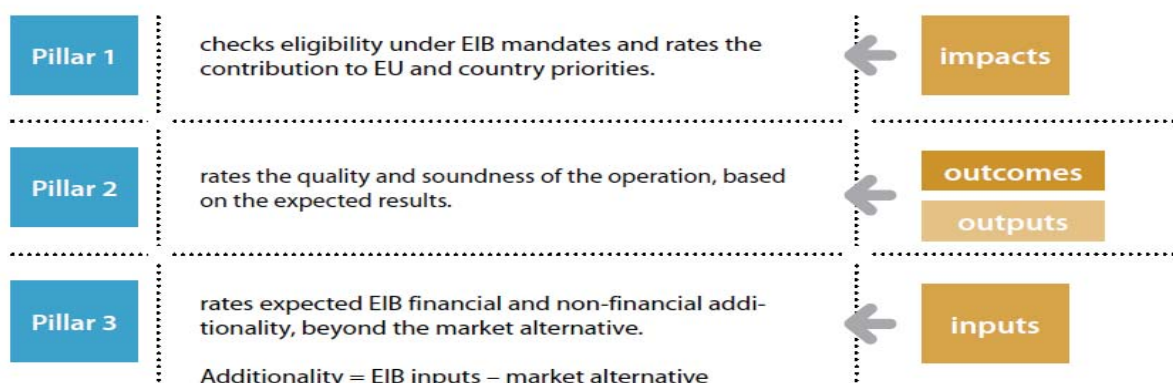
The EIB also often helps mobilise grant financing for technical assistance, particularly from the EU budget. In financial sector projects, a typical form of technical assistance targets financial intermediaries which receive assistance in terms of applying eligibility criteria, product design and raising compliance standards. Projects in the energy (7) transport (7), and water (6) sectors were the most frequent beneficiaries of technical assistance in 2014.

#### **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 EU 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 these 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. We continue 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)<sup>3</sup>. At project appraisal stage, clear, sector-specific, standardised and measurable indicators are identified and projects are rated according to three ‘pillars’.

**Chart 7: ReM Framework**



EIB provides long-term funding to investment projects that are often financed in more than one tranche, with more than one financing contract. Therefore, part of the volume signed in 2014 relates to projects that had their first contract signature in previous years. Accordingly, the expected results for those projects have been already described in previous years’ reports. In order to avoid double counting of projects and expected results, the report will refer only to the expected results and additionality of “new projects”, i.e. those for which the first financing contract was signed in 2014. Where appropriate, these sections will refer to the total approved lending for these “new projects”, as well as to the volume actually signed in 2014. For the sake of transparency, a breakdown of 2014 lending volumes, including the signing of operations originally reported before 2014, is given in the following table.

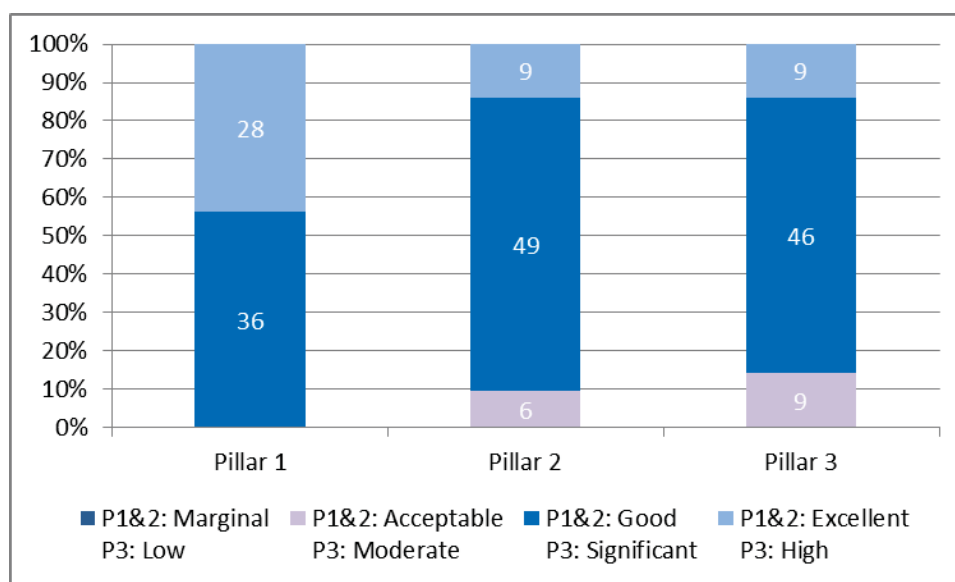
**Table 15: 2014 lending volumes**

EUR million	Primary Objectives			Transversal Objectives	
	Private	Infrastructure	Total	Climate	Regional
	sector			Action	integration
Total volume signed (72 projects)	<b>2.727</b>	<b>4.093</b>	<b>6.820</b>	<b>2.112</b>	<b>1.592</b>
Contracts signed for new operations (64)	2.473	3.706	<b>6.179</b>	1.812	1.451
Contracts signed for operations reported previously (8)	254	388	<b>641</b>	300	141

<sup>3</sup> Pillar 3 ratings for additionality are slightly different: 4-high, 3-significant, 2-moderate, 1-low.

In terms of strength of contribution to objectives (ReM Pillar 1), more than 40% of the 2014 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 EU policy covering the country or region concerned. The remainder of the operations rated “good” under Pillar 1. The chart 5 below provides a distribution of ratings by pillar.

**Chart 8: ReM ratings by pillar for new operations signed in 2014**



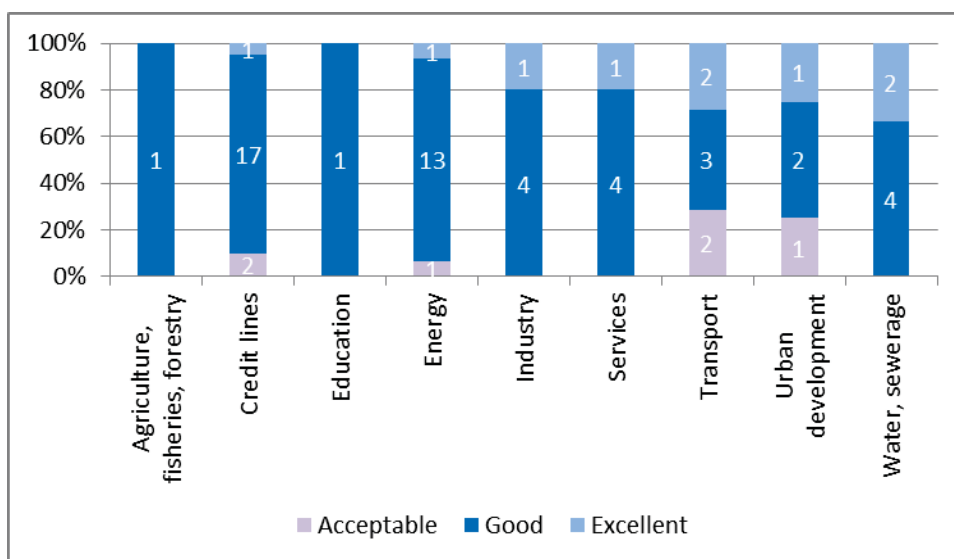
ReM Indicator	P1&2: Marginal P3: Low	P1&2: Acceptable P3: Moderate	P1&2: Good P3: Significant	P1&2: Excellent P3: High
<b>Pillar 1</b>			36	28
<b>Pillar 2</b>		6	49	9
<b>Pillar 3</b>		9	46	9

As the distribution of **Pillar 1** ratings shows, 28% of the operations signed in 2014 are expected to make an excellent contribution to mandate objectives, meaning that they are not only fully in line with the EIB mandate objectives, but they also are expected to make a high contribution to both the countries' own development objectives and the EU priorities for the country and/or region. Those projects that will make a "good" contribution (36%) are in line with mandate objectives and should make a high contribution to either the country's own development objectives or those of the EU and a moderate contribution to the other.

**Pillar 2** measures the expected results, the quality, and the soundness of projects. 9% of operations signed received an excellent rating. This includes direct operations with an economic rate of return (ERR) greater than 15%, or intermediated operations (credit lines) which would make an exceptional contribution to increasing access to finance as well as developing the financial sector, in a relatively low risk environment. 49% of operations are

expected to be "good". These would be direct operations with an average ERR of 10% to 15%, or intermediated operations which contribute strongly to increasing access to finance and financial sector development yet in a high risk environment with less likelihood of results. Only 6% of projects, mainly intermediated loans, were rated with lower expectations, as "acceptable".

Chart 9: Pillar 2 Rating by Main Sector - new operations 2014



**Pillar 3** measures the EIB's expected additionality. About 9% of operations signed in 2014 are expected to have high additionality - typically, extending the longest maturity of debt available to the borrower from the market by more than 100%; matching economic life of the assets to be financed by at least 80%; taking a lead role in project preparation, structuring and/or implementation support. Another 46% are considered to have good expectations, providing significant additionality - typically, combining significant financial additionality with significant technical and sector contribution or standards and assurance. The 9% of signed operations that were rated as expecting moderate additionality were typically standard products where limited contribution to project design, structuring or implementation was necessary.

## 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 EU external policy objectives, with a view to maximising synergies between EIB financing and EU budgetary resources, mainly through a regular and systematic dialogue and early consultation on EU policies, EU strategies and project pipelines.

The Mandate reinforces the alignment and complementarity between EIB operations and EU 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 EU policies, programmes and instruments. In this context, the Commission, together with the EIB and in consultation with the EEAS, prepared the revised Regional Technical Operational Guidelines which were transmitted to the Parliament and the Council in May 2015.

In order to reflect and operationalise the new Mandate for 2014-2020, the Commission and the EIB negotiated and signed a revised guarantee agreement and a recovery agreement in July 2014.

In December 2014, joint efforts by EC and EIB succeeded in securing a good outcome in far-reaching reform of the ODA concessionality definition, ending long and difficult discussions in the DAC, validating the EU position on inventive mechanisms and consolidating the non-discrimination of EIB loans.

A principal highlight of the EIB's operational plan in the Eastern Neighbourhood is the EIB's 2014 commitment to lend EUR 3 billion to Ukraine during 2014-2016 in the context of the EU's initiative to provide support to Ukraine. Furthermore, following the Council decisions and conclusions, the EIB suspended all origination and due diligence activities on operations in Russia. In June 2014, Georgia, Moldova and Ukraine signed Association Agreements with the EU. These countries were the major beneficiaries of the EIB's lending last year, fully in line with the "more for more" principle that predicates the European Neighbourhood Policy.

Following the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, Plenary session in November 2013 in Jakarta, EIB has approved and published in March 2014 an Addendum to the NCJ Policy. Under strict deadlines and conditions and in line with peer institutions, the addendum to NCJ Policy introduces a limited suspension to the application of the relocation requirements for those jurisdictions who have committed to taking adequate remedial action to address deficiencies identified by the OECD Global Forum.

EIB also hosted a Compliance Summit with all IFIs, FATF, OECD Global Forum, ECB, EBA, Transparency International and a Civil Society Seminar with NGOs on NCJ and taxation-related issues during 2014.

The EIB continued to actively participate in the regional blending mechanisms in 2014. The EIB closely cooperated with the Commission in the technical group of experts of the EU Platform for Blending in External Cooperation (EUBEC). In this context, the EIB actively participated in the technical group on "Provide guidance on the mobilisation of private sector resources, including through PPPs" and on in the technical group on climate change financing.

Two new framework agreements were signed in 2014 with the Kingdom of Cambodia and the Kingdom of Bhutan paving the way for EIB operations in these countries.



## **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 (NIF), Asia Investment Facility (AIF), Latin America Investment Facility (LAIF) and Investment Facility for Central Asia (IFCA).

The WBIF Steering Committee allocated grants provided by the participating blending partners (the EU budget, the IFIs and 18 bilateral contributors) for a total amount of EUR 342 million in support of 175 operations during the period 2008-2013. These operations are co-financed with loans for a total of EUR 8.7 billion, of which EUR 3.8 billion are signed. EIB has provided 74% of the signed loans. Considering that the WBIF blends grants from different sources, by including the IPA budgetary funds managed by the EU delegations, the EU grants directly linked to EIB-led or co-led WBIF projects amounted to EUR 226 million over the period 2008-2014, of which approximately EUR 160 million from the WBIF resources and the rest from the budget managed by the EU delegations. The WBIF grants benefitted projects as follows: regional projects (45% of the grants), Bosnia and Herzegovina (18%), Albania (13%), Serbia (11%), FYROM (7%), Montenegro (5%), and Croatia (3%).

The EIB remains among the largest financiers in terms of volumes lent for NIF projects: it has co-financed more than half of the projects (66 out of 115) approved by the NIF Board since the inception of the Facility with total EIB financing of EUR 5.94 billion of which EUR 2.08 billion for projects where the EIB was the Lead Financier. Last year grants for projects with EIB in the Lead were distributed as follows: regional projects (19%), projects in Egypt (21% each), Morocco (25%), Tunisia (13%), and Moldova (22%). In the first year of the new financing period EIB was not in the position to approve any projects yet in Georgia, Armenia, Lebanon and Jordan – which is expected to change in the near future.

The IFCA Operational Board approved grants for a total amount of EUR 105 million in support of 19 operations during the period 2010-2014. Two grants totaling EUR 4.3 million were blended with EIB-led financed projects, representing 4% of the total IFCA approved amounts. These grants are allocated to EIB operations in Kazakhstan in support of the Energy and Private sectors, with EIB's associated loans amounting to EUR 162 million.

The LAIF Operational Board approved grants for a total amount of EUR 190.1 million in support of 25 operations in 2010-2014. As lead institution, EIB financed 3 projects blended with LAIF grants for an amount of EUR 25 million, representing 13% of the total grants. These grants were provided in support of operations located in Nicaragua, Bolivia, and Paraguay, with EIB's associated loans totaling EUR 166.1 million.

The AIF Operational Board approved grants for a total amount of EUR 68 million in 2012-2014. To date, two EIB loans amounting to EUR 100 million were blended with TA grants in support of an energy project in Bangladesh, and an urban transport project in Lao PDR. AIF support to these EIB-led projects totaled EUR 10.7 million, representing 16% of the total AIF approved amount.



## **Pre-Accession Countries**

Energy Efficiency Finance Facilities (EEFF) were launched in 2006 and 2007 to tackle the Climate Change issue. The purpose of these facilities is to support energy efficiency and renewable energy investments carried out by beneficiaries of any type in the building and in the industry sectors. The EEFF combines EIB lending with incentives to the final beneficiaries to reduce the cost of the investment, fees to the benefit of local financial intermediaries to encourage them to lend for the purpose of energy efficiency financing, and technical assistance paid from the Facility. As at the end of 2014, the total grant contribution made available by the EU amounted to EUR 19.5 million and the EIB lending commitment was at least EUR 78 million.

Since 2001, the Commission and the EIB have been co-operating under the SME Finance Facility (SMEFF), combining grant support with the EIB lending to help developing the SME lending capacities of financial intermediaries in the eligible countries. As at the end of 2014, the total grant available for the SME FF under the PHARE programme was EUR 46 million, and the EIB had committed to provide debt financing of at least EUR 460 million.

In July 2011, an Energy Efficiency window was introduced under the SME FF programme, aiming at supporting energy efficiency and small scale renewable energy investments carried out by SMEs. As at the end of 2014, total grants available under this EE window amounted to EUR 25 million and the EIB lending commitment was at least EUR 125 million.

Since 2002, the Commission and the EIB have been co-operating under the Municipal Infrastructure Facility (MIF) and the Municipal Finance Facility (MFF), combining grant support with the EIB lending to encourage local financial intermediaries to extend loans to municipalities carrying out small infrastructure investments. As at the end of 2014, the total grant available for the MIF and the MFF under the PHARE Programme was respectively EUR 40 million and EUR 55.8 million and the EIB had committed to provide debt financing of at least EUR 200 million and EUR 279 million.

## **Mediterranean countries**

The EIB manages in the context of FEMIP and on behalf of the EU, a budgetary envelope of EUR 32 million per year under the inter-regional ENPI programme for risk capital investments and technical assistance. In 2013, six risk capital operations were signed for a total amount of EUR 28.8 million while an additional EUR 9.2 million were signed for six technical assistance operations.

The FEMIP Trust Fund (FTF) complements EIB-FEMIP activities by financing project preparation and implementation, capacity building and risk capital in the Mediterranean region. As of end 2014, total paid-in contributions by 16 Member States and the Commission amount EUR 46.7 million, of which EUR 2 million were paid-in in 2014. In addition, the United Kingdom Department for International Development (DFID) pledged a significant contribution of GBP 15 million to the FTF in support of Climate Action in the Middle East and North Africa (CAMENA) to build capacity and prepare new climate investments in the Mediterranean region. The FTF also channels grants from third parties - notably from the Deauville Partnership MENA Transition Fund - towards EIB-led regional projects. As of end 2014, over USD 25.21 million were thus channelled from the MENA Transition Fund to the

EIB via the FTF for four EIB-led technical assistance in the FEMIP region. Following the start of operations in 2005, the FTF has approved 60 operations with an aggregate value of EUR 37.2 million, of which EUR 5.76 million was approved in 2014.

## Global

The Global Energy Efficiency and Renewable Energy Fund (GEEREF) is an innovative fund of funds funded by the Commission, Germany and Norway and global private investors and advised by the EIB and EIF, to provide clean energy to emerging countries and economies in transition. At end of 2014, GEEREF commitments represented EUR 86 million, on a portfolio of 7 funds.

**Table 16: Annual signatures on EU budget resources under EIB management in the regions over the period 2007-2014**

	2007	2008	2009	2010	2011	2012	2013	2014	Total 2007 - 2014
<b>REGIONAL BLENDING MECHANISMS (TA, GRANTS APPROVED)</b>									
WESTERN BALKANS INVESTMENT FRAMEWORK (WBIF)*	-	52.50	50.25	8.40	49.36	20.72	47.35	10.18	238.76
NEIGHBOURHOOD INVESTMENT FACILITY (NIF)	-	9.80	4.00	27.20	50.00	80.50	52.00	132.7	356.20
INVESTMENT FACILITY FOR CENTRAL ASIA (IFCA)	-	-	-	2.50	-	-	1.80	-	4.30
LATIN AMERICA INVESTMENT FACILITY (LAIF)	-	-	-	7.00	-	-	18.00	-	25.00
ASIA INVESTMENT FACILITY (AIF)	-	-	-	-	-	-	5.70	5.00	10.70
<b>OTHER TA AND GRANTS COMPLEMENTING EIB PROJECTS</b>									
STRUCTURAL FUNDS TO EIB PROJECTS - WESTERN BALKANS *	-	-	-	-	75.00	51.00	119.35	-	245.35
IPA CONTRIBUTIONS TO EIB SME OPERATIONS - TURKEY **	-	-	-	62.00	18.00	-	-	-	80.00
IPA CONTRIBUTIONS TO EIB FINANCED TRANSPORT - TURKEY **	-	-	-	-	308.00	-	-	-	308.00
MUNICIPAL FINANCE FACILITY (MFF)	-	7.50	-	1.20	1.00	12.70	1.20	-	23.60
SME FINANCE FACILITY (SME FF) ***	-	1.00	3.50	-1.00	-	1.50	-	0.60	5.60
ENERGY EFFICIENCY FINANCE FACILITY (EEFF)	-	-	-	3.90	15.60	-	-	-	19.50
TURKEY/FEMIP SUPPORT FUND	-	-	1.06	-	-	-	-	-	1.06
FEMIP SUPPORT FUND (EXCL. TURKEY)	17.50	16.90	12.20	10.10	0.81	1.21	1.38	0.27	60.37
SUPPORT TO FEMIP ENVELOPE (2007-2013)	-	-	-	4.09	10.52	1.03	11.63	8.92	36.19
FEMIP TRUST FUND* (TA SIGNED)	0.46	1.96	3.40	1.88	1.17	6.31	0.59	1.07	16.84
<b>RISK CAPITAL SIGNATURES</b>									
MEDA / ENPI RISK CAPITAL	46.45	62.00	25.00	21.50	10.00	19.00	28.76	14.50	227.21
FEMIP TRUST FUND*	2.00	5.80	5.00	6.90	1.20	5.00	-	1.00	26.90
GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND*	-	-	22.24	10.00	12.52	20.23	9.00	-	73.98
<b>TOTAL</b>	<b>66.41</b>	<b>157.46</b>	<b>126.65</b>	<b>165.67</b>	<b>553.18</b>	<b>219.19</b>	<b>296.75</b>	<b>174.24</b>	<b>1,759.55</b>

NB: figures reported from the MFF, SME FF and EE FF are including Croatia for the period 2007-2012, for a total EUR 19.20million. De-commitment of 0.50million in 2014.

\* includes other sources of funding than EU budget

\*\* amount reported on the year of signature of the EIB project

\*\*\* negative value corresponds to de-commitment

## 6. CO-OPERATION WITH EUROPEAN OMBUDSMAN

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

- The existence of an effective internal Complaints Mechanism (the EIB-CM) that deals with complaints lodged by external parties to the EIB across all the business units of the EIB;
- Concerning complaints related to operations outside the EU, including the External Mandates, the European 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 European Union;
- The scope of the EO's review, with the recognition of the EIB-CM as the required prior approach.

The table below 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 17: Project related complaints lodged with the internal part (EIB-CM) of the EIB Complaints Mechanism over 2009-2014**

	2010	2011	2012	2013	2014	5 years
EU Member States	14	9	15	13	13	64
Non-EU, of which	16	16	17	18	16	83
in External Mandate Countries	12	13	15	16	13	69
in ACP, OCTs	4	3	2	2	3	14
Total	30	25	32	31	29	147

The number of annual new project-related complaints has remained relatively stable since 2010. New cases in the External Mandate regions are located in Albania, Bosnia and Herzegovina, Egypt, Georgia, Moldova, Morocco, Serbia, and Tunisia. Of the 13 cases opened concerning the External Lending Mandate, 5 are related to Environmental and Social impacts, 7 to Procurement, and 1 to Governance.

The outcome of the complaints handling process varied from "allegations not grounded" to "areas for improvement recommended". During 2014, the EIB-CM closed the case concerning the upgrade of the Electricity Network Upgrading in West-Bank, Palestine<sup>4</sup>. This complaint concerned potential health and environmental impacts resulting from the construction of a 161kV substation in Nablus. The EIB-CM undertook an inquiry and made an on-site mission. The EIB-CM provided the stakeholders with a special report prepared by the Technical Assistance team of the project; as no further questions and/or allegations were raised by the complainants, the case was settled and closed.

The EIB-CM also processed and closed several procurement complaints in different projects targeting the development of the water sector in Bosnia Herzegovina. Whilst most of the allegations against the EIB were not grounded, in one of the cases – Emergency Floods Relief – the EIB-CM recommended the EIB not to finance the procurement lot subject of the complaint due to issues that arose during the evaluation of bids by the promoter. The case opened by the EIB-CM concerning the Cairo Metro Line in Egypt was closed in the first quarter of 2014 as the complainants did not accept the EIB-CM recommendation of facilitating the dialogue with the promoter to solve their concerns. The EIB-CM is however following the recommendation made in the initial assessment phase to support the promoter to establish its own grievance mechanism.

#### **Project related complaints escalated to external part (EO) of the EIB Complaints Mechanism in 2014**

In 2014, the EO processed 4 complaints concerning allegations on possible maladministration of the EIB. 2 of those complaints concerned projects being implemented in ELM countries, Egypt and Bosnia and Herzegovina.

The Egypt case reviewed by the European Ombudsman in ELM countries refers to the Cairo Metro Line in Egypt. The EO reviewed under her “Own Initiative” the complaints raised by Egyptian residents of the Zamalek District of Cairo. The complainants alleged that the EIB's failed to reply to an e-mail of 8 February 2014, which raised issues with regard to the EIB's funding of the construction of metro line 3 in Cairo. On 20 November 2014 the EO closed the case with no maladministration found.

The case in Bosnia and Herzegovina concerns the development of the Corridor V c) project. The complainant, a private construction company, alleged that the EIB had failed to review its non-objection in a tendering case that had already been handled by the EIB-CM. In her decision of 23 October 2014, the EO concluded that "The EIB's decision to maintain its non-objection to the exclusion of the complainant's tender was based on a legally incorrect reading of the tender documents. This was an instance of maladministration. Whilst the EIB considers that there was no error in its interpretation of the tender documents in this case, it will continue to cooperate with the Ombudsman and develop appropriate responses to all the relevant parts of the decision.

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<sup>4</sup> This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

## **7. COOPERATION WITH INTERNATIONAL FINANCING INSTITUTIONS**

Cooperation with other International Financial Institutions (IFIs) is an integral part of the EIB activities, ranging from dialogue on institutional matters, horizontal topics and thematic issues, and mutual consultation, to enhanced forms of operational co-financing and work sharing. A large portion of the dialogue between IFIs takes place within specialised working groups meeting periodically to share best practices or to address specific issues. Ad-hoc working groups are established to address specific issues, for instance the G-20 and G-8 often call on the World Bank and MDBs for input. The EIB participates in other dialogue initiatives such as the Heads of MDBs meeting (January 2014) which was organised by the EIB. The EIB has been working with other MDBs on the post 2015 Development Agenda and particularly on developing a common approach to roles with respect to Financing for Development. In 2014, EIB also attended the G20 Infrastructure and Investment Working Group meetings.

The EIB Roadmap for the Mediterranean endorsed by the Ministers at the 13th FEMIP Ministerial Meeting held in Athens on 1 April 2014 acts as a guide for EIB cooperation in the Southern neighbourhood. The roadmap foresees further contribution to the development of blending mechanisms and will continue to explore synergies with other IFIs, including the Islamic Development Bank, with which an operational agreement was signed in 2012. In addition to the establishment of the new Neighbourhood risk capital facility in cooperation with the EC/NIF, another 2014 highlight was the announcement of the CAMENA Climate Action envelope under the FEMIP Trust Fund with GBP 15million funding to be provided by the UK in order to establish an envelope to build capacity and prepare new climate investments in the South. The first CAMENA-financed projects are expected to be approved in 2015.

Cooperation between the EIB and the Union for the Mediterranean (UfM) Secretariat was reinforced in 2014 through a renewed Memorandum of Understanding, signed in ensuring continuity of the close partnership already established between the two institutions. In 2015, the EIB will be chairing the Deauville Partnership international financial institutions' cooperation platform, through which the EIB expects to be focusing on employment and support for SMEs.

Job creation is a key factor of economic success and it has long been one of the criteria in the EIB's assessment of its investment projects. The EIB therefore partnered with the International Labour Organisation (ILO) to study ways to "Maximise the employment impact of the EIB's infrastructure projects", within the broader framework of the ILO's programme on Employment-Intensive Investment. Based on analysis of selected EIB infrastructure investments particularly in Egypt, Jordan, Morocco and Tunisia, the report will be published during 2015.

Under the Mandate, approximately 20% of operations signed in 2014 were associated with a blending component from the EU budget – See Annex IV for details. In addition, EU budgetary grant resources from the Asian Investment Facility (AIF) were also mobilised in 2014 with respect to approved EIB-led operation (see Annexes II and III).

Created in 2008, the Neighbourhood Investment Facility (NIF) is one of the EU's regional blending facilities, which provides catalytic resources in support of Europe's Southern and Eastern neighbouring countries, especially in the transport, energy, environmental, social and

private sectors. In addition to two operations co-financed with the AFD or KfW, the EIB led six additional operations during 2014, making the EIB the largest financier in the NIF, having been involved as either lead financier or co-financier in 66% of projects approved by the NIF Board since the inception of the facility.

The Neighbourhood Countries are also the geographical area where the EIB works the most in cooperation with other IFIs. Main partner IFIs are the EBRD, the World Bank, and KfW. Co-financing is typically associated with operations related to the development of economic and social infrastructure; it appears less frequent in operations aimed at supporting the local private sector since multi-beneficiaries intermediated loans are not captured in the classic definition of co-financing. The list of co-financed operations signed in the regions covered by the Mandate in 2014 is included in Annex IV.

The EIB has worked with other MDBs since 2010 on a harmonised approach to climate finance tracking and reporting. A joint report including EIB Climate Action figures was published at the UNFCCC Conference of the Parties in 2012 and 2013; covering financing in emerging and developing economies. During 2014, EIB coordinated the work of the group to produce the Joint Report of 2013 MDB Climate Finance and published the report for the UN Secretary General's New York Climate Summit. As part of this work, EIB was involved with the OECD in their work to update Rio Markers for Climate finance, as well as contributing on behalf of the MDBs' group to the UNFCCC Biennial Assessment of Climate Finance - December 2014.

In another field, the EIB aims to continually improve the carbon footprint methodology, learning from and exchanging with peers and partners, and so the EIB works and takes an active and leading role in the IFI working group on GHG accounting for projects. In particular in 2014 essential harmonisation discussions have focussed on RE projects, with EE projects likely to be tackled next. This work has already shown dividends as an increasing interest in reporting on GHG emissions for Green Bonds has assisted the EIB to lead the way on transparent reporting of both absolute and relative emissions for its Climate Action Bond portfolio; to better inform investors in this growing market.

Also noteworthy is the establishment of the Green Climate Fund (GCF), which is emerging as a key vehicle to finance climate action projects in developing countries. The EIB currently has observer status and has applied for accreditation as an implementing entity; the EIB is exploring with the Commission how best to ensure alignment of the EIB's use of GCF resources with EU policy and priorities for climate investments outside Europe.

Finally there is significant knowledge sharing work on adaptation and resilience where EIB is a key contributor – both within the EUFIWACC group (European Finance Institutions Working Group on Adaptation to Climate Change) and in the wider IFI community – working group on climate risk screening.

A joint statement by Multilateral Development Banks (MDBs) on climate finance, published in September 2014, highlights that the MDBs aim “to maintain the developmental role, in order to spur further sustainable growth of the Green Bond market”. The EIB, a signatory to the statement, remains committed to this market segment and will continue to grow its Green Bond issuance to support market development and remain responsive to investors.



## ANNEX I - LIST OF OPERATIONS SIGNED IN 2014

### Eastern Europe, Southern Caucasus and Russia



COUNTRY	OPERATION	Signed (EURm) / Framework		Objective supported				Sector
		ELM - Compreh. Guarantee	ELM - Political Risk Guarantee	Local private sector dev.	Social & Economic Infra	Climate Action	Regional Integrat.	
ARMENIA	YEREVAN WATER SUPPLY IMPROVEMENT	5						Water, sewerage
ARMENIA	WATER SECTOR COMMUNAL INFRASTRUCTURE	26						Water, sewerage
ARMENIA	ARMENIA APEX LOAN FOR SMES	50						Credit lines
AZERBAIJAN	ACCESSBANK AZERBAIJAN LOAN FOR SMES		25					Credit lines
REPLIC OF MOLDOVA	NORTH MOLDOVA WATER	10						Water, sewerage
REPLIC OF MOLDOVA	FRUIT GARDEN OF MOLDOVA	120		+	+	+		Credit lines
UKRAINE	URENGOY-POMARY-UZHGOROD GAS PIPELINE	150						Energy
UKRAINE	BESKYD RAILWAY TUNNEL	55						Transport
UKRAINE	ASTARTA AGRI-FOOD AND CLIMATE CHANGE ADAPTATION		50					Industry
UKRAINE	MHP AGRI-FOOD FACILITY		85					Industry
UKRAINE	APEX LOAN FOR SMES AND MID-CAPS	400						Credit lines
UKRAINE	UKRAINE EARLY RECOVERY	200						Energy, Industry, Urban dev, Water, sewerage, Composite infra.
	<b>Total 2014 Operations Signed</b>	<b>1,016</b>	<b>160</b>					

## Pre-Accession Countries

COUNTRY	OPERATION	Signed (EURm) / Framework		Objective supported				Sector
		Compre h Guarantee	ORF	Local priv. sector dev.	Social & Eco. Infra	Climate Action	Regional Integrat.	
ALBANIA	VLORE BYPASS	18	ORF					Transport
BOSNIA AND HERZEGOVINA	ELECTRICITY DISTRIBUTION BIH B, C	35						Energy
BOSNIA AND HERZEGOVINA	RENEWABLE ENERGY HPP VRANDUK	38						Energy
BOSNIA AND HERZEGOVINA	CORRIDOR VC POČITELJ BIJACA	100						Transport
MONTENEGRO	IDF LOAN FOR SMES AND PRIORITY PROJECTS B		25	+	+			Credit lines
MONTENEGRO	SGME LOAN FOR SMES AND PRIORITY PROJECTS		20	+	+			Credit lines
MONTENEGRO	ROAD REHABILITATION AND CITY BYPASS	30						Transport
SERBIA	RLRS LOAN FOR SMES AND OTHER PRIORITIES		20	+	+			Credit lines
SERBIA	INTESA LOAN FOR SMES AND OTHER PRIORITIES III		35	+	+			Credit lines
SERBIA	CREDIT AGRICOLE LOAN FOR SME AND OTHER PRIORITIES II		60	+	+			Credit lines
TURKEY	ZIRAAT BANK IPARD MBIL	100				+		Agri., fish., fores.
TURKEY	DENIZBANK MUNICIPAL MBIL		100	+	+			Credit lines
TURKEY	ZIRAATBANK LOAN FOR SMES AND MIDCAPS B		100					Credit lines
TURKEY	ING BANK TURKEY SME AND MID-CAP LOAN II		200					Credit lines
TURKEY	AKBANK LOAN FOR SMES AND MIDCAPS II		150					Credit lines
TURKEY	HALKBANK LOAN FOR SMES AND MIDCAPS II		200					Credit lines
TURKEY	VAKIFBANK LOAN II FOR SMES AND MIDCAPS A		100					Credit lines
TURKEY	EXIMBANK LOAN FOR SMES AND MIDCAPS II A		100					Credit lines
TURKEY	GARANTI BANK LOAN FOR SMES AND MIDCAPS		150					Credit lines
TURKEY	DEVELOPMENT BANK ENERGY AND ENVIRONMENT LOAN A		100					Ener., ind., Water, sew.
TURKEY	TSKB ENERGY AND ENVIRONMENT LOAN A		100			+		Ener., Water, sew.
TURKEY	PETKIM ETHYLENE PLANT		40					Industry
TURKEY	VESTEL ELEKTRONIK RDI		60					Industry
TURKEY	TOFAS RDI		55			+		Industry
TURKEY	BOSPHORUS TUNNEL TRANCHE B A	200						Transport



## Mediterranean Partner Countries

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	KAFR EL SHEIKH WASTE WATER TREATMENT	77								Water, sewerage
EGYPT	EGYPTIAN POLLUTION ABATEMENT(EPAP) III	70				+				Credit lines
EGYPT	EL SHABAB POWER PLANT	205								Energy
ISRAEL	MEGALIM SOLAR THERMAL PLANT		150			+				Energy
JORDAN	MICROFUND FOR WOMEN				2					Services
LEBANON	FIRST NATIONAL BANK				11					Services
LEBANON	PRIVATE SECTOR FACILITIES IV		90							Credit lines
MOROCCO	PROGRAMME DE MODERNISATION ROUTIERE	150								Transport
MOROCCO	ZENATA URBAN DEVELOPMENT PROJECT	150				+				Transport, Urban development, Water, sewerage
MOROCCO	OUARZAZATE II (PARABOLIC) (MAROC)	100								Energy
MOROCCO	OUARZAZATE III (TOWER) (MAROC)	50								Energy
MOROCCO, REGIONAL - MEDITERRANEAN	CAPMEZZANINE FUND II B				6					Services
MOROCCO	ATTADAMOUNE (AMSSF II)				2					Services
REGIONAL - MEDITERRANEAN	EUROMENA III FUND B				10					Services
REGIONAL - NORTH AFRICA	ABRAAJ NORTH AFRICA FUND II				20					Services
TUNISIA	ETAP / OMV SOUTH TUNISIAN GAS	150		230						Energy
TUNISIA	PG VI TUNISIE B	100								Credit lines
TUNISIA	MODERNISATION ETABLISSEMENTS SCOLAIRES	70								Education
TUNISIA	TAVSIR				1					Services



Republic of South Africa

COUNTRY	OPERATION	Signed (EURm) / Framework		Objective supported		SECTOR	
SOUTH AFRICA	ESKOM KIWANO CSP PROJECT KA XU CSP PROJECT B	ELM - Compreh. Guarantee	75 100				Energy Energy
		ELM - Political Risk Guarantee					
		ORF					
		3rd party res.					
		Local private sector dev.		+			
		Social & Economic Infra		+			
		Climate Action					
		Regional Integrat.					
		<b>Total 2014 Operations Signed</b>					



ANNEX II - EU BUDGET RESOURCES COMPLEMENTING EIB LOANS IN 2007-2014

REGIONAL BLENDING MECHANISMS (TA, GRANTS APPROVED)	2007	2008	2009	2010	2011	2012	2013	2014	Total 2007 - 2014
WESTERN BALKANS INVESTMENT FRAMEWORK (WBIF)*	-	52.50	50.25	8.40	49.36	20.72	47.35	10.18	238.76
NEIGHBOURHOOD INVESTMENT FACILITY (NIF)	-	9.80	4.00	27.20	50.00	80.50	52.00	132.7	356.20
INVESTMENT FACILITY FOR CENTRAL ASIA (IFCA)	-	-	-	2.50	-	-	1.80	-	4.30
LATIN AMERICA INVESTMENT FACILITY (LAIF)	-	-	-	7.00	-	-	18.00	-	25.00
ASIA INVESTMENT FACILITY (AIF)	-	-	-	-	-	-	5.70	5.00	10.70
<b>OTHER TA AND GRANTS COMPLEMENTING EIB PROJECTS</b>									
STRUCTURAL FUNDS TO EIB PROJECTS - WESTERN BALKANS *	-	-	-	-	75.00	51.00	119.35	-	245.35
IPA CONTRIBUTIONS TO EIB SME OPERATIONS - TURKEY **	-	-	-	62.00	18.00	-	-	-	80.00
IPA CONTRIBUTIONS TO EIB FINANCED TRANSPORT - TURKEY **	-	-	-	-	308.00	-	-	-	308.00
MUNICIPAL FINANCE FACILITY (MIF)	-	7.50	-	1.20	1.00	12.70	1.20	-	23.60
SME FINANCE FACILITY (SME FF) ***	-	1.00	3.50	-1.00	-	1.50	-	0.60	5.60
ENERGY EFFICIENCY FINANCE FACILITY (EEFF)	-	-	-	3.90	15.60	-	-	-	19.50
TURKEY/FEMIP SUPPORT FUND	-	-	1.06	-	-	-	-	-	1.06
FEMIP SUPPORT FUND (EXCL. TURKEY)	17.50	16.90	12.20	10.10	0.81	1.21	1.38	0.27	60.37
SUPPORT TO FEMIP ENVELOPE (2007-2013)	-	-	-	4.09	10.52	1.03	11.63	8.92	36.19
FEMIP TRUST FUND* (TA SIGNED)	0.46	1.96	3.40	1.88	1.17	6.31	0.59	1.07	16.84
<b>RISK CAPITAL SIGNATURES</b>									
MEDA / ENPI RISK CAPITAL	46.45	62.00	25.00	21.50	10.00	19.00	28.76	14.50	227.21
FEMIP TRUST FUND*	2.00	5.80	5.00	6.90	1.20	5.00	-	1.00	26.90
GLOBAL ENERGY EFFICIENCY AND RENEWABLE ENERGY FUND*	-	-	22.24	10.00	12.52	20.23	9.00	-	73.98
<b>TOTAL</b>	<b>66.41</b>	<b>157.46</b>	<b>126.65</b>	<b>165.67</b>	<b>553.18</b>	<b>219.19</b>	<b>296.75</b>	<b>174.24</b>	<b>1,759.55</b>

NB: figures reported from the MFF, SME FF and EE FF are including Croatia for the period 2007-2012, for a total EUR 19.20million. De-commitment of 0.50m in 2014.

\* includes other sources of funding than EU budget

\*\* amount reported on the year of signature of the EIB project

\*\*\* negative value corresponds to de-commitment

**ANNEX III - LIST OF EIB-MANAGED EU BUDGET FUNDED OPERATIONS (TA, GRANTS, EQUITY) APPROVED OR SIGNED IN 2014**

CONTRACT NAME	INSTRUMENTS	TARGET COUNTRIES	2014(EURm)
<b>WESTERN BALKANS INVESTMENT FRAMEWORK (WBIF) (EC CONTRIB. - APPROVED)</b>			
FLOOD RISK MANAGEMENT IN REPUBLIKA SRPSKA			1.50
WATER & SANITATION PROJECT RS		BOSNIA - HERZEGOVINA	1.50
FLOOD PROJECTS BIH – URGENT MEASURES	TA	KOSOVO	4.80
N9 PRISTINA-PEJE ROAD ROUTE 6A FROM KIEVE - KLINA TO ZAHA		SERBIA	0.80
JUDICIARY FACILITIES - KATANICEVA BUILDING		REGIONAL	0.38
SEECEL CENTRE - IMPLEMENTATION SUPPORT			1.20
<b>TOTAL</b>			<b>10.18</b>
<b>NEIGHBOURHOOD INVESTMENT FACILITY (NIF)</b>			
EGYPTIAN POLLUTION ABATEMENT PROGRAMME III	6 TA; 4 IG	EGYPT	10.00
CAIRO METRO LINE 3 PHASE 3	TA	EGYPT	4.00
INTEGRATED AND SUSTAINABLE HOUSING AND COMMUNITY DEVELOPMENT PROGRAMME	TA	EGYPT	3.50
MOLDOVA FRUIT GARDEN	2.2 TA; 6 IG	MOLDOVA	8.20
NOOR III: TOWER PLANT OF THE OUARZAZATE SOLAR COMPLEX	IG	MOROCCO	50.00
MODERNISATION ÉTABLISSEMENTS SCOLAIRES	7.5 TA; 12.5 IG	TUNISIA	20.00
MUNICIPAL PROJECT SUPPORT FACILITY (MPSF)	TA	REGIONAL	12.00
RISK CAPITAL FACILITY FOR THE SOUTHERN NEIGHBOURHOOD COUNTRIES	RC	REGIONAL	25.00
<b>TOTAL</b>			<b>132.70</b>
<b>ASIA INVESTMENT FACILITY (AIF) (EC CONTRIB. - APPROVED)</b>			
VIENTIANE SUSTAINABLE URBAN TRANSPORT	TA	LAO PDR	5.00
<b>TOTAL</b>			<b>5.00</b>
<b>SME FINANCE FACILITY (SME FF)</b>			
IN COMPLEMENT TO LOAN FOR SMES	GRANTS	CROATIA	-0.50
		TURKEY	1.10
<b>TOTAL</b>			<b>0.60</b>
<b>FEMIP SUPPORT FUND (AMENDMENT SIGNED)</b>			
ONAS – UGP	TA	TUNISIA	0.27

<b>TOTAL</b>				<b>0.27</b>
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<b>SUPPORT TO FEMIP ENVELOPE (SIGNED)</b>				
TECHNICAL ADVISORY TO SUPPORT THE SPACE FOR MED ACCELERATION PROGRAM FEASIBILITY STUDY FOR THE TRIPOLI - BEIRUTH RAILWAY	TA		JORDAN LEBANON PALESTINE REGIONAL	0.68 2.00 0.25 6.00 <b>8.92</b>
TA TO SUPPORT THE TRANSFORMATION PROCESS - ARAB CENTRE FOR AGRICULTURAL DEVELOPMENT ADVISORY PROGRAMME ON WATER WASTEWATER & SOLID WASTE MANAGEMENT SERVICES(MEHSIP II) <b>TOTAL</b>				
<b>FEMIP TRUST FUND (SIGNED)</b>				
ENHANCING THE IMPACT OF PRIVATE SECTOR DEVELOPMENT ON DEMOCRATIC TRANSITION IN THE MEDITERRANEAN PARTNER COUNTRIES	TA		REGIONAL	0.15 0.04 0.80 0.08 1.00 <b>2.07</b>
FEASIBILITY STUDY ON DIASPORA AND START-UP PROGRAMME PACEIM TECHNICAL ADVISORY TO SUPPORT SEED ACCELERATORS IN THE FEMIP REGION EVALUATING RENEWABLE ENERGY MANUFACTURING POTENTIAL MED PARTNER COUNTRIES TAYSIR <b>TOTAL</b>	EQUITY FUND		TUNISIA	
<b>ENPI RISK CAPITAL (SIGNED)</b>				
MICROFUND FOR WOMEN FIRST NATIONAL BANK ATTADAMOUNE (AMSSF II) ABRAAJ NORTH AFRICA FUND II <b>TOTAL</b>	EQUITY FUND		JORDAN LEBANON MOROCCO REGIONAL	2.00 5.50 2.00 5.00 <b>14.50</b>
<b>TOTAL</b>				<b>41.53</b>

\* FINAL APPROVALS FOR EIB LED OPERATIONS

**ANNEX IV TABLE ON CO-FINANCING WITH OTHER IFIS AND BLENDING WITH EU BUDGET**

MANDATE / FACILITY	COUNTRY	CONTRACT NAME	PROJECT COST (EUR m)	EIB LOAN SIGNED IN 2014 (EUR m)	Multilateral Financing Institutions	European Bilateral Institutions	EU budget contrib.
ELM EAST-RU. 2014-2020	UKRAINE	URENGOY-POMARY-UZHGOROD GAS PIPELINE	355.00	150.00	X		
CLIMATE CHANGE MANDATE 2011-13	SOUTH AFRICA	ESKOM KIWANO CSP PROJECT	856.50	75.00	X	X	
ENP EE/SCA/RUS.1/2/07-31/12/13	UKRAINE	BESKYD RAILWAY TUNNEL	163.20	55.00	X		
CLIMATE CHANGE MANDATE 2011-13	BOSNIA AND HERZEGOVINA	RENEWABLE ENERGY HPP VRANDUK	86.40	37.50	X		WBIF
ENP MED. 1/2/2007-31/12/2013	EGYPT	KAFR EL SHEIKH WASTE WATER TREATMENT (EGYPT)	163.52	77.00	X		NIF
PRE-ACCESSION - 9048M - 07-13	MONTENEGRO	ROAD REHABILITATION AND CITY BYPASS	65.70	30.00	X		
PRE-ACCESSION - 9048M - 07-13	TURKEY	ISTANBUL EARTHQUAKE RISK MITIGATION II B	660.00	100.00	X		
ELM MED 2014-2020	EGYPT	EGYPTIAN POLLUTION ABATEMENT(EPAP) III	149.38	70.00		X	NIF
PRE-ACCESSION - 9048M - 07-13	ALBANIA	VLORE BYPASS	67.60	18.00	X		IPA
ENP MED. 1/2/2007-31/12/2013	TUNISIA	MODERNISATION ETABLISSEMENTS SCOLAIRES	213.00	70.00		X	NIF
ENP EE/SCA/RUS.1/2/07-31/12/13	ARMENIA	YEREVAN WATER SUPPLY IMPROVEMENT	17.80	5.14	X		NIF
ENP EE/SCA/RUS.1/2/07-31/12/13	ARMENIA	WATER SECTOR COMMUNAL INFRASTRUCTURE	73.00	25.50		X	NIF
CLIMATE CHANGE MANDATE 2011-13 ; RSA DEC.1/2/2007-31/12/2013	SOUTH AFRICA	KA XU CSP PROJECT B	569.00	100.00	X		
ALA DEC.1/2/2007-31/12/2013	BOLIVIA	ROAD F-21 UYUNI - TUPIZA	129.57	50.03	X		LAIF
ELM MED 2014-2020	MOROCCO	ZENATA URBAN DEVELOPMENT PROJECT	800.10	150.00		X	
CLIMATE CHANGE MANDATE 2011-13 ; PRE-ACCESSION - 9048M - 07-13	TURKEY	BOSPHORUS TUNNEL TRANCHE B A	3,749.10	200.00	X		
ALA DEC.1/2/2007-31/12/2013	BANGLADESH	DHAKA ENVIRONMENTALLY SUSTAINABLE WATER SUPPLY	493.00	100.00	X	X	
ENP MED. 1/2/2007-31/12/2013	EGYPT	EL SHABAB POWER PLANT	413.30	205.00	X		
ELM MED 2014-2020	MOROCCO	OUARZAZATE II (PARABOLIC) (MAROC)	1,068.70	100.00	X	X	NIF
ALA DEC.1/2/2007-31/12/2013	MONGOLIA	ULAANBAATAR WWS & B	240.00	50.00	X		

ELIM PRE-ACCESSION 2014-2020	TURKEY	ZIRAAT BANK IPARD MBIL	270.00	100.00			IPA
ELIM MED 2014-2020	MOROCCO	OUARZAZATE III (TOWER) (MAROC)	855.00	50.00	X	X	NIF
ELIM EAST-RJ. 2014-2020	MOLDOVA, REPUBLIC OF	NORTH MOLDOVA WATER	30.00	10.00	X		NIF
ELIM PRE-ACCESSION 2014-2020	BOSNIA AND HERZEGOVINA	CORRIDOR VC POCTELJI BIJACA	225.05	100.00	X		WBIF
ELIM LATIN AMERICA 2014-2020	ECUADOR	ADMINISTRATIVE AND URBAN INFRASTRUCTURE (ECUADOR)	257.13	99.98	X		
ELIM EAST-RJ. 2014-2020	MOLDOVA, REPUBLIC OF	FRUIT GARDEN OF MOLDOVA	300.00	120.00			NIF
ELIM CENTRAL ASIA 2014-2020	TAJIKISTAN	TAJIK - KYRGYZ POWER INTERCONNECTION	281.70	70.00	X		
PAF-32200M-2000-2020	TURKEY	TOFAS RDI	115.00	55.00		X	
SPANISH INITIATIVE - RC MED	REGIONAL - MEDITERRANEAN	EUROMENA III FUND B	115.00	10.00	X	X	
		<b>Total, of which EIB financing volume</b>	<b>12,782.76</b>	<b>2,283.15</b>			
		<b>- co-financed with other IFIs</b>		<b>2,063.15</b>			
							<b>833.17</b>
							<b>- benefiting from EU grants</b>

## ANNEX V – CASE STUDIES

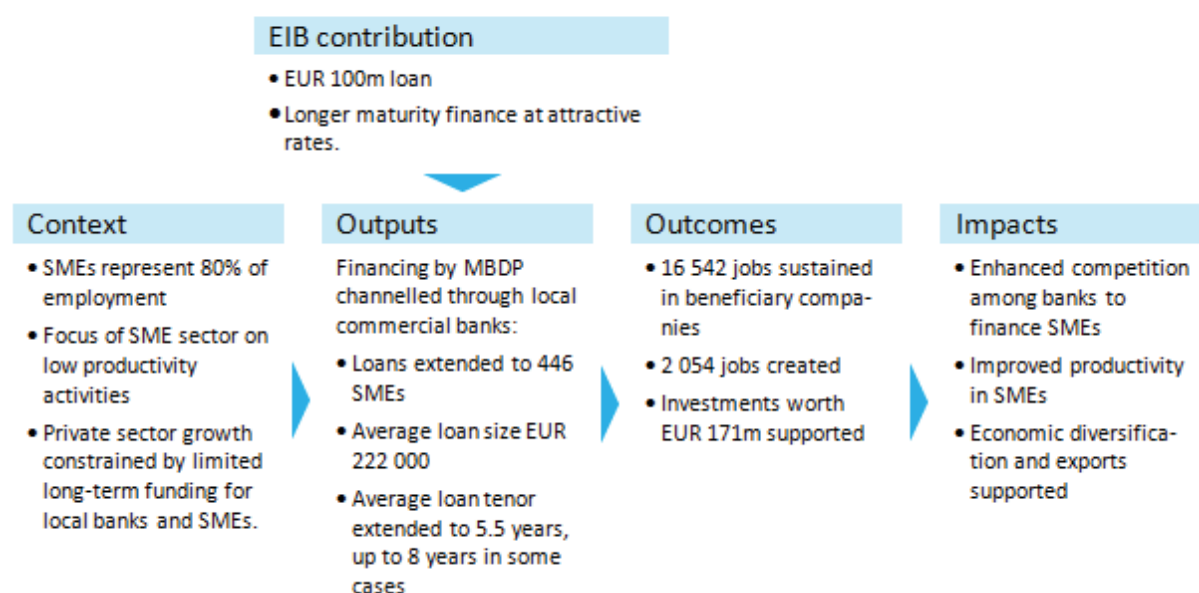
### Completed project case study: Easing funding constraints for FYROM SMEs

In 2012 the EIB provided a EUR 100million loan to the Macedonian Bank for Development Promotion (MBDP) to improve access to finance for the country's SMEs. The third loan of this kind with MBDP, it enabled this national promotional bank in the Former Yugoslav Republic of Macedonia (FYROM) to on-lend the funding to local banks, to provide funding to 446 SMEs and 4 mid-cap companies. Loans averaged EUR 222 000, with an average tenor of 5.5 years, a significant improvement on the loans tenors typically available to SMEs in the local market.

This lending has helped to sustain 16 542 jobs in the beneficiary companies, and to create over 2 000 new jobs. It has help to finance investments by beneficiary companies worth EUR 171m in total. This kind of support is critical in a country where the SME sector makes up 80% of employment, but remains relatively stagnant and focused on low productivity activities. Loan growth in the country remains weak following the global financial crisis. With regional parent banks under pressure, local banks generally need to access liquidity locally and face liquidity constraints.

In this context, the funding and funding conditions provided by the EIB has made a significant difference to SME access to finance and the conditions that are offered, enhancing competition among local banks to finance SMEs and helping the productivity and export performance of the SME sector. The effectiveness of the operation has been improved by having an experienced local partner like MBDP that has established working relationships with small local banks and can help to enhance the selection of final beneficiaries.

#### Easing funding constraints for FYROM SMEs – MBDP Loan for SME and Priority Projects III





## **Completed project case study: La Venta III - Wind energy in Mexico**

Electricity generation in Mexico is mostly based on thermal combustion plants, of which 90% rely on fossil fuels. The country is also experiencing a high growth in energy demand and the promotion of renewable energy is one of the targets of Mexico's energy policy. The La Venta III Wind Farm project, signed in 2010, provided an opportunity for the EIB to promote the development of clean energy supply through private sector investment, the alternative being thermal power generation from fossil fuels with associated greenhouse gas emissions.

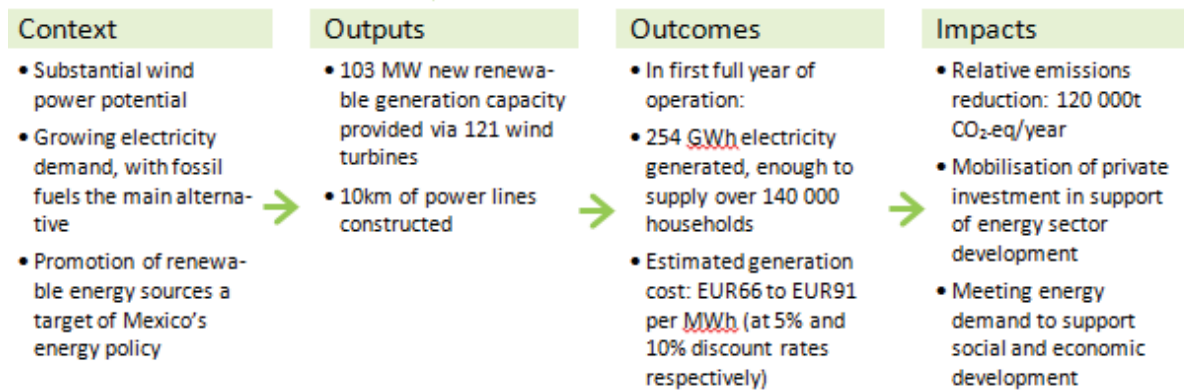
The project consisted of the construction of 121 turbines with a generation capacity of 103MW, and a 10km of overhead transmission line to connect the wind farm to the grid. Located in the State of Oaxaca, it capitalises on the strong winds in the area that blow from the Gulf of Mexico in the north to the Pacific Ocean in the south. The promoter, Iberdrola S.A., is a leading European company in the energy sector with experience in the wind sector internationally. The company obtained a license for the La Venta III wind farm following an international public tender.

A good quality Environmental Impact Assessment was carried out to evaluate potential impacts of the project, including on migratory birds and local communities. Periodic monitoring potential impacts is being carried out, while lease arrangements with affected land owners were implemented, providing them with an attractive revenue stream for 30 years, whilst also allowing continued use of the land for agricultural purposes. The promoter has also carried out further investments in local communities, including the construction of a comprehensive community school in the town of La Blanca and the expansion of selected water and sewerage installations in the town of Santo Domingo Ingenio.

## La Venta III

### EIB contribution

- EUR 78.5m loan
- Long term maturity, improving economic sustainability
- Requirements on impact monitoring and mitigation



The project entered commercial operation at the end of 2012. It was delivered at 4% below original cost estimates. In its first year of operation it produced 254GWh of electricity – enough to supply over 140 000 households – with annual generation expected to reach 267 GWh/year. The cost of electricity production at La Venta III, at an estimated EUR66 to EUR91 per MWh (at 5% and 10% discount rates respectively) is considerably lower than for mature, grid-connected, renewable energy in the EU. With effectively zero absolute emissions, it is estimated that GHG emissions avoided by electricity generation from this project are 120kt CO<sub>2</sub>-eq/year compared to the likely alternatives for power generation.

The added value of EIB involvement in this project was both financial and related to the standards applied. The EUR 78.5million EIB loan provided long-term financing which contributed to the financial sustainability of the project at a time of increased difficulty in obtaining this type of financing as a result of the global financial crisis. The other half of the financing was provided by the promoter. The concession agreement guarantees access to the grid for the electricity generated by the project for the duration of the concession. Prior to disbursement, the EIB also required specific commitments from the promoter and turbine supplier related to the design the foundations and turbines in order to mitigate risks from extreme weather and seismic events. Further undertakings related to additional assessments of project impacts – including cumulative impacts - on residential and migratory birds and bat species, and appropriate mitigation measures to minimise any residual risk. These requirements were satisfactorily met.

## Completed project case study: Mersin Wastewater – addressing Mediterranean pollution

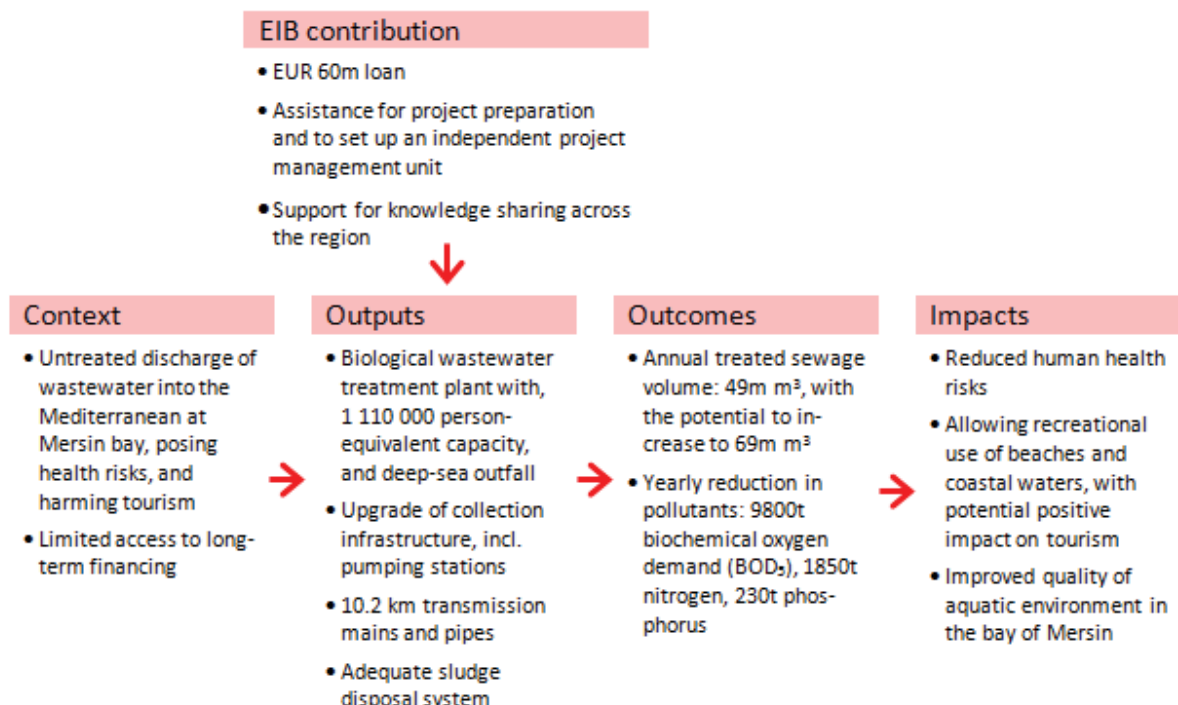
In Mersin, a city of over 900 000 inhabitants on the south-eastern coast of Turkey, wastewater used to be discharged into the Mediterranean Sea with no treatment. This had severe environmental consequences and posed risks to the health of the local population. The problem was being exacerbated by the rapid growth of the city.

The Mersin wastewater project aimed to provide the city with adequate wastewater collection and treatment infrastructure to ensure compliance with national environmental legislation and with the more stringent environmental standards set by European directives on urban wastewater. This operation supported the EU policy to protect the environment in the Mediterranean region, as formalised in the EUROMED II Mandate.

The project consisted of the upgrade of the existing wastewater collection infrastructure and the construction of a wastewater treatment plant with a 1.1 million person-equivalent capacity, a deep sea outfall and an adequate sludge disposal system.

Wastewater from the Mersin area is now no longer discharged in the sea without prior treatment. As a result, bacteriological concentrations near the shore and the risk of groundwater contamination are now limited, reducing health risks for the local population. The 49 million m<sup>3</sup> of sewage water treated every year represents a substantial annual reduction in the discharge of various pollutants: organic matter (9 800 tonnes in terms of biochemical oxygen deficiency (BOD<sub>5</sub>), nitrogen (1 850 tonnes), and phosphorous (230 tonnes).

### Mersin wastewater project



This has benefitted the aquatic environment of the bay of Mersin, which serves as the natural habitat of sea turtles and of a broad variety of fish species. Improved water quality has made the beaches and coastal waters in proximity of Mersin suitable for recreation, potentially

providing a boost to local tourism. The EIB's EUR 60million long-term loan to MESKI, the municipal company responsible for water and wastewater services in Mersin, was essential to the realisation of the project, due to the lack of alternative long-term financing sources for Turkish municipalities. It covered approximately 50% of the total EUR 116million cost of the investment.

Due to the limited experience of MESKI with projects of this size, the EIB also helped in the preparation of the project and in putting in place the necessary conditions for satisfactory implementation. Management of the project was assigned to an independent Project Management Unit, assisted by consultants with international experience and reporting to the EIB. The EIB also ensured that an adequate plan for the disposal of sludge would be in place prior to disbursement of the loan. This investment in Mersin is part of wider involvement by the EIB in the region's wastewater sector that includes two other sanitation projects in the neighbouring cities of Adana and Tarsus. The EIB encouraged MESKI to meet regularly with the service providers of the two neighbouring cities, to seek common technical solutions and exchange managerial experience.

The expected outcomes for this project were achieved despite challenges in project implementation. A long delay at the beginning of implementation was largely due to administrative changes impacting on the scope of the project. After the Project Management Unit was formed in 2004, the administrative area of Mersin was significantly enlarged to encompass all municipalities and villages within a 20 km radius from the city centre, enlarging also the responsibilities of MESKI and the scope of the project, and resulting in a delay in implementation. The technical support by the Project Management Unit consultants and the exchange of experiences with the neighbouring areas proved to be important in overcoming challenges linked to limited local experience in wastewater treatment and in the implementation of large scale projects.

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<sup>i</sup> [http://www.eib.org/attachments/strategies/eib\\_statement\\_esps\\_en.pdf](http://www.eib.org/attachments/strategies/eib_statement_esps_en.pdf)