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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

ON 2016 EIB EXTERNAL ACTIVITY WITH EU BUDGETARY GUARANTEE

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1. INTRODUCTION AND OVERVIEW

This Staff Working Document ("SWD") reviews the implementation of the current European Investment Bank ("EIB") external mandate at project, sector, country and regional levels in 2016 as well as the contribution of EIB financing operations to the fulfilment of external policy objectives, taking into account the operational objectives of the EIB. Article 11(2) of Decision 466/2014/EU of the European Parliament and of the Council of 16 April 2014 provides that for the purposes of the Commission's reporting, the EIB shall provide the Commission with yearly reports on EIB financing operations carried out under that Decision including all necessary elements allowing the Commission to report. Therefore, facts and figures mentioned in the document are mainly based on information provided by the EIB.

2 EIB CORPORATE RESPONSIBILITY

Corporate Social Responsibility is an important part of EIB strategy, policies and activities. The EIB continues to reaffirm its commitment to Environmental, Social and Governance (ESG) standards throughout its financing operations as well as its internal activities including through its sustainability and environmental reporting. For instance, the EIB Group 2016 sustainability report will be published in accordance with the GRI Standards comprehensive option in line with best practice.

The EIB Group's commitment to measure and manage its footprint is consistent with its environmental and social policies, principles and standards for the projects it finances. Understanding its carbon footprint also allows the EIB to identify and implement measures to reduce emissions resulting from its internal activities. The EIB Group carbon footprint report prepared in accordance with the GHG Protocol Corporate standard provides a comprehensive picture of the GHG emissions resulting from its internal activities and provides the appropriate environmental indicators required by the GRI content index in respect of the sustainability report.

The EIB promotes EU policies through its financial and other support of sustainable investment projects. The growing importance given to environmental and social considerations is underlined through regular review and revision of its environmental and social requirements and operational practices throughout the Bank reflected in its priority lending objectives.

The environmental and social policies, principles and standards of the Bank derive from and reflect the evolving EU approach towards the promotion of environmental sustainability and social well-being, in the broader context of sustainable development. They are developed, maintained and disseminated by the Bank's Environment Climate & Social Office, ECSO. In particular human rights, gender, conflict sensitivity, biodiversity and ecosystems considerations as well as climate change standards are integrated into the lending policies and practices of the Bank.

2.1 Human rights

The 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 feature also in the EIB Statement of Environmental and Social Principles and Standards which provides that the EIB "restricts its financing to projects that respect human

rights". This is achieved partly by excluding specific types of projects or activities from EIB lending, and partly by comprehensive due diligence processes.

The Bank's Environmental and Social Standards, revised and effective since 1st January 2014, further advanced the Bank's commitment by effectively integrating human rights in their scope and by promoting human-rights-responsive due diligence processes. They draw 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 (2011), the Renewed EU Strategy 2011-2014 for Corporate Social Responsibility and the OECD Guidelines for Multinational Enterprises (2008), as well as from the evolution of best practice in this domain.

2.2 Gender

Gender equality is firmly established as a core value and objective of EU development cooperation and external action. It leads to more just, fair and prosperous societies. It contributes to faster economic growth, higher income per capita, more efficient and effective businesses, more sustainable management of natural resources, social cohesion, peace-building and, overall, more stable societies.

Understanding the significant costs generated by discrimination, the barriers to full participation in the economy and how best to harness women and men's potential is fundamental to contributing to ELM key objectives, including: local private sector development, social and economic infrastructure and climate change mitigation and adaptation. Recent events, such as the migration and refugee crises in the Western Balkans and Southern Neighbourhood, have inherent gender dimensions. These have highlighted the need to invest in women's economic empowerment as a viable strategy for building more resilient economies.

The EIB has committed to supporting the achievement of SDG 5; to "achieve gender equality and empower all women and girls" by 2030. The EIB Group Strategy on Gender Equality and Women's Empowerment was endorsed in December 2016. It concentrates on three priority areas:

- The protection of women's rights through the application of the Bank's social standards and in the requirements of its clients and promoters. A mandatory and systematic assessment of gender-related risks and the protection of the rights of women, men, girls and boys will be an integral part of the application of the EIB Environmental and Social Standards. This will seek to highlight the vulnerabilities and risks that are gender and/or age specific and to identify ways to effectively mitigate or remedy against them.
- Increasing their operations' positive impact on gender equality, by working with willing and interested project promoters to incorporate a gender perspective into the design, implementation and operation of projects.
- Working with clients actively investing in women's economic empowerment, such as efforts to increase access to employment (e.g. through investment in the care economy) and to credit/financial services, as well as support for female entrepreneurship.

2.3 Conflict sensitivity

Conflict weakens democracy, human rights and the rule of law, which are core values of the European Union (EU). The Lisbon Treaty directs the EU to "preserve peace, prevent conflicts and strengthen international security."

Insecurity is also a primary development challenge. One and a half billion people live in areas affected by fragility, conflict or very high levels of criminal violence. Conflict and fragility have multiple, long and short term impacts on development, both in the countries experiencing it and on its neighbours, as clearly illustrated by the recent refugee and migrant crisis. Indeed, migration and conflict are tightly intertwined, with mass displacement often being a result, and at times a trigger, of conflict.

Adopting a conflict sensitive approach is of relevance for EIB operations. Violent conflicts and fragility carry substantial operational, financial, security and reputational risks for EIB-financed projects.

In 2015, EIB developed an institutional approach to conflict sensitivity with the aim to improve the understanding of potential interaction of EIB lending and violent conflict and provide guidance on how to make EIB activities more conflict sensitive. The EIB's approach to conflict sensitivity seeks to contribute to systematic: (i) flagging and mitigating institutional risks to EIB and specific operational risks to EIB investments in targeted conflict affected situations; (ii) avoiding doing harm or aggravating conflict, and (iii) whenever possible and depending on context, seeking to indirectly contribute to conflict prevention, recovery and peacebuilding efforts through its project investments. The approach is aligned with relevant EU policies as well as international good practice.

The developed approach was progressively piloted in 2016 and will be refined further in 2017. The EIB's intention is to selectively integrate the conflict sensitive approach in relevant EIB operations keeping in mind that for the EIB, given its current portfolio allocation, this will concern a small number of operations every year, predominantly non-EU. While most additional analysis and expertise will be obtained through cooperation with other EU institutions, some of it will require further strengthening of EIB in-house expertise and access to external expertise on context, sector or issues specific needs.

2.4 Biodiversity

In line with its EU and international commitments and its own standards and requirement on biodiversity, the EIB is in the process of developing a comprehensive and mainstreamed approach, system and processes to biodiversity risk screening and management.

Together with its Multilateral Development Bank (MDB) peers, the EIB has committed to track biodiversity-related financing in their operations and to publish the first related report by end of 2018. EIB is coordinating the work with the other MDBs and in consultation with its peers and the OECD, is currently working to develop and apply a methodology for reporting and tracking biodiversity-related lending. The methodology being developed will look specifically at lessons learned and in particular at the definition of climate adaptation financing and tracking. EIB is also part of a working group led by the OECD DAC ENVIRONET Task team, looking at refining the biodiversity and anti-desertification Rio marker definitions.

EIB has also been working with its Micro Financial Institutions (MFI) peers, the Cross-Sector Biodiversity Initiative, NGOs and IGOs on developing good practice guidelines for biodiversity baseline studies and biodiversity-inclusive impact assessment and management.

2.5 Climate change

The EIB Climate Standards require that the EIB's financing as a whole is aligned with EU climate policy. Specifically, and as outlined in its global 2015 Climate Strategy, the EIB has committed to:

- Making its lending portfolio more climate-friendly by promoting climate change mitigation projects in various sectors and promoting the adoption of energy efficient solutions in the projects financed.
- Mainstreaming climate risk considerations generally into the project cycle and promoting adaptation projects or projects with adaptation components and measures, in the interests of long term sustainability.
- Assessing and reporting the carbon footprint of EIB financed investment projects, the annual aggregate GHG emissions and savings published in the EIB's Annual Report for each year's finance contract signatures.
- Including Climate Action in the Key Performance Indicators for the Corporate Operational Plan with currently an annual percentage target for lending of > 25% based on a consistent set of definitions regarding climate action investments and activities, harmonised with other MDBs.
- Reflecting the value of carbon – both financial and economic – in its financing decision-making requirements and processes.
- Increasing transparency and accountability, advocacy and working with other institutions, including MFIs, Banks and Financial Institutions (BFIs) ("mutual reliance"), NGOs, the European Commission and the academic community on climate-related matters: in particular adapting standards, polices and reporting to align with the Paris Agreement, wherein it is agreed that "finance flows should be consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".

2.6 Transparency, governance and accountability

2.6.1 EIB Group Transparency Policy

On 6 March 2015, the EIB Group adopted a new EIB Group Transparency Policy[1] following a public consultation[2] process to which civil society organisations, EU and international institutions, the private sector, consultants, academia and members of the public participated.

Compared to the previous one, the new policy brings improvements to its structure and clarity. It has been further aligned with applicable EU legislation, as interpreted by the case law of the Court of Justice of the European Union regarding transparency and access to information. As with the previous EIB Transparency Policy, the new policy continues to apply the

[1] http://www.eib.org/infocentre/publications/all/eib-group-transparency-policy.htm
[2] http://www.eib.org/about/partners/cso/consultations/item/public-consultation-on-eibs-transparency-policy-2014.htm

"presumption of disclosure" principle to all information held by the EIB, with well-defined exceptions based on applicable EU legislation and case-law. The Bank publishes an annual report on the implementation of its Transparency Policy.

2.6.2 International Aid Transparency Initiative ("IATI")

The EIB has continued to regularly publish data and information on its operations outside the EU based on the IATI reporting standard. The EIB updates its IATI data on a monthly basis and remains among the top publishers in terms of the frequency and timeliness of publication.

2.6.3 Transparency and monitoring of investment projects

Projects financed by the EIB are published on its website at least three weeks before they are considered for approval by the EIB Board of Directors. On 2 January 2014, the EIB officially launched its Environmental Public Register of documents,[3] which has been established under the EC Regulation 1367/2006 regarding public access to environmental information of Community institutions and bodies. The Register contains key project-related environmental and social information/documents held by the Bank such as the Environmental and Social Data Sheets (ESDS) of all concerned projects approved since 2012, 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 ELM reach completion, the EIB is preparing to make, where possible, relevant Project Completion Reports (PCRs) available to the public, excluding confidential information. In addition, monitoring information provided by project promoters is also being made publicly available when promoters agree. Finally, the EIB has started publishing on the Public Register so-called Environmental and Social Completion Sheets (ESCS) that provide the Bank's assessment of project-related environmental and social aspects at project completion stage for all the investment projects it finances, including those financed under the ELM.

2.7 Compliance

Compliance is integral to the Bank's professional and business approach. The independent EIB Compliance function promotes high standards of integrity and ensures that they are applied to all of the Bank's activities, as outlined in their integrity policy and compliance charter. The Bank 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. Reputational and compliance risk as well as mitigation of such risk are critical for the EIB.

[3] http://www.eib.org/register

The EIB Group is committed to high standards of anti-money laundering (AML) and combating the financing of terrorism (CFT) in line with the principles and standards of applicable EU legislation, best banking practices and applicable market standards including, where relevant, other international financial institutions' standards.

A comprehensive EIB Group AML-CFT Framework, approved on 15 July 2014 was revised on 12 October 2016 and the updated version is published on the EIB website. It contains key principles regulating AML-CFT and related integrity aspects in EIB Group activities and is in line with the principles of relevant EU legislation as amended and supplemented from time to time . The EIB Group AML-CFT Framework aims at preventing the EIB Group, its governing bodies, staff and counterparties from being associated with or used for money laundering, financing of terrorism or other criminal activities.

The EIB is committed that its policies and procedures avoid the misuse of EIB Group operations for purposes of tax fraud, tax evasion, tax avoidance, aggressive tax planning and harmful tax practices have to be updated to take account of best standards and practices as well as the recent evolution of EU policies. Having regard to the above, the EIB has reviewed and further enhanced its due diligence processes with the aim that the risk-based tax assessment identifies potential tax avoidance schemes in line with the OECD Base Erosion and Profit Shifting action plan (BEPS) and EU Anti-Tax Avoidance Package (ATAP). This addresses considerations raised by EIB stakeholders, including the EIB Board of Directors, European Commission, European Parliament and Civil Society Organisations. Further developments will be needed to draw the consequences of the publication of the EU list of non-cooperative jurisdictions for tax purposes once agreed by the Council.

In terms of monitoring, the Compliance function deals with the on-going monitoring of compliance risk in operations/ business relationship to detect possible ML, FT or related integrity risks throughout the life of the business relationship. In line with EIB Group AML-CFT Framework and the applicable standards and principles of the 4th AML Directive, the compliance monitoring plan includes on-going monitoring not only of counterparties with which the EIB enters into business relationship, but also, where applicable, their beneficial owners, key persons and shareholders. On-going monitoring activities also include sanctions screening, monitoring of Politically Exposed Persons and alerts on adverse media, or monitoring of transactions via Compliance clearance for certain types of payments.

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

3. OVERALL CONTRIBUTION TO UNION POLICY OBJECTIVES

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

(i) local private sector development,

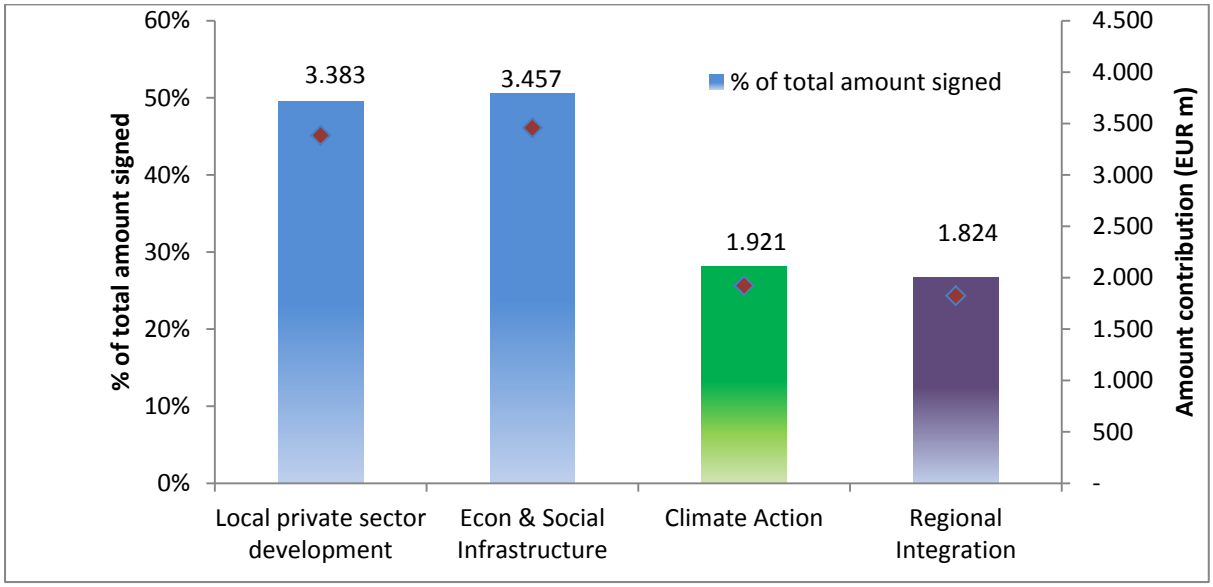
(ii) social and economic infrastructure development,

(iii) climate change mitigation and adaptation,

Additional underlying objectives include the contribution to the general principles guiding Union external action, as referred to in Article 21 TEU and regional integration among partner countries, including economic integration between pre-accession countries, neighbourhood countries and the Union (Article 3(3) of Decision 466/2014/EU). The EIB is required to also undertake financing operations in eligible countries within areas covered by the general objectives by supporting foreign direct investments that promote economic integration with the Union.

The ELM Mid-Term Review proposed to introduce a new general objective on migration into theELM. The reporting on this new objective will take place once the corresponding amendment has been adopted.

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



Note: A single project may contribute to more than one Mandate objective. The objectives on Climate Change and Regional Integration are cross cutting objectives applying to all projects and therefore cannot be added to the two others. Signature volume for Local private sector development and Economic & Social infrastructure can be added to give total signatures volume.

Comment on chart 1: Of the total signed amount in the ELM regions in 2016, EUR 3.4 bn (49%) will support local private sector development, principally through improving access to finance for small and medium-sized enterprises (SMEs), microenterprises and mid-cap companies (35 projects). EUR 3.4 bn (51%) will contribute to social and economic infrastructure development (43 projects). All EIB operations outside the EU support one or both of these objectives. As such the climate change mitigation and adaptation objective, although a primary objective of the ELM, is tracked and reported as cross-cutting objective.

EUR 1.9 bn (28%) of lending signed in 2016 will support the cross-cutting objective of climate change mitigation and adaptation. This support is spread over a large number of individual projects this year (50), taking into account the contribution to this objective made by many operations that are focused on multiple sectors (for example, credit lines where a small proportion of lending is estimated to support investments in renewable energy or energy efficiency measures by SMEs).

Similarly, EUR 1.8 bn (27%), will support the cross-cutting regional integration objective (21 projects), both through infrastructure development and through support of local private sector access to finance.

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

3.1.1. EIB's SME support framework

The 2030 Development Agenda cannot be achieved without the growth of a vibrant private sector to provide decent employment and incomes to the majority of people in our societies, and to provide many of the basic services that we need. The private sector is also an essential part of the partnerships that need to be fostered to make this vision a reality.

Yet people trying to establish and grow a business in emerging and developing countries face many constraints, not least in terms of access to appropriate finance. The most severe difficulties are faced by the poorest in society who often lack access to the most basic financial services such as formal opportunities for saving, getting insurance or borrowing the financial capital they need to establish, conduct and expand their business activities.

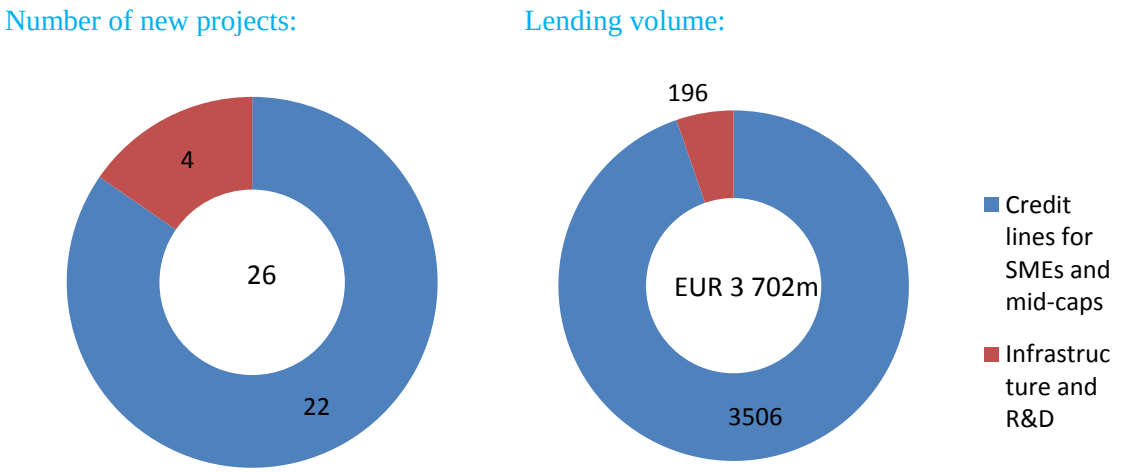
More established businesses also face constraints that inhibit investment and expansion and put the jobs of their employees at risk. In these contexts, small and medium-sized enterprises and even mid-cap companies face greater financing challenges than large firms and this problem is greatly exacerbated in countries with an underdeveloped financial sector, where banks themselves face enhanced funding constraints and find it hard to meet the financing needs of most companies. Another gap is in the provision of risk-absorbing equity finance that can be critical in achieving a breakthrough for companies with a high potential for growth and job creation.

3.1.2. Local private sector development in 2016

Under the mandate objective of supporting local private sector development, outside the EU, the EIB uses a number of different instruments. In 2016, the EIB provided EUR 3.5bn through 22 credit lines for local financial intermediaries to enable them to go further in addressing the finance needs of small and medium-sized enterprises and mid-cap companies. There were also

4 loans for private sector-implemented infrastructure and R&D projects that also contributed to local private sector development. Among the new projects in 2016, there were no microfinance or private equity projects in the regions covered by the ELM.

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



Note: Lending volumes are prorated by degree of contribution to the local private sector development objective. Many operations also contribute to the cross-cutting climate and regional integration objectives.

Credit lines for private enterprise

Credit lines are an important instrument for strengthening the capacity of financial sectors in developing and emerging countries to provide finance for local companies. It particularly enhances access to longer-term funding for smaller businesses, helping to create and sustain jobs. In underdeveloped financial systems, even medium-sized and mid-cap companies can face financing constraints because of information asymmetries such as a lack of credit history.

The new credit lines for SMEs and mid-caps provided in 2016 will allow local intermediary banks to make almost 9 600 loans, averaging around EUR 369 700 each. Of these, nearly 8 600 are expected to go to SMEs with an estimated average size of just 23 employees. This funding will also enable local banks to extend the duration of the loans they offer to SMEs and mid-caps, with the average loan tenor (weighted by loan size) expected to be 4.3 years, a substantial increase on the loan durations typical for developing contexts. In fact, it is estimated that the loan tenor provided will be on average 132% higher than the local market norm, and will match the economic life of the SME investments financed in the great majority of cases. In the end, it is expected that these 22 credit lines will help sustain some 544 700 jobs in final beneficiary companies.

Credit lines are not just a means of extending credit, through intermediaries, to SMEs and mid-caps; they also have more indirect impacts on access to finance by supporting the development of local financial sectors that have to capacity to serve previously underserved sectors of the economy. Six of the new credit lines in 2016 are rated “good” or “excellent” in terms of support to banks operating in very shallow markets where credit to the private sector is less

than 33% of GDP. Four provide support to second tier banks (smaller banks with a lower credit rating than the leading banks in a country), helping to improve competition and client services in local markets. Six have a specific focus on increasing access to finance for underserved markets such as women or rural businesses.

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

	Expected outputs			Expected outcomes	
SME/mid-cap credit lines	Total loans (EUR m)	3 542	→	Jobs sustained (total)	544 700
	Total loans #	9 580		In SMEs	198 600
	Average loan size (EUR)	369 700		In mid-caps	343 900
	Average loan tenor (years)	4.3		In other	2 200

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

Expected outputs	ALA	EAST	MED	PA	SMEs	Mid-caps	Other
Number of projects	2	4	5	11	-	-	-
Total loans (EURm)	200	595	867	1 880	2 478	1 048	15
Total loans #	807	1 326	798	6 694	8 558	1 007	15
Average loan size (EUR '000s)	248	449	1 086	281	290	1 041	1 000
Average loan tenor (years)	4.0	2.8	4.6	4.6	4.1	3.9	10.0

Infrastructure and R&D

Some EIB loans for larger industrial or infrastructure projects also support private sector development through direct lending to private sector actors, or through intermediated lending to companies for specific infrastructure improvements. Four such projects in 2016 include one investing in grain transportation and storage in Ukraine and two projects focused on smaller renewable energy projects in the Maldives and Turkey. Sector specific indicators for these projects are reported in the following section. One new operation will fund research and development by the ICL company, involving research collaboration spanning research sites in Germany, the Netherlands and Israel, that is expected to achieve economic and environmental improvements in the fertilizer industry. The project will create 1 480 person-years of employment.

The results achieved:

The completed (fully allocated) credit lines include 4 in Turkey, 1 in Azerbaijan and 1 in Brazil. In total, EUR 1.2bn was lent through 1 883 loans that went predominantly to small and medium-sized enterprises. In total, these loans thereby supported companies employing 136 600 people. 59% of these jobs were actually in mid-caps which usually receive larger loans and where each loan supports a larger number of employees. The average tenor of the loans provided to final beneficiaries (weighted by loan size) was 5.1 years. This is considerably higher than these companies are typically able to obtain in local markets. It is slightly longer than the average tenor reported for completed credit lines last year, reflecting the fact that the

credit lines completed this year are in emerging economies with relatively developed financial sectors.

Table 3: Ex post results for six completed credit lines

Results achieved	All SMEs	Micro	Small	Medium	Mid-caps	All
Total loans (EURm)	478	54	122	302	247	1 203
Total loans #	876	139	336	402	130	1 883
Average loan size (EUR '000s)	546	386	363	752	1 900	639
Average investment size (EUR '000s)	974	314	642	1 487	5 220	1 522
Average loan tenor (years)	4.4	5.6	3.8	4.5	5.3	5.1
Jobs sustained	56 283	476	8 766	47 041	80 319	136 602

These aggregate results are largely in line with expectations. The total number of jobs sustained expected at appraisal was 156 000, a 12% difference. In terms of the targeting of different sizes of firms, for one of the operations in particular there was a tendency to over-estimate lending to smaller firms. Average tenor duration was slightly underestimated at appraisal in many cases. This kind of data from actual loan allocations can be used to inform future results estimations at appraisal.

Box 1: Completed project - Supporting rural SMEs in Armenia

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

The Armenia Apex Loan, signed in 2014, has helped to address this situation, providing long-term finance for local banks through the Central Bank of Armenia. This funding was fully allocated by the end of 2016, reaching 113 companies employing a reported 6357 people (56 employees on average), and overwhelmingly in the agriculture, food processing and accommodation and catering sectors. With an average maturity of over 5 years, the loans provided are much more advantageous for financing productive investments than the terms typically available for SMEs. It is estimated that these loans may help create just over 2 000 additional jobs.

To enhance the effectiveness of the project and increase the lasting benefits, the EIB was able to mobilise EUR 500 000 from the Eastern Partnership Technical Assistance Trust Funds for capacity-building. Local intermediary banks received training on how to develop products that meet the needs of agricultural and tourism SMEs, how to assess environmental and climate risks of agricultural investments, and on complying with EIB selection criteria. Training on financial literacy was provided to final beneficiary SMEs.

The Araks-2 cooperative employs around 24 people, utilising local milk production to manufacture a range of cheeses. They used 5-year EIB-funded loans totalling EUR 95 000 to acquire a new pasteurizer, casting forms and inputs, allowing them to step-up production. Looking forward, they plan to invest to triple production capacity and expand the export share of sales to at least 35%.
A loan of EUR 180 000 with a 7 year duration financed the renovation of Hotel Alpina in the popular tourist town of Tsakhkadzor, and enabled the purchase of the hotel minibus. With 35 employees, the hotel has already achieved a 20% increase in the number of guests.

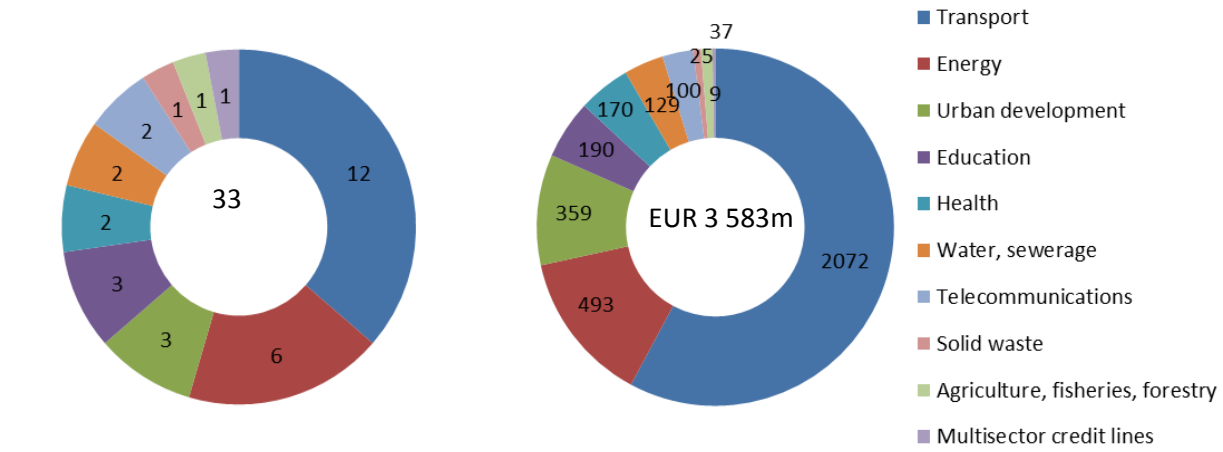
3.2. Development of social and economic infrastructure

3.2.1. EIB's social and economic infrastructure framework

Developing the infrastructure needed to provide essential services and support economic growth is a key pillar of the development process. Whether considering water and sanitation systems, public transport and roads, energy systems or health care facilities, they are dealing with vital building blocks of social, economic, and sustainable development. And because infrastructure are often public goods with positive spill-overs for society, the environment and the economy, public financing often has a vital role to play.

In 2016, the EIB invested a total approved amount of EUR 3.6bn in 33 new infrastructure projects in the ELM regions. Transport projects were a particular focus with 12 projects representing over EUR 2.1bn in lending, and expected to benefit around 1.2 million passengers every day. But EIB projects also covered a wide range of sectors. Alongside energy investments and projects in the water and sanitation sector, there are also significant investments in mixed urban infrastructure, the renovation of education facilities, hospital construction and other areas.

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



Note: Lending volumes are prorated by degree of contribution to strategic infrastructure objective. Many operations also contribute to the cross-cutting climate and regional integration objectives.

Direct employment impact

In total, new infrastructure projects in 2016 are expected to create 143 000 person-years of temporary employment during construction phases. The operation of the completed infrastructure is expected to create the equivalent of 10 000 full-time jobs. The temporary employment effect is largest in the transport and water sectors. The largest numbers of permanent jobs associated with completed infrastructure are in the education and urban development sectors which reflects the numbers of staff that will use new and renovated facilities for education and other public services. Among other sectors, Transport has the most notable direct permanent employment impact.

Table 4: Infrastructure projects - direct employment impact

	Employment during construction	Employment during operation
	(person-years)	(full-time equivalent)
Transport	73 268	1 630
Water and sanitation	-	-
Energy	10 930	85
Urban development	18 400	1 700
Education	16 400	5 670
Health	11 240	0
Waste management	10 500	40
Agriculture	2 150	887
Telecommunications	270	0
Total	143 158	10 012

N.b. Totals do not cover operations for which no figures could be estimated at appraisal.

Energy

With six new projects receiving EUR 493m in EIB lending, the energy sector is less of a focus than last year. There are less large-scale energy generation projects and a larger focus on smaller schemes involving generation from renewable sources of energy. In fact, the only generation capacity from fossil fuels will be modern diesel generators installed in the Maldives as a part of a new system involving solar-voltaic generation to replace older and less efficient, purely diesel-based generation (Box 2). The largest energy generation projects are in Turkey: the Fina Enerji wind power project (Box 3) and a credit line with Isbank that will target specifically renewable energy and energy efficiency schemes expected to generate enough energy to serve some 105 000 households. In total, new projects in 2016 will result in energy generated for the equivalent of around 338 000 households.

Box 2: Reducing diesel dependence in the Maldives

Power generation represents a challenge for the Maldives, as an archipelago of 26 atolls. The country has relied substantially on old and inefficient diesel generators. As recently as 2012, oil imports made up 35% of GDP. A EUR 45m EIB loan is supporting a project to help change this situation by installing at least 50 MW of solar-diesel hybrid energy systems, with about 25 MW of roof-top and ground mounted solar PV panels and about 27 MW of more efficient diesel generator capacity, as well as the rehabilitation of about 430 km of distribution lines and the installation of lithium-ion batteries and control system equipment. This will allow about 37 MW of obsolete diesel generator capacity to be retired.

The project will supply enough energy to meet the needs of about 110 000 households and will enable some 14 500 new connections to the network. It will save the country an estimated EUR 13.6m a year in reduced fuel imports and will also have an impact in terms of lower emissions of CO_2 and other pollutants. During operation, the project will result in estimated GHG emissions of 76 kt CO2-eq/year. However relative to predicted emissions without the project, it is expected to result in a reduction of 34 kt CO_2-eq/year.

Box 3: Expanding wind power capacity in Turkey

Turkey is experiencing rapidly-growing demand for electricity and has excellent renewable resource potential. Renewable energy sources only account for about 25% of total electricity supply, 20% of which is hydropower. The government has set a target of increasing the contribution of renewable to 30% by 2023. The EIB is contributing to this goal with a EUR 33m loan to Fina Enerji to construct three wind farms located in different regions of Turkey, with a total capacity of 106 MW. The funding has allowed the project to go ahead more quickly than would otherwise have been possible. It will produce enough electricity to supply the equivalent of 123 000 households And, with zero estimated absolute emissions, is expected toachieve an emissions reduction relative to the alternative power generation mix in the country of 148 ktCO2-eq/year.

Energy networks are the main focus of two new projects in 2016. Together it is expected that new projects will install 3 239km of power lines and connect 743 000 new customers to electricity networks. One project expected to have impacts at a particularly large scale is the Neoenergia Electricity Distribution 2 project which will connect 728 000 new households and businesses in the State of Bahia in Brazil, including 68 337 in rural areas under the Luz para todos programme. The bank is also financing the Ungheni-Chisinau Gas Pipeline which will connect gas consumers in the Moldovan capital to gas supply from Romania, helping to diversify and ensure security of supply.

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

	Expected outputs		Expected outcomes	
Energy	Generation capacity	373 MW	Annual electricity production	960 GWh
	From renewables	346 MW	Households potentially served	338 000
	New/upgraded substation capacity	1 440 MVA	Annual energy transported	7 900 GWh
	New/upgraded power lines	3 200 km	New households connected	743 200
Transport	Length of road built/upgraded	863 lane km	Additional vehicles benefiting, per day	41 100
			Time savings (hours/year)	7.9 million
			Annual vehicle operating cost savings	EUR 4.5m

	New/upgraded urban transport route (bus/tram/metro)	59 km	Additional passengers benefiting, per day	1.2 million
	New/upgraded urban stations or stops	34	Passenger time savings (hours/year)	42 million
	Vehicles or rolling stock purchased	176	Additional rail cargo carried (tonnes/year)	22 million
	Railway track built or upgraded	323 km		
	New/upgraded railway stations	12		
Water & sanitation and solid waste	New/upgraded water mains/pipes	94 km		
	New/upgraded wastewater treatment capacity (person-eq.)	1.9 million	Population benefiting from improved sanitation services	1.5 million
	New/upgraded sewer/storm pipes	563 km		
	New sanitary landfill capacity (m^3)	550 000 m^3	Population served by new sanitary landfill	469 000
Telecoms	Population covered by new 4G network	67%	Additional cellular data users	64 900
Health, education and urban development	Beds in new/rehabilitated hospitals	5 341	Patients treated per year in new or rehabilitated hospitals	150 000
	New places in new or rehabilitated higher education facilities	54 814	Additional students enrolled	37 054
			Pop. benefitting from other new/ upgraded urban infrastructure	4.0 million

Transport

EIB lending to the transport sector outside the EU increased over the previous year in terms of both the number of new projects and the volume of lending. Urban public transport and railways accounted for around half of this lending by volume. Major projects include the first metro line in the city of Lucknow, India (Box 4), a framework loan for urban public transport investments in Ukraine, a further extension of the metro system in Istanbul, which builds on previous EIB investments in that system, and additional rolling stock for the metro system in Cairo. EIB lending will also support the upgrading of 323km of railway lines in Ukraine and Moldova to allow for increased capacity and reduced travel times, and helping to prevent increases in road traffic. Together, these metro and rail projects will benefit some 1.2 million passengers every day, save 42 million hours of travel time every year, and enable 22 million tons of cargo to be carried.

New road sector projects include three projects to improve trade connections within and between Georgia and Armenia along parts of the extended Trans-European Transport Network (Box 12).The bank is also supporting road modernisation in Bosnia Herzegovina. One project is notable for the significant impact it is expected to have on congestion in the city of Bizerte in Tunisia. The two parts of the city, which straddles the mouth of Lake Bizerte, are currently linked by a single lifting bridge. The project will construct a new bypass with a 2.1km long bridge across the lake. It is expected to save 6.5 million hours of travel time and to be used by 26 000 vehicles per day.

Box 4: Transport-led sustainable development in Lucknow, India

Urban public transport is a key driver of environmentally sustainable social and economic development. But when populations in cities grow too quickly, it can present a barrier to mobility and significantly impact people's quality of life by restricting access to public services as well as safety due to overcrowding of the existing transport infrastructure.

In 2016, the EIB signed a new EUR 200m loan in India to finance the first metro line in Lucknow, the more than three million-inhabitant capital of India's most populous state, Uttar Pradesh. The project is the first phase of a two-phase plan to construct a 34km-long metro line and the first step towards increasing the modal share of public transport within the city from currently 10% to 27% by 2030. The current project will build the first 23km line which will run from the airport in the south of the city, through dense residential areas, the city centre and to the north, serving 22 stations along the route and serving 13 500 passengers per hour per direction, or around 300 000 a day.

The project will form the backbone of the city's mobility network by providing public transport that is reliable, safe, fast and affordable. The metro will also substantially improve the urban environment by facilitating the densification of development, and additionally will contribute to climate change mitigation through reductions in greenhouse gas emissions.

Water, sanitation and waste

There were two new water and sanitation projects in 2016, involving EUR 129m EIB lending, and a further EUR 15m targeting solid waste management. Two wastewater treatment projects in Panama and Tunisia will serve a total population of about 1.5 million, as well as contributing to a reduction in pollution of the water of Panama bay and the Mediterranean sea (Box 5). Another new project in the sector will support a number of water supply, wastewater treatment and solid waste management schemes in the Kyrgyz Republic. Whilst most of these schemes are still to be determined, it is expected that they will include the rehabilitation of landfill sites, to allow nearly half a million people to be served by improved sanitary landfill facilities. Another such framework loan will support schemes to improve solid waste management in Morocco.

Box 2: Reducing pollution of the Mediterranean Sea

The overall objective of the DEPOLMED initiative in Tunisia is to combat the pollution of the Mediterranean Sea, whilst bringing benefits to local communities. It involves a EUR 140m investment program aimed at rehabilitation and expansion of sewerage networks and water treatment installations along the coastal zones of Tunisia. Working with the Agence Française de Développement, the EIB is contributing EUR 70m. The initiative also benefits

from a grant from the EU Neighbouring Investment Facility of EUR 10.4m.
By improving the environment, as well as the effectiveness of the public sanitation service provided by ONAS, the programme aims at improving the living conditions of those living in the coastal zones of the Mediterranean, both in Tunisia and beyond. The project is expected to have positive impacts on all the sectors affected by pollution – especially fishery and tourism – and will allow for the connection of 60 000 additional persons to the sewerage network, while improving services for close to 1.2 million people who are already connected. In addition, there will be a positive impact in terms of climate change mitigation as the treatment of wastewater will result in a reduction in emissions of methane and will reduce reliance on already stressed water resources.

Telecommunications

In Tunisia, the EIB is funding a major roll-out of the 3G and 4G networks. It is expected to install 2520 3G sites and 1557 4G sites to benefit a large proportion of the population, including an expected 1.2 million additional cellular data subscribers.

Health, education and urban development

Three new projects support urban reconstruction or development schemes that will cover a range of different infrastructure sectors. Responding to the terrible earthquake that struck western parts of Ecuador in April 2016, one EUR 159m project will finance the repair and re-establishment of damaged infrastructure such as roads, water and electricity systems, telecommunications and municipal buildings (Box 6). Similarly, EUR 100m will support the repair of infrastructure damaged by recent floods in Tbilisi, the capital of Georgia. A third project will provide support to local authorities throughout Georgia to upgrade local infrastructure and improve service delivery for local residents.

Box 3: Rebuilding after the Earthquake in Ecuador
On the 16 April 2016, an earthquake struck that ravaged large parts of western Ecuador. Widespread damage was caused across Manabi province, with buildings and infrastructure collapsing. Almost 700 people died, more than 6 000 were injured and over 100 000 were displaced. Livelihoods in these areas were severely affected with businesses having to close or temporarily lay off workers. The tourism industry was also severely affected as many hotels collapsed or were severely damaged.
Funds available for early reconstruction are very limited in Ecuador due to the country's economic problems. The EIB responded to the Ecuador government's call for support with a EUR 162m loan (actually provided in USD) that will cover 100% coverage of cost of eligible sub-projects. These will reconstruct or upgrade basic infrastructure such as water and sewerage systems, roads and social and administrative facilities, bringing benefits to an estimated 1.5 million people in the project areas. A grant from the EU Latin America Investment Facility will be blended with the EIB loan to finance technical assistance to improve governance and to develop the institutional and technical capacities of the local authorities with regard to the design, procurement, implementation and monitoring of the projects. Throughout there will be close co-operation with other key donors such as the WB, IDB and the UN.

In the education sector, the Technical and Technological Institutes programme will build 13 new technical institutes in different regions of Ecuador, and will also remodel 8 existing school campuses to equip them to deliver post-secondary technical training. In Ukraine, a project will focus on renovating higher education facilities, both improving facilities for students and significant energy efficiency improvements (Box 7). In the health sector, the bank is supporting the construction of two new hospitals in Turkey.

Box 4: Renovating Ukraine's Universities

Ukraine has the highest per-capita energy consumption rate in Europe and part of the reason lies in the low energy-efficiency of many buildings. At the same time, the country needs to investment in education and skills to enhance economic competitiveness and long-term economic prospects. The Ukraine Higher Education project will respond to both these challenges, increasing energy efficiency through the refurbishment of teaching, research and supporting facilities in several universities using the latest energy-saving technologies. The intervention should help reduce running costs, improve the quality of teaching, and enhance the quality of learning spaces and research facilities. It will help the universities to make progress towards the standards of the European Higher Education Area and the European Research Area, and thus replicates EU actions to increase investment in research and education facilities to achieve the EU 2020 strategy objectives.

With a first phase targeting 147 buildings with a combined floor surface of 820 000m2 planned to be built or renovated. Works will create some 14 200 person-years of employment. The EIB loan of EUR 120m represents almost three quarters of the total project cost, providing financial resources for the project that would be difficult for the Ukrainian authorities to raise on their own, given the difficult situation in the country. The project benefited from a first grant from the Eastern Partnership Technical Assistance Trust Fund to finance energy audits. It will also benefit from a grant from the Neighbourhood Investment Facility (NIF) to provide technical assistance for further preparation and implementation support.

Agriculture

Aside from one credit line which focuses on agriculture sector SMEs and mid-caps in Georgia, the EIB is also supporting a project in Ukraine focused on upgrading possibilities for the storage and transport of grain and oils seeds. This will include constructing storage elevators at river terminals on the Dnipro river, the renovation of a shipyard and the construction of vessels for river transport of agricultural produce. By encouraging a modal shift from road to river transport, the project will support climate change mitigation, and by improving capacity to cope with climate variability it will also contribute to adaptation to climate change

Completed infrastructure and industry projects

The three infrastructure projects completed under the ReM framework include the Ka Xu concentrated solar power project in South Africa (Box 8) and the CA CCFL II solar photovoltaic project in Honduras. The latter has successfully installed 81MW capacity, so far producing 145GWh of electricity per year at a considerably lower cost than the alternative of diesel-powered generation. The Armenia Water sector project focused on the repair of essential water and sewage treatment systems in small towns around the country (Box 9).

The two other ReM Framework projects competed in 2016, one is an upgrade to plastic production facilities Petkim, chemical industry firm in Turkey, which has supported local private sector development and jobs, including by increasing the domestic supply of inputs to local downstream manufacturing industries. In line with the Pre-Accession Facility for Turkey, the other project was also focuses on local private sector development, enabling the Arcelik company to carry out research and development on more energy efficient home appliances based on advanced materials, innovative technologies equipped with smart connectivity features

Box 5: Completed project – South Africa's first concentrated solar power plant
With 360,000 parabolic trough mirrors and 2.5 hours storage capacity, the 100 MW Ka Xu CSP power plant is the largest in the Southern hemisphere. It is already helping to address the rapidly growing need for more clean energy in a country suffering from aging coal-fired power stations and with a commitment to reduce carbon emissions. With production being ramped up since early 2015, the plant had reached 100% of the eventual expected output by the end of 2016, and will provide enough output to power at least 75 000 households. Working through local banks, the EIB was able to provide not only long-term financial resources, but local currency funding to reduce the risks for the project.

Box 6: Restoring water supplies in Armenia
With the fall of communism, Armenia's drinking water system fell into a state of disrepair and has required considerable new investments. When the Armenia Water Sector project was conceived, Armenians still typically only benefited from around 14 hours of water supply each day, existing facilities risked spreading bacterial infections and sewage was routinely discharged into lakes and rivers without treatment.
Against this background, the Armenia Water and Sewerage Company called for financial and technical assistance to improve the country's water system and in 2012 the EIB approved EUR 6.5m loan for works which were completed in 2014, with co-funding from the EBRD and the Neighbourhood Investment Facility. The programme of works covered the rehabilitation and upgrading of the water supply, sewerage and wastewater treatment facilities in 17 small towns around the country. This included the rehabilitation of the water distribution network, namely the replacement of old pipes and installation of new pumping mains and distribution pipes; as well as, the protection of spring sources with creation of sanitary zones, rehabilitation and construction of boreholes, wells, pumping stations, reservoirs and chlorination facilities; and finally, the construction of new waste water treatment plants and rehabilitation of existing sewers in the towns of Dilijan and Jermuk.

3.3. Climate change mitigation and adaptation

3.3.1. EIB's Climate action framework

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

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

3.3.2. EIB's Climate action in 2016

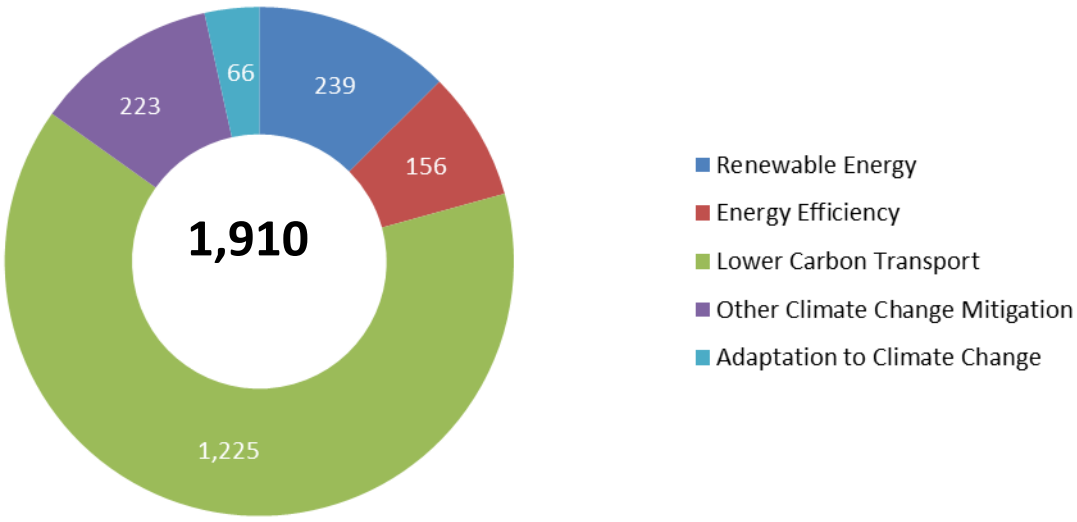
Of the new project lending signed for the ELM regions in 2016, EUR 1.9bn will contribute to the cross-cutting policy objective of climate change mitigation and adaptation. This will be achieved through a large number of projects across almost all sectors. All of these projects also contribute to either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

In many cases, only part of a project contributes to the climate change objective and only a proportion of that project's lending total is therefore reported as contributing towards the objective. Analysis of the results of past EIB projects has revealed that many projects make a small contribution to action on climate change even if this is not the main objective of the project. Such small contributions add up to make a significant difference. A typical example is a credit line for SMEs in which some investment projects by beneficiary businesses involve achieving greater energy efficiency in buildings or installing small-scale renewable energy generation capacity, such as solar panels. Accordingly, some 50 of the new projects in 2016 contribute to the Climate Action objective. This includes 21 credit lines. The Bank applied in 2016 an estimate of 2% as the likely climate content that will be found in future allocations under credit lines signed in 2016[4].

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

[4] The 2% is based on an ex-post analysis of earlier credit lines, namely of the activities financed at allocation level (financial intermediaries' on-lending to final beneficiaries) under similar non-dedicated credit lines in 2013-2015 of all EIB operations (including EU and non EU).

Chart 4: Climate Action in ELM region (EUR mn)



Box 10: Mainstreaming Climate Action: the ELM region portfolio carbon footprint

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

- absolute emissions (actual emissions from the project) exceed 100 000 t CO_2-eq/year; and/or

- relative emissions (estimated emissions increases or avoidance compared to the expected alternative) exceed 20 000 t CO_2-eq/year.

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

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

In 2016, 17 of the projects in the ELM regions (including signed operations and large allocations approved during the year) were included in the 2016 Carbon Footprint Exercise. They represent total EIB signatures or allocation approvals of EUR 0.9bn. The related total

absolute GHG emissions and sequestered GHGs are estimated as -0.2Mt CO_2-eq/year (the negative figure being due to a number of large forestry projects which will sequester CO_2)[5]. The related reduction in emissions due to the 2016 financing of the projects included in the analysis is estimated at 0.6Mt CO_2/year.

All climate action data and GHG figures will be subject to EIB's 2017 Sustainability Audit (EIB Sustainability Report 2016).

Box 11: Mainstreaming Climate Action: Climate Risk Screening

In line with EIB's commitment to the European Parliament to systematically screen all new ELM operations for climate change risk in order to address project vulnerabilities, the EIB has continued to advance its work on Climate Risk Screening of ELM projects in 2016.

A triage of all 2016 ELM projects was carried out by EIB's Environment, Climate and Social Office (ECSO). The projects are grouped into three categories enabling targeted action:

1. Low climate risk, plus Framework loans and credit lines
2. Projects under appraisal or within next 12 months: Medium- to high risk
3. Projects with expected appraisal 12 months or later

Firstly, projects considered low climate change risk, as well as intermediated loans where the underlying subprojects are still unknown (e.g. credit lines and framework loans), are addressed by researching and sharing country level information on climate change impacts. This information is highlighted to the project teams for discussion with the promoters and clients: plus larger subprojects under Framework loans are treated as stand-alone operations with separate climate risk screening. Some low risk projects are also identified for further follow up by project teams if they could have opportunities to benefit from climate change or to seize low cost interventions to make projects more climate-resilient.

Secondly, the operations with potential medium and high climate risks are controlled for whether a climate risk assessment has already been carried out by the promoter or another co-financier, such as another MDB or IFI. Thirdly, the remaining projects identified as not yet having a climate risk assessment, are grouped in two categories according to their expected appraisal programme. Projects with an expected appraisal within the next twelve months are screened with either a commercial online climate screening tool, by EIB's own experts, or by external consultants. This is an amendment to EIB's approach made during 2016. This new approach enables an early dialogue on projects with expected medium- and high-risk sensitivity to climate change, which may require changes to the project scope to address identified climate change risks and vulnerabilities.

The results of the triage phase in 2016 are highlighted below. Out of the 133 ELM operations created in the management information system:

1. Framework Loans, Credit lines and low climate risk: 56 projects – country risk information approach.

[5] The overall aggregate figure of -0.2MtCO_2-eq/year is derived from total emissions of 0.1MtCO_2-eq/year and sequestration of 0.3MtCO_2-eq/year.

2. Medium- to high climate change risk: 43 projects – climate risk assessment by promoter, other IFI or EIB team.

3. Projects with expected appraisal 12 months or later and cancelled projects: 34 projects – for future follow up.

Project teams are being engaged and informed by the ECSO Climate team and specialised consultants during and after this triage phase, with the aim to communicate potential climate vulnerabilities of the projects and understand how these potential vulnerabilities are possibly already being tackled, or could be tackled, by the promoter with the aim to ensure that the residual risk is low.

Along with current manual screenings for climate risk, the EIB has advanced its work on mainstreaming and integrating climate risk within internal procedures and management information systems, building the foundation for a Bank wide climate risk management system. The climate risk management system will cover not only ELM but the full EIB project portfolio for climate risk: as set out in, EIB's Climate Strategy, where the planned action is for all EIB operations to be screened for climate risk by 2020.

3.4. Regional integration among partner countries

3.4.1. EIB's Regional integration framework

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

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

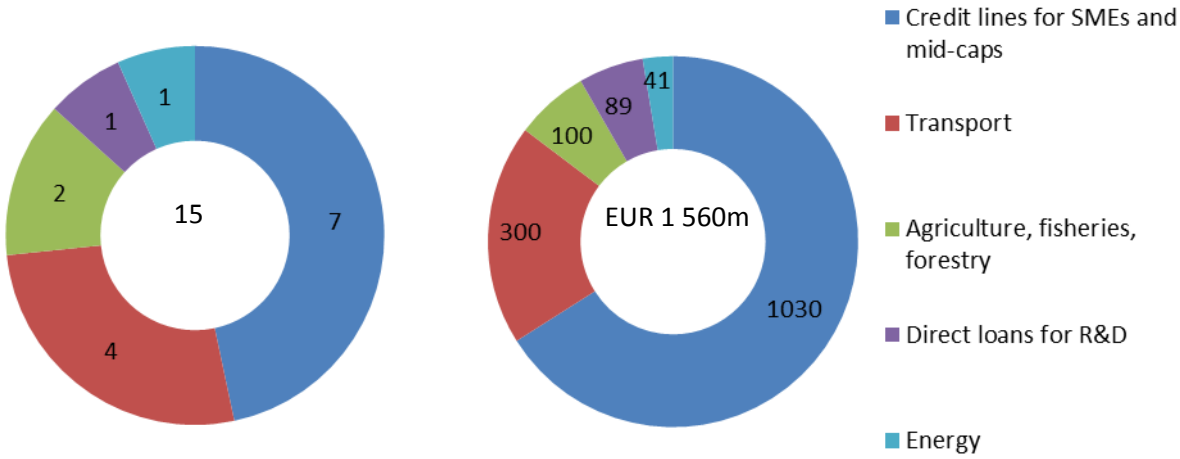
As a horizontal priority, EIB support for regional integration often is realised through its lending in support for other objectives such as infrastructure or private sector support. For example, the EIB also promotes access to markets and development of value chains, including operations specially focused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

3.4.2. EIB's Regional integration action in 2016

The EIB signed 15 new projects in 2016 that contribute to regional integration. The total approved EIB finance for these projects was EUR 1.6bn. These projects cover transport links, support to convergence through local private sector development and an energy interconnection.

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

Number of new projects: Lending volume:



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

Credit lines and R&D

The majority of EIB lending for new regional integration projects in 2016, EUR 1bn is for credit lines supporting access to long-term finance for SMEs and mid-caps, thereby aiding economic convergence with the EU. Six of these are in Turkey and one is in Bosnia and Herzegovina. A further credit line is targeting specifically SMEs in the agricultural and food sector value chain in Georgia, and is here counted under agriculture. Together, these credit lines are expected to enable financing for some 3 500 SMEs and mid-caps that employ some 280 000 people. One new operation will fund collaboration in research and development between Germany, the Netherlands and the ICL company in Israel. The research is expected to achieve economic and environmental improvements in the fertilizer industry. The project will create 1 480 person-years of employment.

Transport, energy and agriculture

Four transport projects include rail modernisation projects in Ukraine and Moldova that will expand capacity for passenger and cargo services and help to facilitate trade across the region and with the EU. Two road projects developing the East-West Highway in Georgia and the Armenia M6 Interstate road will be similarly important in linking the region to markets in Europe and elsewhere (Box 12). In the energy sector, the Ungheni-Chisinau Gas Pipeline will connect gas consumers in the Moldovan capital to gas supply from Romania, helping to diversify and ensure security of supply. Finally, the Nibulon Cereal production and transport project (here counted under agriculture) will not only support grain storage facilities but invest in river transport infrastructure, improving links between the Ukrainian agricultural sector and wider markets.

Box 12: Connecting Georgia and Armenia

Three inter-linked projects in Georgia and Armenia will upgrade strategic road links on the extended Trans-European Transport Network (TEN-T), supporting the growth of trade and

regional integration. One will develop the East-West Highway in Georgia, located along the historic Silk Road that facilitated trade and cultural exchange between Europe and Asia. The road corridor is also located on a modern-day Silk Road, the European Route E-60, the second largest road corridor in Europe spanning from France to the Kyrgyz Republic, and an important route for regional and international trade. Alongside the World Bank, the EIB is financing a key section of the E-60 that currently presents a main bottleneck to trade. A loan of nearly EUR 50 million will provide the needed finance to renew 24 structures, including the bridges, tunnels and retaining walls. To support road safety, the design of the tunnels was guided by the EC Tunnel Safety Directive and a road safety audit was undertaken that follows the principles of the EU Road Safety Directive.
At the same time, the EIB is financing a programme of projects to construct and rehabilitate around 250km of priority sections of Georgia's road network to further enhance connectivity. In addition, the bank is financing the rehabilitation of the M6 Interstate road in Armenia which is also part of the extended TEN-T network. As the key transit road connecting central Armenia to Georgia, it is also complementary to the projects in Georgia in fostering trade links and regional interconnections. The East-West Highway and the M6 Interstate road projects together are expected to upgrade 236km of road lane, benefitting 10 325 vehicles a day.

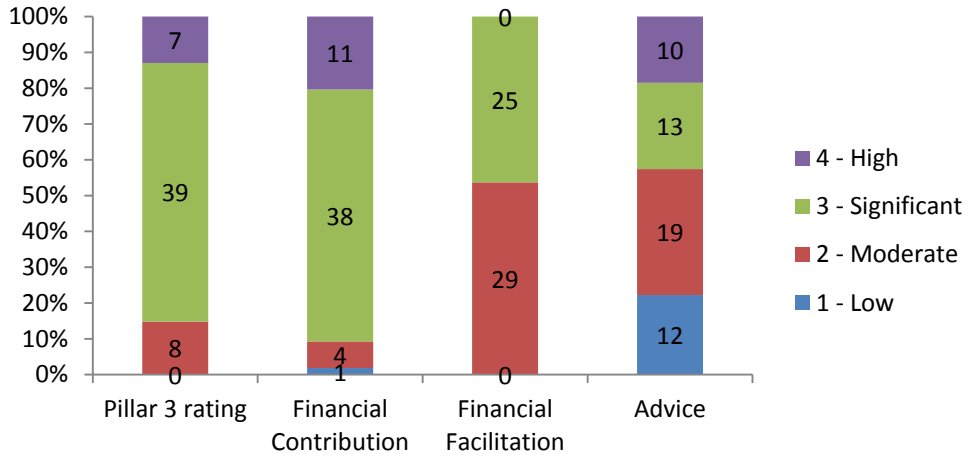
3.5. EIB additionality

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

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

Using a refined methodology in 2016, the overall EIB contribution to 7 of 54 projects in the ELM regions have been rated as "4 - high" and to 39 as "3 - significant" (see Chart 6). The overall ratings were highest on average in the Eastern Neighbourhood where the contribution in terms of technical advice was particularly strong.

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



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

Responding to financing needs

The Results Measurement Framework tracks the contribution made by the financial conditions offered by the EIB. This includes blending with grants (subsidies), the provision of financing in local currencies, and the length of the loan tenor period relative to the local market alternative, and the economic life of the investment financed.

The tenor periods offered were rated very highly across financial instrument types, matching the economic life of the investments financed in the great majority of cases. Relative to alternatives in local markets, the extension of tenor was substantial for both infrastructure projects and credit lines, particularly the former which typically involve very long-term investment. Blending EIB loans with investment grants or interest rate subsidies is also an important contribution. The EIB was able to provide such subsidies for 9 projects, nearly all for infrastructure development, with 7 in the Eastern Neighbourhood.

Catalytic effect

The financial facilitation role of the EIB involvement in the ELM regions was rated on average to be moderate to significant – the EIB's role in innovative financing and in helping to attract private sector finance tends to be stronger in the ACP region were local financial markets are often less well-developed. Nonetheless, 29 ELM projects were rated significant in terms of attracting private sector finance, while 7 ELM projects were rated significant for innovative financing, including for example the Ukraine DCFTA Support Facility which is the first EIB trade finance facility in the Eastern Neighbourhood.

A good example of EIB's role in raising standards is the Georgian Agri-food Value Chains credit line which will support SMEs in agriculture and food processing. EIB involvement is ensuring higher standards both with regard to the eligibility of financial intermediaries and the environmental and social screening of SMEs' investment projects. A technical assistance component is also likely to contribute significantly to the adaptation of EU standards in the sector. Overall, EIB financing for new projects in 2016 will equal 42% of the total amount invested in projects, a multiplier of 2.38.

Providing advice

The EIB contributes technically to projects both in terms of advice on financial design and structuring, and in terms of advice by EIB sector experts on elements of the projects themselves. In many cases, additionally, a high technical contribution is achieved through a specific grant-funded technical assistance component that EIB is able to help secure. In 2016, the Eastern Neighbourhood benefitted particularly from both financial and technical advice. In terms of instruments, the EIB technical contribution was higher for infrastructure projects than credit lines.

Table 6: EIB Technical and Financial Contribution to the project – average values for different instrument types

		Loans for infrastructure	Credit lines for SMEs and mid-caps
Number of projects		32	22
EIB contribution - overall rating		3.1	2.9
Financial contribution	Overall rating	3.2	3.0
	Subsidy (%)	2.2	0.2
	Subsidy (rating)	1.7	1.1
	Local currency funding (rating)	1.1	1.1
	Extension of tenor (%)	162	133
	Extension of tenor (rating)	3.3	3.5
	Match with economic life (%)	90	95
	Match with economic life (rating)	3.7	3.9
Financial facilitation	Overall rating	2.4	2.5
	Innovative financing	1.4	1.5
	Attracting private sector financiers	2.2	2.5
	Working with public sector partners	2.4	
	Raising standards	3.1	3.1
Advice	Overall rating	2.8	1.8
	Financial advice & structuring	2.2	1.5
	Technical contribution & advice	2.9	1.9
Weighted average tenor provided (years)		23.1	10.1

EIB contribution ratings for individual projects: 4= high; 3 = significant; 2 = moderate; 1 = low. The above table shows simple average ratings (or % values where appropriate) across projects. For rating indicators, shading is used for visual clarity only, based on average rating groups ≤1.4 (palest); 1.5 – 2.4 (pale); 2.5 – 3.4 (dark); ≥3.5 (darkest).

Box 13: Technical assistance in action

Armenia M6 Interstate Road – The EIB mobilised a Technical Assistance grant from the

Eastern Partnership Technical Assistance Trust Fund to fund the feasibility and design studies, as well as the Environmental Impact Assessment.

DAMU Green loan for SMES and Mid-caps, Kazakhstan – The EIB will provide DAMU with technical assistance for capacity-building, helping DAMU and the financial intermediaries to implement the bank's eligibility criteria concerning climate change/environmental protection measurement methodologies, as well as environmental, social and procurement standards.

Bizerte Bridge, Tunisia – EIB advisory services supported project preparation and the bank's projects department is providing technical support to implementation.

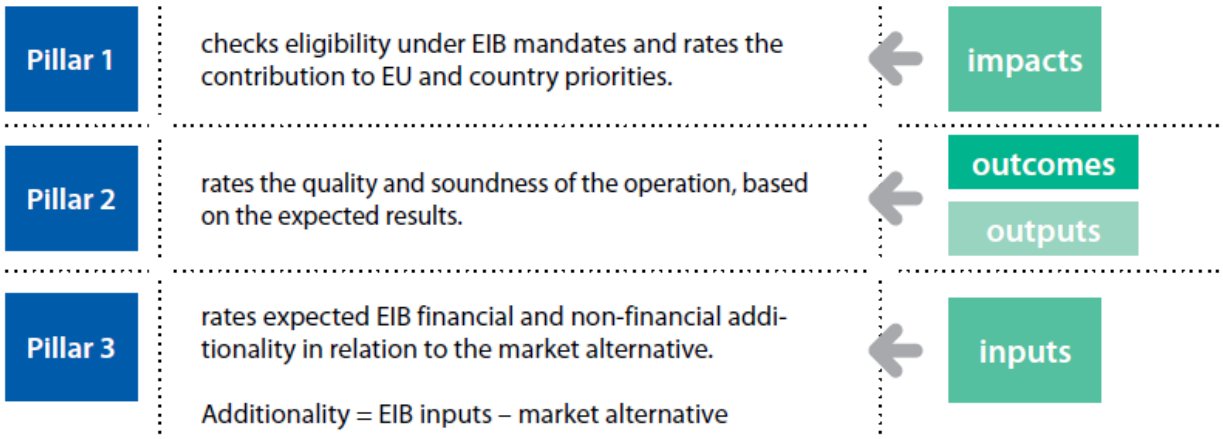
4. ACTUAL AND EXPECTED RESULTS OF EIB OPERATIONS: RESULTS MEASUREMENT FRAMEWORK (REM)

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

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

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

Chart 7: ReM Framework



The "new projects" reported in the section on project results are those for which the first financing contract was signed in 2016. For each of these projects, the full approved financing volume and the expected results associated with this expected lending are reported. This covers both the amount "signed" in 2016 and any approved balance planned to be signed under future contracts.

To avoid double counting of project results, the results associated with follow-up contracts signed under projects that have already been reported in previous reports (because earlier financing contracts were signed under them in previous years) are not reported above. However, for the sake of transparency, a break-down of 2016 lending volumes, including the volume of such follow-up contracts, is given in Table 7.

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

Table 7.1: 2016 lending volumes (EUR m)

	New projects (first signed in 2016)			Older projects (first signed before 2016)	Total contracts signed in 2016
	Funding approved	Contracts signed in 2016	Volume to be signed	Contracts signed in 2016	
ALA	1188	943	250	41	984
EAST	2 026	1 616	413	1	1 616
MED	1 396	1 336	69	249	1 585
PA	2 674	1 933	746	722	2 655
South Africa					
Local private sector development	3 702	2 829	884	554	3 383
Development of social and economic infrastructure	3 583	2 999	593	458	3 457
Climate change mitigation and adaptation	1 874	1 555	323	367	1 921
Regional integration	1 560	1 324	240	501	1 824
Total	7 284	5 828	1 477	1 012	6 840

Table 7.2: Total investment cost for new projects first signed in 2016

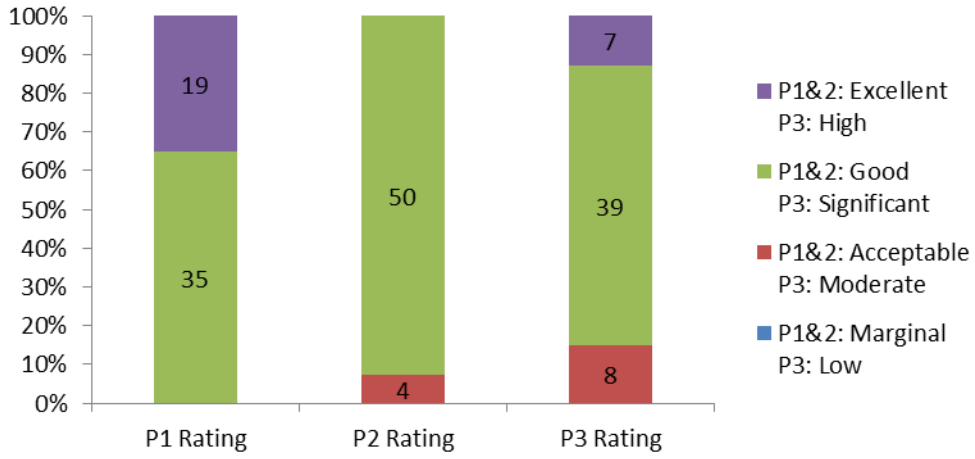
	Total Investment Cost (in EUR m)
ALA	3,042
EAST	4,244
MED	2,836
PA	6,844
South Africa	
Total	16,966

Under the ReM Framework, projects are rated at the time of Board approval according to three pillars:

- Pillar 1 checks eligibility under EIB mandates and rates the contribution to the EU and country priorities.
- Pillar 2 rates the quality and soundness of the operation, based on the expected results.
- Pillar 3 rates expected EIB financial and non-financial additionality, beyond the market alternative.

Ratings are based on a series of objectively measureable indicators and guidelines, while a process of quality control ensures that all ratings are checked for consistency across operations.

Chart 8: ReM ratings by pillar for new operations signed in 2016



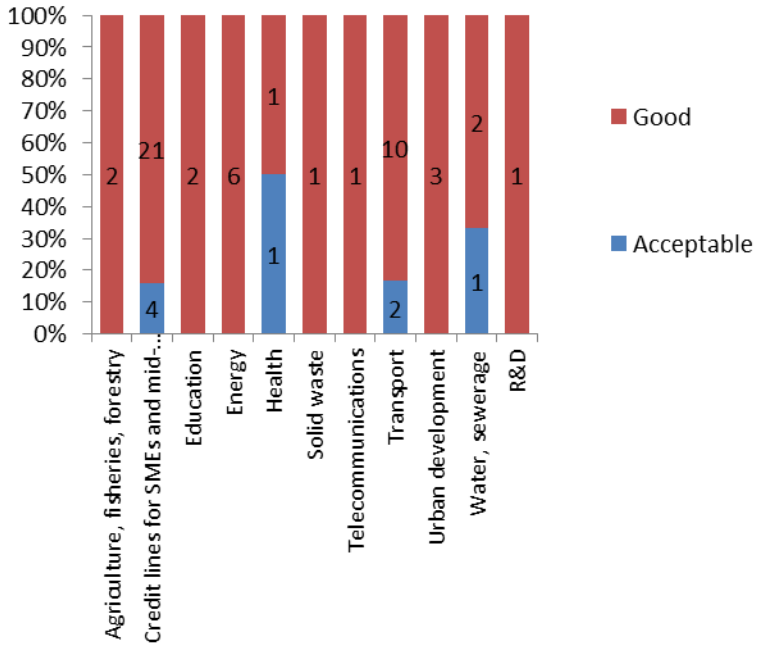
Pillar 1

In 2016, all new projects were rated at least "good" under Pillar 1, signifying that they are in line with Mandate objectives and make a high contribution to either national development objectives or those of the EU, and a moderate contribution to the other. 19 were rated "excellent" for making a high contribution to both EU priorities and national development objectives.

Pillar 2

The Pillar 2 rating is based on project soundness, financial and economic sustainability and environmental and social sustainability in the case of directly financed projects. For intermediated operations, the rating is based on the expected results, weighted by risk considerations as measured by the soundness of the intermediary and the quality of the operating environment. 50 projects were rated "good" under Pillar 2, with an average economic rate of return (ERR) of 10% to 15% in the case of infrastructure projects. 4 projects received an "acceptable" rating, often because of high risk environments that impact on the probability of achieving planned results. These include projects in Ukraine and Kyrgyz Republic.

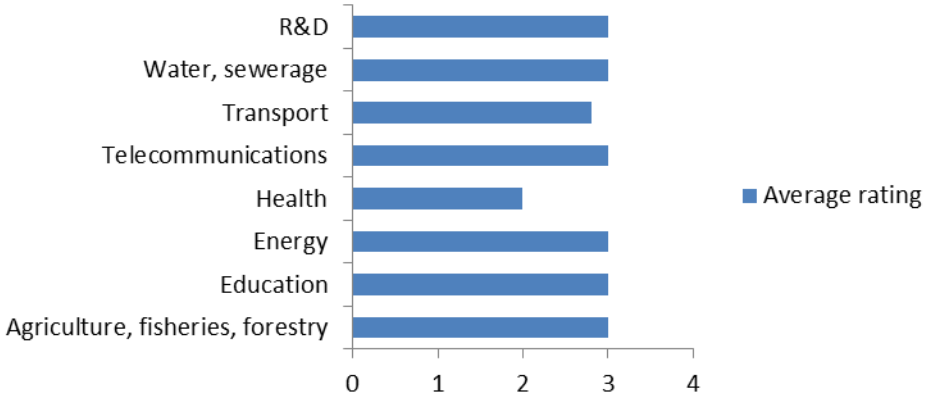
Chart 9: Pillar 2 ratings by sector



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

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

Chart 10: Average environmental and social ratings by sector



Ratings for the assessed projects in the ELM regions ranged from "2" (4 projects) to "3" (19 projects). Sector average ratings were similar across most sectors at around 3. The two hospital

projects are notable for having only a "2 – Acceptable" rating link to the fact that construction is taking place on greenfield sites.

Pillar 3 ratings are presented in the chapter on additionality.

5. COOPERATION WITH THE COMMISSION

5.1 The ELM mid-term review

Article 19 of the ELM Decision stipulates that by end 2016, the EC, in cooperation with the EIB, shall submit to the EP and the Council a mid-term report evaluating implementation of the ELM in the first years, accompanied, where appropriate, by a proposal for its amendment.

In early 2016, the Commission appointed an external consultant to carry out the evaluation. The EIB was involved and invited by the Commission to participate as an observer to the Steering Committee responsible for leading the evaluation. In addition, a broad range of departments of the Bank were interviewed by and provided information to the consultants throughout their information gathering and analysis. Further, as required by the ELM decision, EIB provided the Commission with a detailed report on its own contribution to the ELM mid - term review.

The next steps are working to review the guarantee agreement and if necessary the recovery agreement, as well as update the Regional Technical Operational Guidelines (RTOGs).

5.2 The EIB implementing the EU Global Strategy and the New European consensus for Development

5.2.1 The EIB and the EU global Strategy

The EU Global Strategy (EUGS), adopted in June 2016, provides a vision for Europe's engagement with the world. The EUGS explicitly recognises that the EU's objectives beyond its borders can be best met through enhanced coordination and joint action between "the EU, Member States and the EIB".

5.2.2 The EIB implementing the New Consensus for Development

Following a public consultation, to which the EIB contributed, the Commission tabled a proposal for a new European Consensus on Development on 22 November 2016. The new Consensus seeks to incorporate and adapt to the 2030 Agenda and all 17 Sustainable Development Goals (SDGs), balancing the economic, social, environmental dimensions of sustainable development. It is structured around the five core themes of the 2030 Agenda: People, Planet, Prosperity, Peace and Partnership.

The Commission proposal foresees that the new Consensus will provide the framework for a common approach to development policy shared by and applied by the EU and its Member States. Agenda 2030 will be implemented through shared analysis, common strategies, joint programming, joint action and improved reporting to increase the credibility, effectiveness and impact of EU and Member States development cooperation.

The revision of EU development policy to incorporate the 2030 Agenda provides an unprecedented opportunity for the EU to redefine how it works together, ensuring better coordination of the full range of EU expertise and resources to the benefit of all countries. The 2030 Agenda is well aligned with the EIB mandate and core areas of activity. Indeed, as outlined in the current report, EIB is actively contributing on a number of priorities identified in the proposal for a new Consensus notably development and the SDGs, but also climate action, migration and mobility, sustainable growth and jobs, trade and economic prosperity.

Pursuant to Article 209 (3) TFEU, the EIB has a Treaty-based obligation to support EU development policy, rendering the Bank the natural partner of the EU institutions and EU Member States in the delivery thereof. The new comprehensive approach is fully in line with EIB's core expertise and mandate, and the EU Bank will contribute, through its instruments and products to the implementation of this renewed development policy. The objective is to ensure coherence and complementarity at EU level, to allow for enhanced efficiency and performance of EU funding.

5.3 EIB external offices and decentralised cooperation with EC and EEAS

5.3.1 External offices

Figure 1: EIB external offices in the regions covered by the ELM guarantee



The EIB has several external offices in the regions covered by the ELM guarantee. This helps to make the Bank more visible and more responsive at local level, enabling greater contact with potential and existing borrowers, as well as with a broad range of public, local authority and business stakeholders.

The EIB and EEAS have taken forward the principle of co-location of EIB offices within EU Delegations. New EIB external offices have been located in Delegations. The office in Beijing, previously opened, was formally inaugurated on 30 May 2016, during EIB President Werner Hoyer's official visit to China. The opening of their office in Beijing, which covers China and Mongolia, is a reflection of EIB commitment to strengthen their presence in the two countries, and the goal of the office is to promote the Bank's mission and support its activities in line with the objectives of the EIB Group.

In addition, in the first quarter of 2017, the office in New Delhi, India will be inaugurated.

5.3.2 Regional cooperation with EC and EEAS

The EIB continued to strengthen its coordination with DG NEAR, DG DEVCO and the EU Delegations, as requested in the ELM mid-term review evaluation report. Joint EIB/EC initiatives ensured greater visibility of EU support throughout the region and enhanced cooperation along the EIB project and EC programming cycles. The inclusion of communication components in the new delegation agreements signed between EIB and the EC to implement programme such as the DCFTA East initiative in Ukraine, Moldova and Georgia are facilitating much closer cooperation and coordination on communication and visibility events and products.

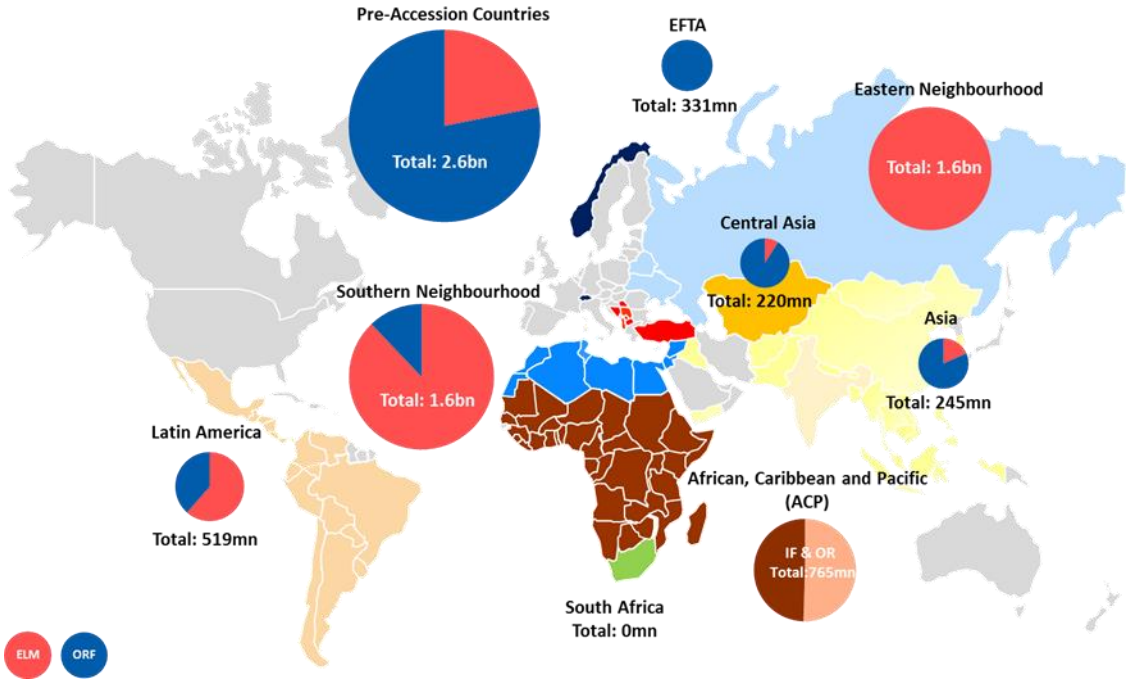
These efforts were supported by the instigation of more systematic consultations between DG NEAR, EEAS and the EIB on a regional basis. This includes regular meetings between the Brussels office and officials in the EC and EEAS as well as more regular ad hoc meetings between directors of the two institutions. Of particular note is the organisation of "regional days" where DG NEAR, line DGs and EEAS meet with EIB on a specific region. A one-and-a-half day meeting focused on the Eastern Neighbourhood was held in Luxembourg in September and the DG NEAR/EIB Regional Day Neighbourhood South was held in October. The EIB also participated in the DG NEAR IFI Workshop in November 2016, and is actively participating in the DG NEAR led initiative to boost activities in energy efficiency in all its regions (Western Balkans, Eastern and Southern Neighbourhood). These Brussels and Luxembourg meetings complement the regular EIB meeting and events with local EU Delegations, like the DG NEAR / EIB Ukraine Day in Kiev.

5.4 Commission and EIB partnerships in the regions covered by the external lending mandate

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

The figure below presents the EIB lending outside the EU.

Figure 3: EIB financing outside the EU in 2016



5.4.1 Pre-accession countries

5.4.1.1 Turkey

EIB operations signed in 2016 and key realisation

Operating in Turkey since the 1960s, the EIB is the largest international financier in Turkey, with current annual lending volumes of the order of +/- EUR 2bn. Part of the EIB's lending in Turkey is backed by the guarantee provided by the EU under the External Lending Mandate. Turkey continues to be the largest recipient country of EIB funds outside the Union.

2016 lending amounted to EUR 2.2bn, of which slightly above 10% was under the ELM. Support for SMEs & Midcaps contributed most to EIB lending in Turkey in 2016 amounting to EUR 1.6bn, which demonstrates EIB's active support to the country's main job providing sector. In 2016, EIB continued to provide financing in support of essential infrastructure sectors, including sustainable urban transport (EUR 250m), energy (EUR 230m), health (EUR 170m) and transport (EUR 70m). The Bank signed its first PPP operation in the health sector in Turkey in 2016 to support the Gaziantep hospital campus near the Syrian Border (see Box 13).

EIB lending under the own risk Pre-Accession Facility increased strongly in 2016. This development is to a large extent due to an increased volume of SME related lending to the Turkish banking sector. Similar to 2015, 2016 was a strong year for disbursements to SMEs & Midcaps by their financial intermediaries: about EUR 1.2bn were disbursed under SME&

Midcap credit lines in favour of production expansion and modernization investment by Turkish SMEs and Midcaps.

The EIB closely cooperates with the European Investment Fund (EIF) in Turkey. The EIF has been active in Turkey since 2005, supporting private equity funds investing in Turkey and providing guarantees and securitisation – for example through the management of the Greater Anatolia Guarantee Facility. In 2016, EIF committed EUR 128m in equity and EUR 102m in guarantee operations, which aim to mobilise EUR 2.2bn and EUR 174m respectively. In 2016, the Turkish Growth Innovation Fund advised by the EIF completed its first three investments and the first guarantee transactions under the EU's COSME and Erasmus+ Master Student Loan Guarantee Facility in Turkey were signed.

Trends for 2017

In 2016, significant efforts were made to develop EIB lending prospects for 2017 and beyond, particularly in large flagship infrastructure projects, many of which are projects of EU interest. The Bank is currently appraising flagship energy projects in Turkey for gas storage and pipeline infrastructure (TANAP) which aims to transport natural gas from Azerbaijan to European markets. The Bank is also evaluating the opportunity to co-finance with the EC the railway connection to the Bulgarian border, which would modernise and develop the railway connection from Istanbul to the Bulgarian border and would complete the missing link between Turkey's rail and TEN-T (Corridor IV). Once materialized, these financings will significantly increase the share of the ELM backed financing in overall EIB lending operations in the country.

For 2017, innovative financing will be a particular area of focus for the EIB. The EIB financing to support innovative enterprises in Turkey will be combined with an EIF Guarantee under the InnovFin programme and will be implemented in the context of EIB's participation to covered bond issues of their private banking partners.

Finally, the EIB Group is in close contact with Turkish authorities, the Commission and the EU Delegation in Ankara, on defining the following operations contributing to the EU's Refugee Crisis agenda:

- Financing of waste water and solid waste infrastructure investments of municipalities along the Syrian border through the EIB's banking intermediary in the municipal sector (ILBANK) (cf. box below).

- Support for Microenterprises and SMEs located in these cities, e.g. to expand production capacity and create employment opportunities.

Inter-institutional cooperation

To date, EIB lending combined with the IPA funds made available for Turkey has significantly contributed to strengthening the impact of the EU support. In the 2014-2020, IPA 2 programming period, the EIB is actively seeking to intensify further its cooperation with the EU, particularly with the EU Delegation and local managing authorities in the environmental sector and urban transport.

After a long preparatory phase, the EIB helped to bring JASPERS to Turkey. Following the first kick-off meeting in the fall of 2015 for the environmental sectors, experts have been working with the Ministry of Environment and the EU Delegation (4 visits in 2016) on a portfolio of 6 projects with the aim of speeding up absorption of some EUR 150 m IPA 2 funds in the water, wastewater and solid waste sectors. Discussions are ongoing to expand JASPERS to the transport sector. The climate change (renewable and energy efficiency) is also a potential field where EIB-EU blending mechanisms could be developed in Turkey. Moreover, the EIF is working on designing and managing new financial instruments under IPA 2, mostly in supporting equity investments for regional competitiveness, better access to education and to inclusive finance as well as supporting agricultural investments.

In 2016, dedicated refugees facilities have gained momentum: the EIB Group had intensified cooperation with the EC and the EUD in Ankara to manage grants from the EU Trust Fund (EUTF or the MADAD Fund) and the Facility for Refugees in Turkey (FRiT).

Box 15: EIB's response to the refugee crisis in Turkey

The EIB Group's operational response to the Syrian refugee crisis in Turkey is composed of two streams: (i) financing waste and water municipal infrastructure investments alongside the Syrian border through EIB's banking intermediary in the municipal sector, ILBANK. The EIB will implement the Municipal Resilience Facility I (MRF I) under the EUTF whereby it will manage EUR 70m grants for Technical Assistance (project preparation, supervision) and investments (project implementation) to realise 8-10 projects located in Southern Eastern provinces of Turkey, heavily affected by the Syrian Refugees influx. Similarly, the EIB will implement the Municipal Resilience Facility II (MRF II of EUR 50m grants), scaling up MRF I to a larger pipeline of water and wastewater and solid waste projects under FRiT. (ii) support for Microenterprises and SMEs located in these cities. The EIB Group proposal -Greater Anatolia Guarantee Facility for Resilience (GAGFR) - will support Micro-enterprises and SMEs through EIB SME loans and EIF guarantees, and increase occupational and entrepreneurship skills of the refugee community. EUR 25m grants are allocated for this project to the EIF under FRiT.

5.4.1.2 Western Balkans

EIB Operations signed in 2016 and key realisation

The EIB is among the leading international financiers in the Western Balkans, having been active in the region since 1977. In 2016, new signatures in the region amounted to EUR 427m, bringing the total amount financed over the past 10 years to EUR 7.2bn. The 2016 split of operations was at EUR 196m in Serbia, EUR 130m in Bosnia and Herzegovina, EUR 56m in Montenegro and EUR 45m in the former Yugoslav Republic of Macedonia respectively. These interventions support the EU's objective of helping the countries on their paths towards accession and rapid integration into the Union.

In 2016, the majority of the Bank's activity focused on financing the development of the private sector. In Serbia, two loans totalling EUR 170m were signed to support small and medium-sized enterprises (SMEs), midcaps and infrastructure schemes promoted by local

authorities. In addition, a EUR 26m loan was signed for the modernization of judiciary facilities in Belgrade and throughout the country.

In Bosnia and Herzegovina, three loans were signed for a total of EUR 65m in order to support small and medium-sized projects promoted by SMEs, mid-caps and other private or public sector entities. The Bank also signed two infrastructure loans totalling EUR 65m in the country. This included a EUR 50m loan to modernize the national road network and a EUR 15m loan for the reconstruction of the Banja Luka clinical centre and the construction of a new hospital in Bijeljina.

In Montenegro, a EUR 30m loan was signed to support small and medium-sized projects promoted by SMEs, mid-caps and other private or public sector entities. In addition, a EUR 25.50m loan was signed for the rehabilitation and construction of water and waste water infrastructure of municipalities. The project will help to bring Montenegro closer to the EU's environmental standards, improving environmental services, reducing public health risks and enhancing the region's attractiveness for tourism, a valuable economic activity.

Lastly, in the former Yugoslav Republic of Macedonia, a EUR 35m loan was signed for the construction of a new 28-km motorway section on the Pan-European Corridor X between Demir-Kapija and Smokvica in the country. A further EUR 10m was signed for small and medium-sized projects promoted by SMEs, mid-caps and other private or public sector entities.

Trends for 2017

The Economic Resilience Initiative (ERI) will be a key priority for EIB financing in the Western Balkans. This initiative aims to boast economic resilience in the Southern Neighbourhood and the Western Balkans, also in the context of the migration challenge, by upgrading and developing social and economic infrastructure and stimulating growth and job creation. There will be a particular focus on developing the projects in the private sector (BB3) to diversify the portfolio and have a bigger impact on the resilience of the target countries. In the context of the Western Balkans, ERI projects will focus on the development of Connectivity, small and medium-sized enterprises and social sectors respectively.

Inter-institutional cooperation

Since 2009, the EIB, the European Commission, KfW and the EBRD have been cooperating under the Western Balkans Investment Framework (WBIF). This provides a joint grant facility and a joint lending facility for priority investments in the region. The objective is to simplify access to credit by pooling and coordinating different sources of finance and technical assistance, with a focus on infrastructure sectors, including social infrastructure. In 2016, EUR 132.3m of assistance (investment grants, guarantees, technical assistance) was provided under the WBIF. Of the EUR 132.3m total, the EIB was the lead IFI for EUR 53.2m of WBIF assistance provided respectively.

5.4.2 Mediterranean countries

EIB Operations signed in 2016 and key realisations

The Bank's operational plan for the Southern neighbourhood for 2016 remained focussed on the ELM priorities including private sector development, social and economic infrastructure as well as climate change. The EIB has delivered well on this plan, with close to EUR 1.6bn signed for 16 new operations in the region. The year showed a market shift in focus, as 12 operations and two thirds of the lending volume was dedicated to the private sector, including credit lines in support of SMEs in Egypt, Morocco and Tunisia. Indeed, the EIB is already stepping up its lending and support to the private sector as part of its ERI commitment. The Bank has also stepped up its direct support to the corporate sector with three operations located in Tunisia and Israel.

Accounting for 7 projects and some 25% of total lending, the environmental sector was a key focus in 2016. This included infrastructure projects such as the Cairo Metro phase 3 of line 3 and the expansion of rolling stock. The Depolmed project concerns the rehabilitation and extension of waste water treatment plants and sewerage networks located in coastal areas of Tunisia. The project is co-financed with AFD and benefits from a contribution of the NIF. The investments will contribute to the preservation of the Tunisian littoral; improve living conditions of the local population and reduce the pollution of the Mediterranean Sea. The Bank has also reinforced its co-operation with its banking partners to cover the environmental sector: (i) The FEMIP Sustainable Energy Facility (with BMCE and BCP) will finance energy efficiency and small renewable energy investments in the private sector in Morocco; (ii) BMCE Ligne Verte is a co-financing with FMO to finance projects by private promoters in the waste management sector in Morocco. The GCT mise à niveau environmentale project concerns the upgrading of Groupe Chimique Tunisien's production facilities aimed at improving environmental protection in Skhira and M'Dhilla near Gabès.

Another focus of attention was the SME sector in Egypt, Tunisia and Morocco, representing some 50% of total lending. Support to the corporate sector was also on the increase for 3 projects in Tunisia and Israel and close to 15% of the lending volume. They entail 2 operations under InnovFin, the financing tools offered by the EIB Group covering the value chain of R&I under Horizon 2020 also in Associated Countries. The 2016 InnovFin projects include the financing of the R&D activities related to specialty chemicals of ICL in Israel and Tunisie Telecom's roll-out of mobile 4G access networks to connect 1.1 m customers.

The largest recipient country of EIB lending in the region was in Egypt, with EUR 890m of loans for SMEs and urban transport, energy and SMEs. Tunisia came second with EUR 408m. During the Investment Conference Tunis 2020 in November 2016, the Bank underlined its commitment to the democratic process in the country by signing 5 contracts including the financing of Pont de Bizerte, one of the priority projects of the 2016-2020 Tunisian Development Plan, as well as further financings in the field of energy, SME financing and corporate lending.

In 2016, the Bank signed two NIF contributions in Jordan, NEPCO Green Corridor and Wadi Al Arab, with a total amount of around EUR 31 Mio. This contributed to a new record high volume for NIF grant funding entrusted to EIB in the neighbourhood regions (East and South) in one year. The type of support awarded by NIF in the Southern Neighbourhood focused on

Investment Grants (around EUR 28m) accompanied in one project - NEPCO - by a Technical Assistance (EUR 2,7m).

The general objective of the NEPCO project is to strengthen the Jordanian high voltage electricity transmission backbone, enabling the connection of large amounts of new renewable generation to the network, and transmit electricity from central desert areas to Amman, where generation is fossil-fuel based. The Project thereby contributes to carbon dioxide emission reduction. The Wadi Al Arab project will cover a pressing need in the northern governorates of Jordan and forms part of the National Water Strategy aimed at optimizing water distribution across the country. It consists of a new water intake facility from the King Abdullah Canal, a treatment plant, pumping facilities and a transmission pipeline to the Zabda Reservoir on the western side of the City of Irbid. The system will provide an additional 30 million cubic metres per year to the Irbid Governorate.

Cooperation with others

Finally, throughout the year, the EIB continued and/or renewed its collaboration with other IFIs / BFIs including AFD, EBRD and KfW active in the region in terms of the co-financings of the above described projects. Work with other institutional partners in particular the Union for the Mediterranean continued throughout the year. Some of the UfM led initiatives to which EIB contributed in 2016 include the third Union for the Mediterranean Ministerial Conference on Employment and Labour in September in Jordan and the 2nd UfM Regional Conference of Governance & Financing for the Mediterranean Water Sector in Tunis in December 2016.

Finally, in July 2016, the Bank organised, together with EBRD and WB, the first presentation of "What's Holding Back the Private Sector in MENA? Lessons from the Enterprise Survey". The formal private sector in the Middle East and North Africa economies needs to play a critical role for the overall economic transformation of the region.

Trends for 2017

In 2017, the lending activity of EIB in the Southern Neighbourhood will be enhanced in the context of the weak economic outlook for the region and the refugee crisis, which have lead the European Council to invite the EIB to step up its lending to the region and to endorse the Bank's proposed Economic Resilience Initiative covering the Southern Neighbourhood and Western Balkans. The full implementation of the ERI will not only lead to a volume increase of some 50-60% in the years ahead compared to recent results, but will also impact the project mix.

In this context, the Bank expects to continue its increased focus on private sector development, with a further strengthening of its SME support as well as a continued effort to expand corporate lending. The other main focus will be on the reinforcement of the enabling environment to stimulate growth by continued support for investments in transport, energy (including renewables and energy efficiency) and the environment. Within the transport sector, the Bank is increasingly focusing on urban transport which is a major challenge throughout the region characterised by rapidly increasing urbanisation. The Bank has also reinforced its pipeline of wastewater projects, as the Mediterranean Sea remains under severe pressure from pollution. Finally, the Bank also expects to finalise one to two education infrastructure projects, thereby strengthening human capital potential in the region.

5.4.3 Eastern Europe, Southern Caucasus and Russia

EIB Operations signed in 2016 and key realisation

EIB lending volumes in the Eastern Neighbourhood continued to increase and the Bank became one of the main financiers in the region. 2016 lending amounted to EUR 1.6 bn, which is the highest amount ever extended by the EIB in the Eastern Partnership countries, of which 100% was under the ELM. Support to transport infrastructure represented EUR 750m, demonstrating the EIB's active role to support transport connectivity in the region as well as sustainable transport. EIB financing in 2016 also supported other crucial sectors, such as local private sector development, as well as energy, municipal and social infrastructure.

A further important achievement in 2016 was that 41% of signatures supported climate action. The main contributors to this target were operations in sustainable transport and energy efficiency with the remainder coming from credit lines. This reflects the potential to reduce the energy intensity of economies in the region and the role which EIB plays by stepping up its financing and advisory support in that field. As a flagship project, EIB is supporting energy efficiency with a EUR 120m loan, to refurbish teaching, research and supporting facilities at several universities across Ukraine.

Similarly, EIB financing targeted energy interconnections to help partner countries to reduce energy dependency and to bolster their resilience. This included a EUR 41m loan to finance the Ungheni-Chisinau gas pipeline between Moldova and Romania.

The Bank has continued to support local private sector, both through intermediated lending and direct loans. Loans for SMEs and Mid-Caps accounted for 26% of the EIB's lending in the region in 2016. In this context, the EIB signed a programme to support the development of domestic agro industries in Georgia based on the value chain concept. The EIB is also supporting larger agricultural companies with direct investment loans. In 2016, the EIB agreed to provide EUR 71m to finance the investment plan of Nibulon, a major privately owned Ukrainian grain producer and exporter. The EIB and EC signed a Delegation Agreement under the "DCFTA Initiative East", funded by the Neighbourhood Investment Facility (NIF): this initiative will provide targeted financial and technical support in the countries that signed the Association Agreement with the EU, in order to facilitate wider access to finance for SMEs.

The EIB group deployed the "Innovfin – EU Finance for Innovators" programme in associated countries in the region under the Horizon 2020 (Armenia, Georgia, Moldova, Ukraine) providing a series of integrated and complementary financing tools and advisory services offered by the EIB Group, targeting investments in research and innovation.

Lending to Ukraine continued to be a dominant feature of EIB activities in the region in the context of the EU support package for Ukraine. The EIB fully delivered on its commitment: over the period 2014-2016, the EIB group signed 15 transactions totalling more than EUR 3 bn targeting a wide range of sectors and provided substantial advisory support alongside its financing. In order to implement the package of loan operations in the difficult environment prevailing in Ukraine, EIB, closely collaborating with the Ukrainian authorities, set up a dedicated Task Force, including additional expert staff in the Kiev Representative office, to deliver a targeted approach to ensure accelerated project preparation and implementation of

investments. The EIB also delivered in 2016 a record level of financing for projects in Georgia.

In 2016, three NIF contributions for a total amount of around EUR 74m were contracted in the Eastern Neighbourhood, one in Georgia (Kutaisi Wastewater Project), one in Ukraine (Ukraine Railway Modernisation) and one regional programme (the aforementioned "DCFTA Initiative East"). Since the NIF is not only a mechanism for allocation of funding but also for cooperation with other IFIs, this record high volume for NIF grant funding underlines the growing importance of good cooperation with the Commission and partner institutions. The traditional focus in terms of number of projects supported continues to be on Investment Grants and Technical Assistance. The large increase in the volume of contracted funding, however, is due to the one regional programme of high political relevance which includes two Financial Instruments.

The objective of the Kutaisi Wastewater Project in Georgia is to address environmental problems by improving and extending the wastewater collection system and by construction of a mechanical-biological wastewater treatment plant with nutrient removal. The Ukraine Railway Modernisation Project targets the electrification, along with the modernisation of signalling and telecommunication systems.

Trends for 2017

In 2017, the EIB will continue supporting investments in the region aligned with key priority areas established between the EU and Eastern Partnership countries. Also, implementation of loan operations and instruments committed recently will deliver tangible results for citizens.

Belarus became an eligible country under the ELM by a Delegated Decision of the European Commission which came into force on 26 September 2016. Following the signature of a framework agreement between the Republic of Belarus and the EIB, expected in 2017, the Bank will consider providing financing to support investment priorities in the country.

As of end 2016, as a result of the stepped up effort pledged by the EU regarding EIB lending support to Ukraine, the utilisation rate under the ELM for the region Eastern Europe, Southern Caucasus and Russia is high. Pending the outcomes of the ELM mid-term review, the lending activity of the EIB in the region must be expected to be sharply reduced. The fragile economic situation of several countries in the region as well as their enhanced economic and political relationships with the EU call for continued support by the EU bank in the region, in particular against the background of weaker international financial support.

5.4.4 Asia and Latin America

5.4.4.1 Asia

EIB Operations signed in 2016 and key realisation

The ELM 2014-2020 has been and is expected to remain one of the core facilities under which the Bank carries out its lending activities in Asia, alongside the Bank's own-risk facility. In line with the ELM objectives and in view of the very limited resources available under the

ELM for Asia, the EIB has deliberately acted in this region as a niche player focused on climate action projects. However, a significant lending capacity with own-risk-facility has positioned the EIB as the key EU actor and will support EU visibility. Moreover, promoters have great interest in collaborating with EIB as they are both interested in the European know-how and experience in climate related issues. Supporting renewable energy, urban public transport and energy efficiency in those countries, in addition supporting EU economic diplomacy, will help showcase EU values and cooperation. Incidentally, several main players in climate action projects are EU companies and these operations support EU exports.

In Asia, Bank lending supported a broad range of projects including projects contributing to climate change mitigation, renewable energy and energy efficiency, water and wastewater and support to SMEs. Overall during 2014(H2)-2016, 83% of EIB financing in Asia was classified as climate action (mitigation and adaptation). Two new operations were signed in 2016, for a total amount of EUR 245m (of which EUR 200m under own-risk-facility and EUR 45m under ELM). The Bank also appraised, approved and negotiated 4 new operations (EUR 570m, of which EUR 450m under own-risk-facility and EUR 120m under ELM), but the signatures were postponed to 2017. In addition, major progress was made in allocating funds under the existing Framework Loans (FLs) in China and India, with 37 operations (for a total amount of EUR 300m, all under own risk facility) approved, boding well also for future disbursements. The EIB also developed a strong pipeline of climate action projects in Asia, demonstrating that the Bank contributes to the EU global leadership in promoting low-carbon and resilient growth in the region.

A MoU was signed with China in Beijing (May 2016) by Vice President Jonathan Taylor and Vice Minister Shi Yaobin (Chinese Ministry of Finance), in the presence of President Hoyer and Minister Lou Jiwei; the document lays the foundation for further development of the EIB's activities in China, both in terms of lending and knowledge exchange with their Chinese counterparts; the MoU focuses on enhancing cooperation in the area of climate action, and indicates the Bank's potential investments in 2017-2019 in the country, in particular envisaging EIB support to projects that contribute to climate-friendly, green sustainable development and environmental protection and in China.

Trends for 2017

The potential for investment in Climate Action in those countries is huge, as it is a national priority for China, India and other countries. Asia generates some 40% of the global emissions and consumes nearly 70% of the world's coal, and that number has been growing rapidly as countries in the region industrialise. Asia's commitment to do more toward the 2 degrees global climate goal would require an additional USD 300bn pa on clean power-supply technology and infrastructure such as renewable power, carbon capture and storage, smart grids, and energy storage. Economies in developing Asia are already advancing technologies to reduce greenhouse gas emissions, accounting for over 35% of world exports of clean technology.

In 2017, the Bank will provide financing for climate-related projects to help turn the ambitious Paris agreement into reality and contribute to climate action operations which are to account for some 35% of Bank lending outside the EU by 2020. The ELM will be used in less developed countries to ensure the achievement of its high level objectives and other related Bank strategic objectives. However, the amount available under the current ELM 2014-2020 is

very limited (EUR 87m per year for the remaining period), which will constrain the Bank's lending operations and lead to visibility deficit in Asia, unless the current ELM mid-term Review increase the regional ceiling. In addition, the Bank will use the own risk facility in developing countries such as China and India to complement the amounts available under the ELM.

Signatures in China and India could cover more than two-thirds of the total signatures (under the own risk facility), the balance includes operations in Bangladesh, Sri Lanka and Vietnam (under the ELM). In China, EIB financing will support energy efficiency, green transport and sustainable forestry projects. In India, the Bank will finance urban transport, renewable energy as well as small and medium- sized projects that contribute to climate change mitigation and adaptation. The Bank will also finance climate resilient roads in Laos, environmental water and sanitation projects in Bangladesh and Sri Lanka, and low-carbon transport projects in Pakistan and Vietnam.

5.4.4.2 Central Asia

EIB Operations signed in 2016 and key realisation

In 2016 the EIB has signed one sovereign operation with Kyrgyzstan - the "Kyrgyz Water & Waste Framework Loan" - for a total of EUR 20m. The EIB loan forms part of a larger blending package, which includes IFCA funds and EBRD loans.

With the aforementioned signing the remaining funds in the envelope which is earmarked for Central Asia under the ELM 2014-2020 (EUR 182m) stand at EUR 22m. This amount should be absorbed by a new sovereign operation with Kyrgyzstan, the "Kyrgyz Agriculture and Value Chain" expected to be signed early 2017.

With the current signing of the "Kyrgyz Agriculture and Value Chain", all the funds reserved for Central Asia under the ELM will be utilised for EIB operations in Kyrgyzstan (EUR 112m) and Tajikistan (EUR 70m). In this regard, it is to be underlined that EIB operations in Kazakhstan are funded exclusively through the EIB's Own Risk "Climate Change and Environmental Facility" ("CAEF").

In 2016, under CAEF, the Bank has signed two operations with DAMU, the state agency for the development of the SMEs in the country, for a total of EUR 200 m.

Trends for 2017

The Bank may, in close cooperation with the EBRD, finance a new sovereign operation with Tajikistan for the "Rehabilitation of the Kairakkum Hydro Power Plant" subject to an increase of the regional ceiling for Central Asia in the context of the mid-term review of the ELM 2014-2020.

For Kazakhstan, the EIB will consider infrastructure operations in renewable energy (mainly windfarms), railways and energy efficiency under the Own Risk CAEF.

5.4.4.3 Latin America

EIB Operations signed in 2016 and key realisation

During 2016, five operations were signed in Latin America, for a total amount of EUR 519m. These five included four operations with the public sector (61% of the total amount) and one operation with the private sector, the latter having been structured under an EIB own risk facility (i.e., not under the ELM). These operations covered a wide variety of sectors: energy, water and sewerage, transport, small local infrastructure and, for the first time, education in the region.

Following the earthquake in Ecuador, the EIB worked on several initiatives in close cooperation with EEAS and the EC. The Bank structured a loan (USD 175 m) that will support the integrated rehabilitation and reconstruction of the area of Portoviejo, one of the most affected by the natural disaster. This will include several sectors such as social and economic infrastructure and reestablishment of livelihoods. Also, the Bank worked on additional actions linked to previously appraised operations to both redirect the scope of the latter and to help absorb EC funds in the affected regions.

In line with the guidance received from the EC and EEAS, the Bank stepped up its activities in Argentina, which already led to the approval by the EIB's Board of Director of the first EIB operation with Argentina's public sector in two decades.

In 2016, two EIB operations benefitted from LAIF support:

- A EUR 7 m grant was approved for technical assistance for the EIB loan for the reconstruction of the area of Portoviejo to ensure and effective and transparent implementation of the project, to support local final beneficiaries, implement and environmental and social management plan, and to strengthen stakeholders' participation.

- A EUR 11.3 m grant was approved for the financing of a Technical and technological Institute in Portoviejo. The economic benefit of the EU contribution derives from its acceleration effect: The construction works will provide employment and income for the local labour market during this time of the severe post-quake hardship. Downstream, the employability skills which the training and apprenticeship programmes are designed to impart to the graduates will help to reinvigorate the local labour market.

Trends for 2017

In 2017, the Bank will aim at stepping up its lending activities in the region, to enhance its support to EU policies throughout the region, taking into account the country priorities conveyed by EEAS, and to contribute to the Bank's commitment to increase the share of Climate Action projects. In this context, the Bank aims at resuming its lending operations in Argentina, where several investment projects have been identified and appraised. Regarding Colombia, the Bank is firmly committed to support the EU initiatives in the country, especially in supporting rural development. The EIB is appraising operations that would complement the EU Trust Fund and could be blended with these budgetary resources to achieve higher impact. In the other Latin American countries, the Bank will support projects with a significant positive contribution to the SDGs, with a particular focus on Climate Change mitigation and adaptation.

5.4.5 Republic of South Africa

EIB Operations and trends for 2017

Although it is located in sub-Saharan Africa and it undersigned the Cotonou Agreement political principles, for lending operations the Republic of South Africa is treated under a specific South African ELM, created following the end of the apartheid regime in 1994. In line with the ELM priorities, the Bank's focus in South Africa is therefore on private sector development, especially for the benefit of small and medium-sized businesses, vital social and economic infrastructure, and climate change mitigation and adaptation. Additional priorities for South Africa at an EU level include competitiveness and innovation.

In 2015 a EUR 200m South Africa Private Sector facility was approved, open to four leading South African financial intermediaries, to provide financing to private sector projects, in particular SMEs, in line with the overriding objective of the ELM and the development priorities of the government of South Africa. So far an amount of EUR 150m has been signed, while the remaining EUR 50m is expected to be signed in 2017. The provision of long term funding to small businesses in South Africa is a challenge not unique to South Africa only. The above mentioned facility is designed to help alleviate this problem. It has a particular focus on young people, women and non-white entrepreneurs on the part of at least one of the institutions; it is also expected that some 50% of the total will be taken in local currency (EIB disposes of its own ZAR funding).

Next to supporting small and medium sized companies via financial institutions in South Africa, the EIB envisages a catalytic role in larger infrastructure projects, particularly at the Municipal level. The Bank is also continuing its involvement with initiatives to drive the climate action agenda which, amongst others, include the expansion and upgrade water supplies in poorer regions. Further loans for such projects should be appraised in the course of 2017. The Bank has a track record of investing in renewable energy in South Africa, such as the Khi Solar One and Ka Xu Concentrated Solar Power facilities. All of these are located in the Northern Cape region.

The EIB will also continue to work together with the EU under the Infrastructure Investment Programme for South Africa (IIPSA), a EUR 100m grant programme, which aims at supporting the preparation and implementation of infrastructure projects having a significant development impact. The programme continues to play a key role as a blending instrument for the Bank and EDFI partners who are able to commit their own loan instruments to the EU grants made available for infrastructure investments.

Table 8.1

EU Budget Resources complementing EIB loans in 2016 (Blending) (EUR m)

	2014 (from July)	2015	2016
Regional blending mechanisms (TA, grants approved)			
Western Balkans Investment Framework (WBIF)*	4.42	62.00	53.21
Neighbourhood Investment Facility (NIF)	132.70	108.05	39.0
Investment Facility for Central Asia (IFCA)	-	2.00	-
Latin America Investment Facility (LAIF)	-	10.00	18.35
Asia Investment Facility (AIF)	5.00	0.00	-
Other TA and grants complementing EIB projects			
SME Finance Facility (SME FF)	0.60	-	-
FEMIP Support Fund (excl. Turkey) **	0.27		-
Support to FEMIP envelope (2007-2013)	2.67	-	-
FEMIP Trust Fund*	0.99	0.99	1.64
Eastern Partnership Technical Assistance Trust Fund (EPTATF)			5.32
Eastern Europe Energy Efficiency and Environment Partnership (E5P)			18.4
Risk Capital signatures			
MEDA / ENPI Risk Capital	4.00	-	-
FEMIP Trust Fund*	1.00	-	-
Impact Financing Envelope of FEMIP Trust Fund	-	2.00	-
Global Energy Efficiency and Renewable Energy Fund*	-	12.00	41.4
TOTAL	**151.65**	**197.04**	**177.32**

** includes other sources of funding than EU budget*

*** negative value corresponds to de-commitment*

Table 8.2

List of EIB-managed Union Budget-funded operations (TA, Grants, Equity) signed or approved in 2016

Contract Name	Instruments	Target countries	2016 (EUR m)
Western Balkans Investment Framework (WBIF) (approved) (EC contrib. - approved)			
Infrastructure Project Facility (IPF 6)	TA	Regional	26.12
Corridor Vc* "Construction of Motorway section "Svilaj - Od:Zak"including the construction of the border crossing area and cross-border bridge· in Svilaj over the river Sava on the northern border with Croatia"	TA (3.42) / IG (21.67)	Bosnia and Herzegovina	25.09
EPEC 2 - TA for Strengthening Capacity in Western Balkans	TA	Regional	2
Total			***53.21***
Neighbourhood Investment Facility (NIF) (approved)			
Regional Trade & Competitiveness Morocco & Tunisia	TA 4.0, FI 25.0	Morocco & Tunisia	29.0
Ukraine Higher Education	TA	Ukraine	3.0
Ukraine Railway Modernization	TA	Ukraine	7.0
Total			***39.0***
Eastern Europe Energy Efficiency and Environment Partnership (E5P) (approved)			
Ukraine Krivyi Rih District Heating	IG	Ukraine	6.4
Yerewan Solid Waste	IG	Armenia	2
Ukraine Higher Education	IG	Ukraine	10
Total			***18.4***
Latin America Investment Facility (LAIF) (approved) (EC contrib. - approved)			
Ecuador Earthquake reconstruction	TA	Ecuador	7.0
Ecuador Technical Technology Centres	IG	Ecuador	11.35
Total			***18.35***
Eastern Partnership Technical Assistance Trust Fund (EPTATF) (signed)			
Ukraine Municipal Infrastructure Programme: Support to the rehabilitation of district heating systems in 3 Cities	TA	Ukraine	0.75
Technical Assistance to support the implementation of the Armenia Apex Loan for SMEs	TA	Armenia	0.5
Preparation of solid waste management projects in three regions in Moldova	TA	Moldova	1.07

Ukraine Early Recovery: Programme Implementation Support to Final Beneficiaries	TA	Ukraine	3
Total			***5.32***
FEMIP Trust Fund (signed)			
Technical assistance in support of the development of the Euro-Mediterranean logistic area of Amman (Madounah) in the HASHEMITE KINGDOM OF JORDAN	TA	Jordan	0.23
National Appropriate Mitigation Actions Potentials in the Mediterranean Partner Countries - NAMA Study	TA	Regional	0.29
Assistance Technique pour l'extension et l'amélioration fonctionnelle de l'Aéroport International de Tunis Carthage (AITC)	TA	Tunisia	0.19
Technical assistance in support of the South Lebanon Water and Wasterwater Project (extension)	TA	Lebanon	0.15
Renforcement des capacites du secteur de la microfinance tunisienne	TA	Tunisia	0.48
Feasibility study for the Alexandria West Wastewater Treatment Plant Expansion and Upgrade	TA	Egypt	0.3
Total			***1.64***
Risk Capital signatures			
Global Energy Efficiency and Renewable Energy Fund (GEEREF): Renewable Energy Asia Fund II	RC/equity	India, the Philippines, Indonesia	14.4
Global Energy Efficiency and Renewable Energy Fund (GEEREF): Catalyst MENA Clean Energy Fund	RC/equity	Jordan, Egypt, Morocco, Tunisia	15
Global Energy Efficiency and Renewable Energy Fund (GEEREF): Caucasus Clean Energy Fund	RC/equity	Georgia	12
Total			**41.4**
TOTAL			**177.32**

* In accordance with the Grant application Form (GAF) and the General Conditions of the European Western Balkans Joint Fund (EWBJF) approved on 16/06/2016

TA Technical Assistance
FI Financial Instrument
IG Investment Grants
IRS Investment Rate Subsidy
RC Risk Capital

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 - 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 Bank;
- Concerning complaints related to operations outside the EU, including the External Mandates, the European Ombudsman commits to use its Own Initiative[7] 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 6 years. The nature of the complaints refers to allegations related to the projects financed by the Bank in the areas of Environment and Social, Procurement as well as Governance (legal and financial structure of the project, Bank's general due diligence of the project, implementation of Bank's policies by borrowers, etc).

Table 9: Project related complaints lodged with the internal part (EIB-CM) of the EIB Complaints Mechanism over 2011-2016

	2011	2012	2013	2014	2015	2016	6 years
EU Member States	9	15	13	13	13	4 (of which 1 to EO)	67
Non-EU, of which	16	17	18	16	14	23	104
in External Mandate Countries	13	15	16	13	13	23	93
in ACP, OCTs	3	2	2	3	1	0	11
Total (EU & Non EU Members)	25	32	31	29	27	27	171

As the above table shows, the number of annual new project-related complaints remained

[7] The European Ombudsman may open inquiries on her "Own Initiative" if she considers it justified in order to clarify any suspected maladministration in the activities of EU institutions, bodies, offices or agencies, despite the Statute of the EO that specifies that "Any citizen of the Union or any natural or legal person residing or having his registered office in a Member State of the Union may, directly or through a Member of the European Parliament, refer a complaint to the Ombudsman [...]."

relatively stable overall since 2011. However the number of new cases registered in External Lending Regions grew relatively more to 23, from 13 in 2015. These new cases are located in Albania, Bosnia and Herzegovina, Costa Rica, Ecuador, Egypt, Georgia, Lao People's Democratic Republic, Mongolia, Morocco, Paraguay, Serbia, Tunisia. Out of the 23 cases opened concerning the External Lending Mandate, 9 are related to Environmental and Social impacts, 12 to Procurement, and 1 to Access to information and 1 to Governance matters related to projects.

The EIB-CM also deals with complaints with a 'preventive' objective, which are classified as PR, meaning that the complaint is handled in early stages of the project appraisal together with the EIB services. The Complainant can always revert to the EIB-CM if not satisfied with the PR handling of the case. In 2016 the EIB-CM handled 25 of such PR complaints of which 17 in the Western Balkans, 2 in Africa, 2 in the Eastern Neighbourhood, 1 in Asia and 3 in FEMIP. Of the 17 PR complaints in the Western Balkan, 11 PR cases concerned the Trans Adriatic Pipeline project in Albania.

The outcome of the complaints handling process varied from "allegations not grounded", "areas for improvement recommended" to "withdrawn by the Complainant". During 2016, the EIB-CM closed 15 cases in Albania (2), Brazil (1), Bosnia and Herzegovina (2), Ecuador (1), Georgia (1), Moldova (1), Mongolia (1), Morocco (1) and Serbia (5). In the complaint relating to the Highway Interchange Petlovo Brdo in Serbia the EIB-CM contributed to a Mediation process between the Promoter and the affected population and in the case of the Sao Paolo Rolling stock complaint in Brazil the EIB-CM had to withdraw as the complaint was settled by a national judicial authority. In the Ulaanbataar Waste Water System complaint in Mongolia the EIB-CM stressed the importance of assessing - at a due diligence stage - a promoter's capacity to undertake procurement activities and, where appropriate, provide technical assistance/expertise.

During 2016, the EO did not receive any complaint related to the EIB activities in the External Lending Region.

7. COOPERATION WITH INTERNATIONAL FINANCING INSTITUTIONS

27 projects signed in 2016 were co-financed by other IFIs (see Annex 4). EBRD is the first co-financer (13 projects) representing 44% of the total volume of co-financing, followed by World Bank Group (7 projects) representing 32% of the total volume of co-financing. AFD co-financed 4 projects and represents 15% of the volume of co-financing. The Asian Development Bank co-financed 4 projects, representing a 22% of the total of co-financing and the Inter-American Development Bank together with the Development Bank of Latin America (CAF) co-financed 2 projects, representing 4% of the total of co-financing, .

7.1 Relation with European Financial Institutions

7.1.1 Collaboration with AFD and KfW

Cooperation between EIB and AFD has continued to intensify over the last years. Meanwhile, a regular routine of meetings on policy/coordination level as well as on operational level has been established, which has facilitated exchange of information and transparency. The EIB also maintains a system of mutual staff exchange with KfW and since 2016 also with AFD.

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

In 2016, 4 projects were co-financed with AFD in the ELM regions, all of which in the Mediterranean region representing a total EIB financing of EUR 778m, representing 29% of total EIB financing projects in the Mediterranean region. The average share of the EIB financing is 27% whereas the average share of AFD financing in such projects is 15%.

In 2016, 3 projects were co-financed with KfW group in the ELM regions, with one project in Pre-Accession region (Montenegro and Turkey) and one project in the Mediterranean countries (Morocco) with a total EIB financing of EUR 142m and EUR 93m for KfW group. The average share of the EIB financing is 10% and KfW group in such projects is 7%.

7.1.2 Collaboration with EBRD

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

These regular relations are useful to coordinate actions and to enhance operational synergies in the countries of operation. Indeed, in 2016, 13 projects were co-financed by EIB and EBRD, with a total of EUR 1.1bn of EIB financing and EUR 1.2bn of EBRD financing. The average share of the EIB and EBRD in such projects is approximately 33% each.

7.2 Cooperation with others on development

7.2.1 Strategic Institutional cooperation amongst MDBs

A new and significant development in 2016 was the entry of three new members, the Asia Infrastructure Investment Bank (AIIB), the Islamic Development Bank and the New Development Bank (also known as "BRICS" Bank).

The MoU signed by EIB with AIIB in May 2016 in Beijing provides the framework to further consolidate the relations between EIB and AIIB in the areas of joint financing of eligible operations, knowledge sharing and the establishment of regular high level meetings. The memorandum was signed during President Hoyer's official visit to China, and shows EIB commitment to working closely with the AIIB to address the infrastructure needs in Asia by capitalising their long experience and expertise in the region as well as in the EU.

In addition to the multiple working groups and initiatives covering a broad range of issues (climate, infrastructure, finance, risk, results measurement, ex post evaluation, debt management etc.), MDB cooperation remains strong at the highest level, when Presidents meet and discuss strategic priorities.

High-level discussions among MDBs focused on the main topics of the development agenda, namely how to jointly enhance MDB support for Climate Action and contribute to the Sustainable Development Goals. Addressing the consequences of the refugee crisis and forced displacement more generally, was another key topic for MDB cooperation in 2016. A special MDB Task Force was also set up to define and measure mobilisation and catalysation by MDBs of private sector finance. Building on recommendations from the G7 and the G20, MDBs also worked jointly on ways to optimise their balance sheets and increase their lending capacity in support of development objectives.

Next steps will involve refining principles on the use of blended finance and developing new approaches to prioritising the use of public funds where they are most needed and where they can crowd in private finance, in line with the "Billions to Trillions" narrative. MDBs work together on "de-risking" and the further increase in the use of risk sharing instruments and guarantee schemes (in line with developments inside the EU) to maximise the impact of public resources in crowding in private finance.

7.2.2 Operational Institutional cooperation

To maximise the impact of their projects, and to explore new ways of doing things and new sectors to target on the road to the 2030 Agenda, the Bank is partnering with several organisations to combine the Bank`s financial know how with their technical expertise and local knowledge. Taken together, they are boosting their capabilities in several sectors entirely relevant to the SDGs.

EIB President Werner Hoyer and United Nations Industrial Development Organisation (UNIDO) Director-General Li Yong formally signed a Memorandum of Understanding in July 2015. Through this, their organisations have agreed to enhance cooperation and to share good practices and expertise in relevant sectors, most notably resilient infrastructure, sustainable industrialisation and innovation. This is a timely partnership, which will enable both institutions to work together to help achieve several of the SDGs, amongst them number 1 (No Poverty), Number 8 (Decent Work and Economic Growth), Number 9 (Industry, Innovation and Infrastructure), Number 12 (Responsible Consumption and Production) and Number 13 (Climate Action). The EIB and UNIDO have explored some potential projects in industrial value chain support in Africa.

The Bank has also agreed to work with the Food and Agriculture Organisation of the United Nations (FAO), for which EIB Vice-President Pim van Ballekom and FAO Director-General José Graziano Da Silva signed a Memorandum of Understanding in 2015. This makes sense for both parties, as the Bank looks to expand investment in agriculture and food security,

notably in terms of private sector companies, value chains, small businesses and entrepreneurs, and FAO looks out for food security and sustainable job creation in the field of agribusiness. In addition to joint interests, their organisations can work together on relevant projects in the future, where technical assistance and expertise could be required to carry out capacity building on the ground, including the promotion of agribusiness to rural populations, young people and women, as well as bringing their ideas to bear on development. There are several ways in which this could happen, and their organisations are again looking at areas for collaboration. Through working together, they help achieve SDGs Number 1 (No Poverty), Number 2 (Zero Hunger), Number 5 (Gender Equality), Number 8 (Decent Work and Economic Growth) and Number 15 (Life on Land).

The crucial importance of creating jobs in rural areas is something that the EIB is approaching pro-actively. In April 2016, EIB Vice-President Pim van Ballekom and International Fund for Agricultural Development (IFAD) Associate Vice-President Henock Kifle signed an agreement to expand cooperation between the two organisations, reflecting the importance of agribusiness in emerging economies, both now and in the future. The Memorandum of Understanding reflects the premium placed on small holder farmers, as shared by both the EIB and IFAD, and they are working together on a project which will support them.

The United Nations Development Programme operates in many countries, supporting sustainable development, the eradication of poverty the advancement of women and good governance amongst the ultimate aim of achieving the SDGs. The EIB and UNDP have therefore formalised a Memorandum of Understanding to work together towards this common agenda, which has the SDGS at heart, and is placed in the context of the "From Billions to Trillions" MDB action plan. This was signed by EIB President Werner Hoyer and UNDP Administrator Helen Clark in October 2016. The thematic focuses of this partnership are climate change response, responding to crisis and post-crisis situations, the migration crisis and promoting inclusive markets and entrepreneurship. Technically, their organisations are targeting Urban Development (SDG Number 11 Sustainable Cities and Communities), Sustainable Energy (SDG Number 7, Clean Energy), Water Management (SDG Number 3, Good Health and Wellbeing and SDG 6, Clean Water and Sanitation) and Rural Development.

The United Nations Office for Project Services (UNOPS) supports the successful implementation of UN partners' peace-building, humanitarian and developmental projects around the world. The EIB can work with UNOPS on key projects to improve lives across the world. It was in this context that in April 2016, EIB Vice-President Pim van Ballekom and UNOPS Director Grete Faremo signed an agreement for their organisations to work together. This partnership will enable both institutions to overcome ongoing challenges to sustainable development, most notably in fragile economies, as well as climate change and, something which is essential, increasing the capacity of the private sector to drive growth and change. Put together, the EIB and UNOPS can catalyse further investment in projects where investors could be reluctant to get involved. Again, SDG Number 1 (No Poverty), Number 8 (Decent Work and Economic Growth), Number 10 (Reduced Inequalities), Number 13 (Climate Action) are all targets, with an indirect benefit to Number 16 (Peace, Justice and Strong Institutions).

7.2.3 The Boost MENA initiative

In 2016, the EIB and the African Development Bank launched the Boost Africa initiative, a comprehensive joint programme which aims to enable and enhance entrepreneurship and

innovation across Africa in a commercially viable way through a blending mechanism with the European Commission.

Similarly to Boost Africa, the Boost MENA initiative currently under development jointly with the World Bank, in the framework of the Economic Resilience Iniative (ERI), stems from the belief that entrepreneurship and innovation can play a significant role in accelerating living standards and social progress. The initiative will draw lessons from the report from the EBRD, the EIB and the WBG "What's holding back the private sector in MENA?" based on the MENA Enterprise Survey (ES) of more than 6,000 firms in eight countries, identifying the private sector as a key driver for growth and rising prosperity, on the condition that effective business enabling policies, enhanced access to finance and support to entrepreneurship and innovation are ensured. Boost MENA will address directly the root causes of the current increasing migration, which sees thousands of skilled and unskilled young people leave their countries at the risk of their lives in search of a better economic future. The fast-growing digital economy is seen as one of the most powerful drivers for future employment and economic prosperity. Across both developed and developing countries, start-ups and high-growth innovative SMEs play a crucial role in net job creation. Critically, innovative start-ups are starting to show very important economic and development impacts and require assistance to reach their potential.

Like Boost Africa, Boost MENA will adopt a value chain approach aiming to support the earliest and riskiest stages of entrepreneurship in a sustainable way. The project design will allow addressing gaps by providing long-term support to promoters targeting entrepreneurs, through financing and capacity-building, thus sustaining the modernisation of the ecosystem, in a context characterised by high barriers for newcomers to start a business. Both initiatives will step up the effort towards mainly first-time entrepreneurs (in particular among youth and women) in order to contribute, among others, to the international response to the migration crisis. By increasing the opportunities for young entrepreneurs to set up their companies the initiative expects to boost the creation of significant numbers of quality jobs, retaining talent and, in some cases, reversing the brain drain in Africa. In line with the objectives of a letter of intention to jointly implement Boost Mena, the EIB and WB consider that AfDB could play a significant role as co-investor in this initiative as well, thanks to its geographic scope of operations, including North Africa in particular.

A Boost platform is currently under development with a large number of DFIs considering similar investments. Mobilisation of local investors and business angel networks is also a medium-term objective, to address the existing financing gap in this segment of the market.

7.3 Coordination with others on Climate

The EIB has continued to cooperate throughout 2016 with MDBs and other IFIs and relevant groups in order to harmonise climate finance tracking and impact reporting standards.

The Bank tracks climate finance using definitions developed and harmonised in cooperation with peer institutions. During 2016, Asian Development Bank (ADB) coordinated the 2015 Joint Report on MDBs' Climate Finance (taking over from WBG the previous year and EIB in 2014). The report showed that, in 2015, MDBs delivered USD 25,096 bn in climate finance[8].

[8] The figure includes own-resources and third parties financing in developing countries and emerging economies (i.e. for EIB, climate finance in ELM plus ACP countries plus EU11).

In 2017-19 this work has been reorganised on a longer term basis as part of the MDBs' post-Paris workplan, with the core reporting led by EBRD, finance tracking and impact reporting by EIB and IDB and co-financing data by WBG.

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

Further work has progressed on the Principles for Mainstreaming Climate Action in Financial Institutions, launched at COP21. Until a more permanent arrangement is put in place, EIB is hosting, on a temporary basis, the Principles for Mainstreaming website: www.eib.org/FIclimatemainstreaming

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

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

A larger group including all 6 MDBs, plus AFD, KfW, NIB and other IFIs, developed and published, via the Green Bond Principles Network, a harmonised framework for green bond impact reporting. This impact reporting is linked to harmonised approaches on GHG accounting and reporting, developed by the IFI working group in which the EIB is a key participant and which is now being taken forward at an accelerated pace in close cooperation with UNFCCC.

On Adaptation they also continue to work closely with EU financing institutions in the EU Financing Institutions Working Group on Adaptation to Climate Change (EUFIWACC). EIB and other EUFIWACC members published in 2016 the EUFIWACC Integrating Climate change adaptation in Project Development .

ANNEX I - LIST OF OPERATIONS SIGNED IN 2016

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

COUNTRY	OPERATION	Signed (EURm) / Framework			Objective supported				Sector
		ELM - Compreh. Guarantee	ELM - Political Risk Guarantee	ORF	Local private sector dev.	Social & Economic Infra	Climate Action	Regional Integrat.	
India	LUCKNOW METRO RAIL PROJECT			200					Transport
Maldives	MALDIVES SUSTAINABLE ENERGY DEVELOPMENT	45			+	+	+		Energy
Kazakhstan	DAMU GREEN LOAN FOR SMES - A			50			+		Credit lines
Kazakhstan	DAMU GREEN LOAN FOR SMES - B			150			+		Credit lines
Kyrgyzstan	WATER SUPPLY SEWERAGE AND SOLID WASTE	20					+		Water, Sewerage, Solid waste
Brazil	NEOENERGIA ELECTRICITY DISTRIBUTION II			200					Energy
Ecuador	METRO DE QUITO	41							Transport
Ecuador	POST-EARTHQUAKE RECONSTRUCTION FRAMEWORK LOAN	162							Industry
Ecuador	TECHNICAL AND TECHNOLOGICAL INSTITUTES PROGRAMME	70							Education
Panama	PANAMA CITY AND BAY WASTEWATER TREATMENT PROJECT	46					+		Water, sewerage
	Total 2016 Operations Signed	**384**	**-**	**600**					

List of operations signed in the Eastern Europe, Southern Caucasus and Russia region in 2016

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	ARMENIA M6 INTERSTATE ROAD	51						Transport
Armenia	BORDER CROSSING AND INFRASTRUCTURE	1						Transport
Armenia	ARMENIA APEX II LOAN FOR SMES AND MIDCAPS	51				+		Credit lines
Georgia	GEORGIA URBAN RECONSTRUCTION AND DEVELOPMENT FL	100						Composite infrastructure, Services
Georgia	GEORGIA EAST-WEST HIGHWAY II	49						Transport
Georgia	JSC BANK REPUBLIC LOAN FOR SMES AND MIDCAPS		23			+		Credit lines
Georgia	GEORGIAN AGRI-FOOD VALUE CHAINS	100		+	+	+		Agriculture, fisheries, forestry
Georgia	GEORGIA TRANSPORT CONNECTIVITY	250						Transport
Georgia	GEORGIA UPGRADE OF MUNICIPAL INFRASTRUCTURE	100						Urban development
Moldova, Republic of	MOLDOVA RAIL INFRASTRUCTURE AND ROLLING STOCK FL	50						Transport
Moldova, Republic of	UNGHENI-CHISINAU GAS PIPELINE	41						Energy
Ukraine	UKRAINE URBAN PUBLIC TRANSPORT FL	200						Transport
Ukraine	UKRAINE RAILWAY MODERNIZATION	150						Transport
Ukraine	UKRAINE HIGHER EDUCATION PROJECT	120				+		Education, Industry
Ukraine	UKRAINE DCFTA SUPPORT FACILITY		260			+		Credit lines
Ukraine	NIBULON (CEREAL PRODUCTION AND TRANSPORTATION)		71	+	+	+		Agriculture, fisheries, forestry, Transport
	Total 2016 Operations Signed	**1,263**	**354**					

List of operations signed in the Mediterranean region in 2016

COUNTRY	OPERATION	Signed (EURm) / Framework			Objective supported				Sector
		ELM - Compreh. Guarantee	ELM - Political Risk Guarantee	ORF	Local private sector dev.	Social & Economic Infra	Climate Action	Regional Integrat.	
Egypt	CAIRO METRO LINE 3 (PHASE 3)	200				■	■		Transport
Egypt	EBE SME AND MIDCAPS LOAN	28			■		+		Credit lines
Egypt	QNB EGYPT LOAN FOR SMES		92		■		+		Credit lines
Egypt	EGYPT PRIVATE SECTOR SUPPORT	500			■		+		Credit lines
Egypt	CAIRO METRO LINE 2 ROLLING STOCK	75				■	■		Transport
Israel	ICL RDI			92	■			■	Industry
Morocco	FEMIP SUSTAINABLE ENERGY FACILITY		30		■		■	■	Credit lines
Morocco	BMCE LIGNE VERTE		10			■	+		Solid waste
Morocco	BMCE LOAN FOR SMES AND MIDCAPS		150		■		+		Credit lines
Tunisia	GCT MISE A NIVEAU ENVIRONNEMENTALE	19			■		+		Industry
Tunisia	BANQUE DE TUNISIE - LOAN FOR SMES		50		■		+		Credit lines
Tunisia	TUNISIE TELECOM 4G ROLLOUT			100		■			Telecommunications
Tunisia	DEPOLMED	70				■	+		Water, sewerage
Tunisia	STEG V TRANSPORT ELECTRICITE	47				■			Energy
Tunisia	PONT DE BIZERTE	123				■			Transport
	Total 2016 Operations Signed	**1,061**	**332**	**192**					

List of operations signed in Pre-Accession region in 2016

COUNTRY	OPERATION	Signed (EURm) / Framework		Objective supported				Sector
		ELM - Compreh. Guarantee	ORF	Local private sector dev.	Social & Economic Infra	Climate Action	Regional Integrat.	
Bosnia and Herzegovina	PROCREDIT LOAN FOR SME AND OTHER COP OBJECTIVES		10	■		+	■	Credit lines
Bosnia and Herzegovina	ROAD MODERNISATION FEDERATION BIH	50			■			Transport
Bosnia and Herzegovina	RBBH LOAN FOR SMES AND PRIORITY PROJECTS		30	+	+	+	■	Credit lines
Bosnia and Herzegovina	ISP LOAN FOR SMES AND PRIORITY PROJECTS III		25	■		+		Credit lines
Bosnia and Herzegovina	RS HOSPITALS	15			■			Health
FYROM	CORRIDOR X ROAD PROJECT	35			■			Transport
FYROM	PROCREDIT LOAN FOR SME AND OTHER COP OBJECTIVES		10	■		+	■	Credit lines
Montenegro	IDF LOAN FOR SMES AND PRIORITY PROJECTS II	30		+	+	+		Credit lines
Montenegro	MONTENEGRO WATER AND SANITATION	26			■			Water, sewerage
Serbia	SGRS LOAN FOR SMES AND OTHER PRIORITIES III		20	+	+	+		Credit lines
Serbia	APEX LOAN FOR SMES AND OTHER PRIORITIES III	150		■		+	■	Credit lines
Serbia	UPGRADING OF JUDICIARY BUILDINGS	26			■			Services
Turkey	TSKB LOAN III FOR SMES MIDCAPS AND INNOVATION		100	■		+	■	Credit lines
Turkey	ZIRAATBANK LOAN FOR SMES AND MIDCAPS II		100	■		+	■	Credit lines
Turkey	ING BANK TURKEY SMES AND MIDCAPS LOAN III		200	■		+	■	Credit lines
Turkey	ODEA BANK LOAN FOR SMES AND MIDCAPS		100	■		+	■	Credit lines
Turkey	VAKIFBANK ADDITIONAL LOAN FOR SMES		100	■		+		Credit lines
Turkey	PETLIM PORT		70		■	+		Transport
Turkey	ETLIK HOSPITAL		50		■			Health
Turkey	EXIMBANK LOAN FOR SMES AND MIDCAPS III		200	■		+	■	Credit lines
Turkey	AKBANK LOAN FOR SMES AND MIDCAPS III		195	■		+		Credit lines
Turkey	AKLEASE LOAN FOR SME AND MID-CAPS A		60	■		+	■	Credit lines
Turkey	TSKB ENERGY AND ENVIRONMENT LOAN		100		■	+		Energy Water, sewerage
Turkey	FINA ENERJI WIND POWER PLANTS		33		■	■		Energy
Turkey	ISBANK CLIMATE CHANGE FACILITY II		150	+	+	+		Credit lines Energy
Turkey	VAKIFBANK LOAN III FOR SMES AND MIDCAPS		100	■		+		Credit lines
Turkey	FINANS LEASING LOAN FOR SMES AND MIDCAPS		100	■		+	■	Credit lines
Turkey	ISTANBUL UNDERGROUND RAIL NETWORK II	250			■	■		Transport
Turkey	HALKBANK LOAN IV FOR SMES AND MIDCAPS		100	■		+		Credit lines
Turkey	ZIRAATBANK LOAN FOR SMES AND MIDCAPS III		100	■		+	■	Credit lines
Turkey	GAZIANTEP HEALTH CAMPUS		120		■			Health
	Total 2016 Operations Signed	**582**	**2,073**					

Annex II - List of operations signed in the regions covered by the Mandate in 2016 and co-financed with other IFIs or benefiting from EU grants

List of operations signed in the regions covered by the Mandate in 2016 and co-financed with other IFIs or benefiting from EU grants

MANDATE / FACILITY	COUNTRY	CONTRACT NAME	PROJECT COST (EUR M)	EIB LOAN SIGNED IN 2016 (EUR M)	Multilateral Financing Institutions	European Bilateral Institutions	EU budget contrib.
ELM Asia 2014-2020	Maldives	MALDIVES SUSTAINABLE ENERGY DEVELOPMENT	175.00	45.00	X		
ELM Central Asia 2014-2020	Kyrgyzstan	WATER SUPPLY SEWERAGE AND SOLID WASTE	80.00	20.00	X		IFCA
ELM East-Ru. 2014-2020	Armenia	BORDER CROSSING AND INFRASTRUCTURE B	61.70	0.53	X		NIF
ELM East-Ru. 2014-2020	Armenia	ARMENIA M6 INTERSTATE ROAD	102.00	51.00	X		NIF (expected)
ELM East-Ru. 2014-2020	Georgia	GEORGIA URBAN RECONSTRUCTION AND DEVELOPMENT FL	150.00	100.00	X		
ELM East-Ru. 2014-2020	Georgia	GEORGIA EAST-WEST HIGHWAY II	176.45	49.45	X		
ELM East-Ru. 2014-2020	Georgia	GEORGIAN AGRI-FOOD VALUE CHAINS	200.00	100.00			NIF
ELM East-Ru. 2014-2020	Georgia	GEORGIA TRANSPORT CONNECTIVITY	1,000.00	250.00	X		NIF (expected)
ELM East-Ru. 2014-2020	Georgia	GEORGIA UPGRADE OF MUNICIPAL INFRASTRUCTURE	200.00	100.00	X		
ELM East-Ru. 2014-2020	Moldova, Republic of	MOLDOVA RAIL INFRASTRUCTURE AND ROLLING STOCK FL	120.40	50.00	X		NIF
ELM East-Ru. 2014-2020	Moldova, Republic of	UNGHENI-CHISINAU GAS PIPELINE	92.00	41.00	X		EC (Support to the reform of energy sector programme)
ELM East-Ru. 2014-2020	Ukraine	UKRAINE RAILWAY MODERNIZATION	314.00	150.00	X		NIF
ELM East-Ru. 2014-2020	Ukraine	UKRAINE HIGHER EDUCATION PROJECT	160.00	120.00			E5P* NIF
ELM East-Ru. 2014-2020	Ukraine	UKRAINE URBAN PUBLIC TRANSPORT FL	400.00	200.00	X		
ELM Latin America 2014-2020	Ecuador	METRO DE QUITO B	1,361.00	40.97	X		
ELM Latin America 2014-2020	Ecuador	TECHNICAL AND TECHNOLOGICAL INSTITUTES PROGRAMME	191.44	70.13	X		LAIF
ELM Latin America 2014-2020	Panama	PANAMA CITY AND BAY WASTEWATER TREATMENT PROJECT	138.45	45.86	X		
ELM MED 2014-2020	Egypt	CAIRO METRO LINE 3 (PHASE 3) - C	2,417.90	200.00		X	NIF, FEMIP Support*
ELM MED 2014-2020	Egypt	CAIRO METRO LINE 2 ROLLING STOCK	187.00	75.00	X		
ELM MED 2014-2020	Morocco	FEMIP SUSTAINABLE ENERGY FACILITY (BMCE) B and (BCP) C	137.50	30.00	X	X	NIF
ELM MED 2014-2020	Morocco	BMCE LIGNE VERTE	40.00	10.00		X	
ELM MED 2014-2020	Tunisia	GCT MISE A NIVEAU ENVIRONNEMENTALE B	149.52	19.00		X	EC
ELM MED 2014-2020	Tunisia	DEPOLMED	140.00	69.60		X	NIF
ELM MED 2014-2020	Tunisia	STEG V TRANSPORT ELECTRICITE	109.70	46.50	X		
ELM Pre-Accession 2014-2020	FYROM	CORRIDOR X ROAD PROJECT B	300.00	35.00	X		IPA
ELM Pre-Accession 2014-2020	Montenegro	MONTENEGRO WATER AND SANITATION E	114.22	25.50		X	IPA WBIF*
Climate Action and Environment Facility 2014-2020	Kazakhstan	DAMU GREEN LOAN FOR SMES - A	100.00	50.00			IFCA
PAF-32200M-2000-2020	Turkey	ISBANK CLIMATE CHANGE FACILITY II A	300.00	150.15	X		
PAF-32200M-2000-2020	Turkey	ETLIK HOSPITAL	1,100.00	50.00	X	X	
PAF-32200M-2000-2020	Turkey	GAZIANTEP HEALTH CAMPUS	589.00	120.00	X		
		Total, of which EIB financing volume	**10,607.28**	**2,314.70**			
		- co-financed with other IFIs		**2,044.70**	**- benefiting from EU grants**		**1,281.77**

** Includes other sources of funding than EU budget*