European Investment Bank

The EU bank

60 years

The EIB Group Operating Framework and Operational Plan

2018

European Investment Bank
The EU bank

Our Purpose, Our Future, Our Plan

The EIB Group Operating Framework

and Operational Plan 2018

Important notices:

The Operational Plan 2018 was discussed and approved by the Board of Directors of the European Investment Bank at its meeting of 12 December 2017.

Attention is drawn to the fact that this document contains forward-looking statements such as projections of financial performance. Such statements and projections may, by their nature, prove to be inaccurate.

Data that are confidential and/or financially sensitive in nature have been removed from this publication.

Introduction

Luxembourg, 12 December 2017

Recent Operational Plans elaborated on the unprecedented scale of the Bank's activities following the start of the global economic and financial crisis in 2008 and subsequently the challenges and obligations for EIB to further enhance its response based on the capital increase in 2013. Since 2015, in order to have an even more rapid and sizeable contribution to improve EU growth and employment, the EIB's Plans have been heavily set in the context of its extensive role in the Investment Plan for Europe.

As a result, the EIB has grown significantly and rapidly – in terms of types of activities (financing, blending and advising) and product range but also in terms of internal resources needed to deliver operationally, and in line with increasing external regulatory and reporting requirements. EIB activities have had a significant impact on mobilising finance to support growth and employment in the EU, and supporting EU cohesion, climate action and competitiveness objectives.

Nevertheless, the need to balance the objectives of the EIB with political and economic needs and opportunities as well as preserving the financial strength at the core of EIB's business model vis-a-vis geographical focus, risk, nature and range of products and services exists.

This document has a multi-dimensional objective:

i. to provide an overview of the challenges for the EU and the EIB and the EIB's role as the EU Bank - to provide the EIB's Operating Context (Our Purpose);

ii. to outline an Operating Framework identifying the key aspects for the Bank to pursue based on current knowledge and expected evolution of external and internal influences (Our Future); and

iii. to define the Operational Plan for 2018 with performance targets and orientations which are aligned to the current expectations of the Bank's stakeholders and provide a credible response to the challenges and constraints as set out in the Operating Context, together with preliminary indications for 2019 and 2020 (Our Plan).

As such, it identifies key components of 'our purpose, our future, our plan' so as to inform EIB's stakeholders and optimise alignment of ambitions. Such alignment is required to enhance the communication and sharing of information about our delivery and our impact – not just in terms of our financing and related activities but also in terms of EIB's position and role within the EU institutional family.

It is now, as the Bank approaches its 60th anniversary, an opportune moment to engage in a new reflection of the role of the EIB as the EU Bank and the changes required in order to focus on delivering even more impact for the benefit of EU citizens so to ensure that 'what we do, why and where we do it, and how we do it' are aligned with shareholders ambitions as well as with other stakeholders expectations.

The Framework therefore considers and outlines in broad terms the direction already agreed to be taken by the EIB in regard to core business aspects and sets-out the approach on other specific key components

The EIB Group Operating Framework & Operational Plan 2018

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Executive Summary

As the EU economy is now back to growth, and investment recovery materialises throughout Europe, policy focus is moving to a longer term orientation and the EU is currently reviewing its priorities in order to adapt to the new challenges it faces. That said, global challenges continue to affect Europe and the EU. Technological change and competitiveness, social inclusion, youth unemployment and cohesion, skills and education, energy security and transition, climate change and environmental protection, as well as challenges related to Europe's global role, including the migration challenge, security and defence are present – and may grow in the future. This, together with the significant structural investment gap in the EU, necessitates a strong EU response.

The EIB Group, as the EU's vehicle for investment, is an integral part of the EU's institutional family as the financing institution that supports **EU policy goals** for European **competitiveness, cohesion** and **climate action**. Underpinning EU policy inside and outside the EU, the EIB is also a key arm for EU economic contribution to development and growth in partner countries. In the area of development outside Europe, EIB management has begun a discussion with our Board of Directors, the EU Member States and the European Commission on the need to establish a special structure within the EU Bank Group, capable of increasing the coordinated focus for more impact and support to sustainable development while crowding-in other partners.

Member States have paid-in EUR 22bn of capital to the EIB which has allowed the EIB to make a unique contribution to European objectives. With its high credit standing, the Bank's access to capital markets has enabled an aggregate financing of more than EUR 1 trillion over nearly 60 years of operations. This has mobilised up to EUR 3 trillion of investment - being a highly efficient use of EU resources.

Over the last ten years alone, the Bank has signed almost EUR 660bn and disbursed close to EUR 550bn of loans and the EIF's equity and guarantee commitments have increased from EUR 1.5bn to EUR 9.5bn. This has supported the EU response to the financial and economic crisis which began to unfold in 2008 and required EIB to quickly adapt its business approach so to alleviate market difficulties in accessing credit. The EIB further increased its activities and impact through the 2013 capital increase and again when the EIB Group's role in the Investment Plan for Europe (IPE) was decided in 2015. The IPE required a new approach to investment financing and related activities in order to further increase EU sustainability and competitiveness through targeting EU growth and employment whilst maintaining climate action considerations high on the agenda.

The EIB Group delivered. Indeed the EIB has contributed to financing almost every large infrastructure project within the EU, is the largest climate action financier at a global level and has a strong track record of supporting sound investments in areas critical to restoring Europe's competitiveness and growth-notably over EUR 100bn of financing for SMEs and MidCaps in the last five years alone. The EIF (European Investment Fund) has played a key role rebuilding the Venture Capital (VC) market in core Member States after the tech crash in 2000, expanding the VC ecosystem to business angels, tech transfer and impact investing. The Fund has also been key to maintaining the European SME securitisation market since the financial crisis began.

Nevertheless, Europe and the EU remain in the midst of yet more profound change. Many elements impacting the EU Bank's role and its future options will be externally influenced, including financial market regulation and, critically, political decisions which are taken at EU level on the future direction of the EU.

The EU Heads of State and Governments are reviewing the EU institutional family set-up to better manage current and future challenges, such as the ongoing cohesion and inequality issues and the intrinsic fragility which remains at the heart of the Euro Area. The White Paper on the Future of Europe published on 1 March 2017 builds on the 'Five Presidents Report' and begins a process by which the 27 Member States, post-UK departure from the EU, will decide on the future direction of the EU in line with the Bratislava declaration of 16 September 2016 which also set the ambition for the EU. EIB clearly has unparalleled expertise and knowledge of investment. Lessons learnt from past experiences as well as strategic insights from our own research can ensure EIB makes the best contribution possible to the discussions and to the eventual implementation of related decisions.

EIB management and staff are acutely focusing on the key challenges arising at the EU level and on adapting to assure effective delivery of financing and related activities where we can have most impact by filling market gaps in financing and related advisory services. This Operating Context - Our Purpose - is described in Section 1.

The Operating Framework does highlight five key elements of already known or anticipated influences on Our Future. Further details are in Section 2:

Reflecting the EIB Group's major role in implementing financial instruments funded by the EU budget, the on-going discussion of the EIB's role in the European Commission's (the Commission's) next Multi-Annual Financial Framework (MFF) of the EU for post-2020 presents a major opportunity for EIB to reflect on the past and to build on the successes for the future. At times when the level of the EU budget faces uncertainties for the period post-2020, the EIB Group, with the right means in place, has the skills and products to step up and provide an optimal mix of investment financing for the wider EU benefit.

Indeed as the political and economic importance of mandates has already increased so significantly for the EIB, a number of related strategic and operational challenges and opportunities exist. There is a clear need to define EIB's role and overall direction concerning third party cooperation and risk-sharing arrangements. There is a necessary trade-off though. The EIB Group has capital constraints and the overall scale of financing volumes and the Group's risk appetite will continue to dictate what proportion and type of financing can be undertaken with third parties.

The challenges described in the Operating Context have resulted in this Operational Plan 2018 (Our Plan), as included in Section 3.

Looking ahead, there are a number of 'known unknowns', notably vis-à-vis the future shape of the EU institutional family and EIB's position within it. In line with announcements by the Commission in the White Paper on the Future of the EU, the Rome Declaration, and President Juncker's "Roadmap for a More United, Stronger and More Democratic Union" (outlining key dates for debates on the EU's future), such matters are not reflected in the Operating Framework.

It is also highlighted that for the preparation of the one year Plan, the timeline of Article 50 negotiations between the UK and the EU must be respected and it is currently not appropriate to make any definitive assumptions concerning either the outcome of those negotiations, or the impact on Bank activity in 2019 and 2020. During 2018, progress on the Article 50 negotiations will continue to be closely followed

The 2018 lending volume orientation presented in the Plan is consistent with the forecast for 2017 although it is reduced in comparison with 2016. This is aligned with currently foreseen market needs and takes account of the economic recovery in the EU being heterogeneous. Therefore, the Plan comes with the assurance that the EIB Group maintains its commitment to productive investment and will continue to target activities to address market gaps and ensure the highest level of impact possible. It is important to also highlight that the number of individual operations will be maintained but at smaller sizes as higher risk Special Activities targeted at specific market gaps and a new portfolio of EIB clients will take on a growing proportion of the lending volume (see Graph 1 for the evolution of the composition of the EIB Lending Programme).

Conclusion

During the recent growth of EIB business volumes and its organisation the high standards and good practices our shareholders expect have been maintained. However, the streamlining of existing activities and the addition of new activities including new products and new clients and maintenance of high overall volumes but with smaller-sized, higher-risk individual transactions cannot continue *ad infinitum* without mitigating measures to avoid a deterioration of the Bank's portfolio and reputation over time.

We need to remind ourselves of the role of the EU Bank to provide critical crowding-in of other financiers to support those projects, large or small, which are integral to EU policy fulfilment and for which alternative financing is not available without EIB's presence. Engagement with our shareholders, the Member States, is imperative to ensure that 'what we do, why and where we do it, and how we do it' continue to be aligned with their ambitions and other stakeholders' expectations. As such, this review is paving the way for core activities and practices to be pursued in 2018 and beyond.

Complementarity as well as solidarity, proportionality and subsidiarity will be the main drivers when partnering with others. Indeed, these drivers complement the four main pillars which should underpin the future EU budget - economic strength, sustainability, solidarity and security – as identified by the Commission in the 'Reflection Paper on the Future of the EU Finances' published on 28 June 2017. The Operational Plan 2017-2019 focused in particular on the impact and value added of EIB's financing. These areas of focus are also integral to the Operational Plan 2018, together with extra emphasis being placed on EIB's accountability and compliance.

The EIB's management is also willing to raise potentially controversial issues and questions and to propose options, which may require difficult decisions to be taken, but which are necessary to make the best use of overall EU Member States resources for financing and related activities for which demonstration of impact, results and value added will support the complementarity driver mentioned above.

1. The Operating Context – Our Purpose

Challenges for the European Union and the EIB

The impact of global challenges on the EU has intensified significantly in recent years. The financial crisis, slow economic growth, the increasingly visible impact of climate change, the persistence of poverty, youth unemployment, the spread of populism, the growing incidence of violent conflicts and threats, demographic evolution and the resulting increase in migration and forced displacement are some of the major forces that affect economies around the world. There has been a backlash against globalisation among citizens and their governments. Questions have been posed that challenge some core values of democratic society.

Such challenges to the fabric of society bring with them profound changes and test the key fundaments of the EU. Social and economic cohesion, the development of the Single Market and the openness of the economy have long been the cornerstones of the EU. Although the EU response to the economic and financial crisis has been ambitious, progress towards a sustainable and inclusive EU is being cast in doubt. Citizens are questioning the EU's capacity to provide prosperity and security, and to deliver on its objectives.

The UK's decision to trigger Article 50, poses the most immediate challenge to the EU and to the EIB. The detailed terms of the UK's withdrawal from the EU are still subject to negotiation and cannot be pre-empted at this stage.

Regardless of the immediate challenge related to the UK, better tailored responses and success stories are required to intensify efforts to achieve a sustainable future and to deliver targeted and more visible benefits for all EU citizens and indeed globally through EU external policy. This demands a unified, comprehensive and coherent EU response and the EU's leaders have initiated a period of reflection and published several key documents on the future direction of the EU whose outcome will have a direct impact on the EIB's future.

As already highlighted in the 'Five Presidents' Report' in June 2015 and further discussed in the White Paper on the Future of Europe and the Reflection Paper on Deepening the Economic and Monetary Union published on 31 May 2017, the EMU is still to fully deliver a more inclusive growth supported by sound financial market integration and financial stability. Combined with other macroeconomic, both domestic and international factors, the crisis-led downturn exacerbated structural weaknesses and laid bare significant cohesion and inequality issues across the EU. Provision of better financing opportunities for the real economy, enhanced access to finance notably for SMEs, including through capital markets is needed. Completion of the Banking Union and the Capital Markets Union (CMU) is paramount to achieve this.

In the 'Reflection Paper on the Future of the EU Finances', the Commission presented five options for the future financing of the EU-27 programmes in a post-UK departure from the EU situation mapping out opportunities, risks and trade-offs. The objective of the Commission is to make the EU budget more focused and more resilient to changing/new priorities. The Reflection Paper expresses quite far-reaching ambitions for a fundamental reform of the EU budget which could therefore undergo massive changes (e. g. with regard to the size and the structure of Cohesion Policy and the Common Agricultural

Policy). According to the Commission, four main pillars should underpin the future EU budget - economic strength, sustainability, solidarity and security. In an attempt to achieve ambitious objectives with fewer resources, a relatively prominent role was given in all options to financial instruments and budgetary guarantees. The Commission intends to table its legislative proposal for the next MFF by May 2018 hoping for an adoption by the Council after having obtained the consent of the European Parliament (the Parliament) before the European Elections in May 2019.

In his State of the Union speech in September 2017, President Juncker advocated further convergence between Eurozone and non-Eurozone countries embedded within the framework of the EU by creating the appropriate incentives and governance structure. Among the ten political priorities of the Commission, he focused on trade, new industrial policy, climate finance, cybersecurity in the digital age and migration.

The EU has also reaffirmed its leadership and international commitment to the Paris Agreement and its objectives both of keeping the world on a <2°C trajectory and ensuring climate resilient growth, where the EU has the opportunities to demonstrate its leadership in this area. This will require the implementation of the ambitious EU climate action policies, including the Energy Union and the Europe on the Move for clean, competitive and connected mobility package. The climate change challenge and its solution are also connected with the EU Urban Agenda. In addition to the Paris Agreement, the Sendai Framework provides an impetus to move towards risk informed development to reduce regional vulnerabilities and the impact that disasters have on economies and people.

EIB's Purpose as the EU Bank

For nearly 60 years the EIB – and together with the EIF as the EIB Group for the past 23 years – has supported the implementation of the EU's policy objectives by financing sound, long-term investment in the real economy across a broad range of sectors for which alternative financing on reasonable terms was not sufficiently available. We have most impact where we fill market gaps in financing and related advisory services for both large and small projects which together are vital to fulfil EU policy objectives.

In response to the numerous external challenges of recent years, stakeholders have demanded the EIB to grow significantly and transform itself to a highly visible organisation with considerable advisory expertise, a wide range of product offerings, enhanced focus on balanced development and increased motivation to support investment, policy shaping and structural reforms. The increased external visibility has been complemented by internal measures to ensure high transparency in the EIB's activities; a critical component of accountability.

The EIB Group has maintained its commitment to being fully accountable to the Member States and EU citizens, with concrete actions to implement fully and unconditionally its policy of zero-tolerance for fraud, tax evasion and non-compliance with international agreements, and to using every opportunity to genuinely learn from its activities, continually adapting in-house and sharing these learnings with our EU partners to maximise positive impacts for the EU citizen.

In the context of the implementation of its operational priorities, the EIB is actively engaged with members of the EU institutional family. The EIB participates to the Council meetings, especially ECOFIN and various Council working parties, and is thus a solid

partner for the Council. The EIB has been invited to contribute to the policy debate in fields such as barriers to investment, innovation or migration.

The EIB benefits from a strong framework of engagement with the Parliament on a number of legislative files that are relevant to the EIB such as European Fund for Strategic Investments (EFSI) or the External Lending Mandate (ELM). Further, the Parliament annually adopts reports on the EIB activities, and the EIB President, Vice-Presidents and staff attend hearings. This is an important dialogue helping to promote EIB and EU financial instruments.

The Bank is also actively cooperating with the European Ombudsman in the policy review of the EIB Complaints Mechanism to strengthen its effectiveness and credibility, on the basis of the current Memorandum of Understanding signed between the EIB and the Ombudsman. This good cooperation is important to reinforce the Bank's accountability framework. Furthermore, on fraud matters, EIB consults and cooperates with the European Anti-Fraud Office (OLAF) (as well as the national authorities and investigation functions of other International Finance Institutions (IFIs)). Finally, the Tripartite Agreement lays the ground for the fruitful collaboration with European Court of Auditors. Close interactions with the Court will continue in the context of a number of EU budget based financial instruments, for example EFSI.

In summary, in the inter-institutional context, EIB Group seeks to provide advice and expertise in the area of investment and investment finance, implements financial instruments funded by the EU budget, complements the EU budget with its own financing in order to accelerate the achievement of the agreed policy objectives of the EU and, at the same time, EIB co-operates closely with the various relevant EU institutional bodies with control functions.

We truly believe in partnering with others so to bring together the collective knowledge and expertise in order to achieve more. Therefore, in addition to close co-operation with other EU institutional family members, the EIB is pursuing several inter-institutional initiatives among IFIs, National Promotional Institutions (NPIs) and Multilateral Development Banks (MDBs), deepening dialogue, understanding and co-operating in the markets where the Bank operates. These initiatives also respond to G7 and G20 ministerial requests to increase the effectiveness of international financial institutions' coordination, particularly in the context of the EU 2030 Agenda for Sustainable Development.

Engagement with key international players such as Central Banks and the OECD also reinforces the visibility of the Bank's relevance to the global economy and information for internal debates and decisions. Further engagement with other third parties, such as the World Economic Forum, the SME Finance Forum, Making Finance Work for Africa (MFW4A), provides insight into competitiveness and access to finance for SMEs, including in Partner Countries outside the EU.

Looking ahead for the EU Bank

The EU economic recovery is gaining momentum albeit it is still very much heterogeneous. Nevertheless, the need to address structural issues is returning to the fore. Increasingly driven by domestic demand, growth is broad-based and a private investment recovery is materialising inside the EU as a whole. Still, investment needs have accumulated over the crisis years and remain sizeable in a number of areas, with

relevance for longer-term competitiveness, convergence, and living standards. These areas include infrastructure, innovation, skills, and sustainability.

Regarding public investment, the share of expenditure on infrastructure has fallen significantly over the past decade resulting in the accumulation of an infrastructure deficit as fiscal consolidation disproportionately fell on capital expenditure and fiscal constraints remain an important obstacle. This is particularly evident at the sub-national level and in Member States with elevated debt levels, notably in the euro area. Given the importance of infrastructure to competitiveness and economic output, such a trend does little to support convergence or EU competiveness. Data from the EIB Investment Survey (EIBIS) of 12,500 firms also found that professional training and higher education was the first priority for public investment, closely followed by investment in transport and digital infrastructure.

Although there is a brightening outlook for private sector investment, EIBIS data demonstrate that significant gaps still remain unaddressed. According to the survey, many firms, whilst motivated to undertake greater investment, struggle to adapt the pace of their investment activities to the recovery. Others remain concerned about the quality of the capital stock. While regulations and uncertainty remain considerable barriers to investment, availability of the right skill-mix is the most reported investment constraint. It is also worth highlighting that the EU continues to fall behind global peers in terms of RDI expenditure and the area of innovation will need to be a primary focus for the Bank in the next years.

Though financing conditions are generally improving, it remains an issue for many companies, in particular for many SMEs. Many banks continue to deleverage and EIBIS data show that SMEs, especially young and innovative firms, find it particularly difficult to identify and secure the desired financing mix. The CMU seeks to tackle the lack of investment by increasing and diversifying the funding sources for Europe's businesses and long-term investment. Alternative sources of finance that complement bank-financing - including capital markets, venture capital, crowdfunding and the asset management industry – are to play a bigger role especially for SMEs and start-ups.

In short, the need for supporting the financing of investment, which has always been at the heart of the EIB's Purpose, remains important and needs to be met with an effective delivery of appropriate, relevant actions by the EU institutions, EU bodies and Member States. To ensure this happens in an efficient and timely manner, the responses and then the related allocation of tasks have to be clarified.

As the EU's vehicle for investment, the EU Member States will likely call upon the EIB Group to adapt its response to these challenges, building on its track record and expertise. Indeed, as an integral part of the EU's institutional family, the EIB Group is ideally placed to formulate and co-ordinate the investment arm of the EU's response to the specific EU challenges and is committed to contributing to the future of the EU, through the provision of accountable and productive investment financing and related activities.

The EU Bank will endeavour to work even more closely with the Member States, and make increasing use of the now expanded external office network for the promotion of local investment, financial instruments and EU policies, providing advice in a wide range

of areas. At the same time, we intend to maintain the important co-operation with IFIs, NPIs and MDBs, and to strengthen it where necessary.

The long-term financial soundness of the Bank and the stability of its business model remain paramount for EIB Group to be able to foster its role as a crowding-in tool for different sources of funding.

Investments significantly contribute to support Europe in terms of global competitiveness, job creation, tackling security and migration challenges, and, ultimately, help to promote European values inside and outside the EU, but they will not address all present financing related challenges in all Member States. The EIB Group is well equipped to support Member States, the Commission and project promoters through advisory activities, mandate and asset management expertise.

In the context of the policy agenda initiated by the 'Five Presidents' Report', Member States will have to decide which financial instruments to deploy to achieve their various objectives. Underlining its central role in this is EIB's expertise in identifying investment and financing gaps as well as its effectiveness in addressing them. To maximise its potential, the EIB also needs to inform policy debate and anticipate policy developments. This is even more important in the post crisis environment as technological change and innovation need to quickly compensate for the past years of underinvestment to preserve the EU's central and leading role.

The EIB's Annual Investment Report will continue to provide in-depth analysis of economic and financial developments across the EU; supporting the strategic thinking of the Bank with a succinct mapping of general trends and an improved appreciation of cause and incidence of market failures and how to address them.

Likewise, EIB will continue to cross-check its understanding of private sector development constraints and needs via its annual Investment Surveys with over 12,000 firms each year which gives unique insights into clients and potential clients needs and how best to address them.

The potential scope and depth of the EU Bank's role is clearly extensive in addressing market gaps in available financing from others, which, coupled with the low interest rate environment *de facto* implies that the earnings potential for EIB is more limited than in recent years. At the same time, the very nature of that role *de facto* also implies resource (i.e. cost) intensive actions. Inevitably, this impacts on potential surplus generation.

The Operating Framework in Section 2 and the Operational Plan 2018 in Section 3 are thus defined in the context here described.

The scale and nature of the challenges in the EU and notably with respect to the Article 50 negotiations between the UK and the EU, mean that it is currently not appropriate to make definitive assumptions on the impact on the EIB's activity in 2019 and 2020. For this reason, an Operational Plan for 2018 is presented which is aligned with currently foreseen market needs and takes account of the economic recovery in the EU being heterogeneous. The detailed plans are thus focused on the immediate future whilst courses of action which can be responsive to conceivable situations in the medium term are being identified and further analysed.

2. Operating Framework – Our Future

Introduction

In short, the EIB Group uses expertise and financial resources to make a difference to the future of Europe and its partners by supporting sound investments which further EU policy goals. The EIB Group's activities will gain relevance as a result to ensure growth and employment is maximised in EU Member States. The policy related criteria for the Bank's projects to add value are assumed to be EIB's contribution to cohesion, climate action, competitiveness, and to the EU external policy. Our over-riding ambitions are to achieve long-term sustainable and measurable results and impact, strengthen the economy and to add value through all EIB activities and we will adopt the drivers of complementarity as well as solidarity, proportionality and subsidiarity when partnering with others. The ultimate goal of future activities should be to further reinforce the role of the EU Bank in service of EU citizens and their well-being. At the same time, securing the long term financial sustainability of the Bank remains paramount.

There are numerous, and often inter-dependent, factors such as capital, risk-bearing capacity, funding and human resources which place limits on the Bank's activities. The 'adjusted EU' environment may accentuate these limits which, coupled with changes in investment priorities requires the EIB to be increasingly selective so to target projects and activities in line with such investment priorities so that EIB financing and related activities are likely to have the greatest impact on the European competitiveness and growth and employment.

To continue to deliver as the EU Bank, EIB aims to address current and anticipated challenges by focusing on five aspects:

i. Adapting to the evolving market demand and priority needs in the EU and also for the Pre-Accession, Neighbour and Partner Countries;

ii. Adding value: (a) policy driven project selection;
   (b) relevant product offering;
   (c) third party cooperation, mandates and facilities;
   (d)measurement of and demonstration of value added/impact.

iii. Securing financial sustainability and maintaining investor confidence;

iv. Building on people and organisational responsiveness; and

v. Compliance, transparency and accountability

Operating Framework

The positions foreseen by the EIB in respect of the above mentioned aspects are set-out below.

i. Adapting to the evolving market demand and priority needs in the EU and also for the Pre-Accession, Neighbour and Partner Countries

The provision of finance to viable investment projects generates economic benefits for businesses, consumers, and residents across the Member States - the strength of the Bank is to help to identify, develop, structure and finance such projects. Section 1 articulates a multitude of challenges related to priority investment needs, market gaps and stakeholder expectations. As the EU Bank, EIB is actively engaged to identify and develop relevant investment initiatives to address such challenges and to fulfil targeted market needs with a strong emphasis on crowding-in private investment. While doing this, we will continue to respect the equality of the Member States but recognise their regional particularities and individuality.

The over-arching EU policy goals related to EU social and economic cohesion and to climate action and the current Public Policy Goals (PPGs) (see ii. Adding value: (a) policy driven project selection) will continue to be pursued in the immediate future.

Particularly key will be investment in innovation and skills to keep pace with a changing world. It will require the promotion of a financing mix better suited to innovation projects, not least as this is a sector in which SMEs play a major role and access to finance is a well known problem for SMEs in general. The potential reach in these areas creates the largest opportunity for EIB to have a wide-scale and sustained impact on growth, employment and competitiveness.

At the other end of the scale, a response to corporate infrastructure investment which has been hit by fiscal consolidations which were biased against long-term capital expenditure is also still badly needed. The EIBIS findings confirmed that there is little recovery yet in infrastructure investment in those countries with the lowest infrastructure quality and this is stalling the process of cohesion and convergence.

At the same time, in order to target specific emerging priority needs, new action plans will be put in place to promote financing and related activities in support of more specific EU policy areas such as climate action, digital services and digital infrastructure, energy, circular economy, security and defence, integrated, sustainable and efficient transport, or agriculture and blue economy. This will also include promoting greater awareness of the Bank's actual and potential role in sectors where its activities are not yet so well known (e.g. tourism); areas where EFSI could play a larger role such as urban social infrastructure, smaller utilities, and agriculture; and areas where EIB has been called upon to provide creative investment solutions such as under the EU Urban Agenda. The EIB already plays an important role in supporting urban development through its engagement in most of the 12 partnerships of the Urban Agenda for the EU and will continue to contribute to finding solutions for better regulation, better knowledge and better financing. In this context, the EIB has launched in partnership with the European

Commission in November 2017 a new dedicated urban advisory platform within the European Investment Advisory Hub (EIAH) called URBIS. URBIS is set up to provide advisory support to urban authorities to facilitate, accelerate and unlock urban investment projects, programmes and platforms.

Concerning defence and security, Europe now faces starker threats to its internal and external security than at any time since 1945. Faced with unprecedented terror and online attacks, the EU leadership has acted to reassure citizens that it is capable of protecting and defending them, and the European Council has asked EIB Group to step up its activities in support of the EU Security and Defence Agenda. The Group has responded by developing a proposal Protect, Secure, Defend: European Security Initiative to provide a framework for increased contributions in this area. The proposal foresees that the Group would significantly scale up its financing to EUR 6bn over 3 years in the areas of dual-use technology, cybersecurity and civilian security whilst leveraging its expertise to provide assistance to the establishment of the Cooperative Financial Mechanism (CFM) under the responsibility of the European Defence Agency (EDA) as well as to the nascent European Defence Fund.

With regard to climate action, the EIB will continue to engage in the dialogue with the Commission and other relevant stakeholders on policy reform where the EIB has led the way (e.g. Emission Performance Standards, Carbon pricing) as well as the efforts by Member States to increase climate resilience of cities and landscapes.

Environmental protection will also remain a key operational priority for the Bank in the years to come. Water management, for example, is critical to the EU economy and the environment, with the cross-cutting theme for the EIB being the improvement of water security. EFSI can play an important role in reaching smaller utilities and industries which are the engine for innovation in the sector. Continued high demand for InnovFin and EFSI products in this area suggests that more needs to be done to mitigate the difficulties of small innovative companies.

Outside the EU, the key investment priority for the immediate future and probably into the medium-term, is to increase partner countries' Economic Resilience and help address the causes of migration.

Other market demand and priority needs for EIB intervention outside the EU vary depending on the region.

- In the economies of the Southern Neighbourhood, in which the public sector has a dominant role, fiscal constraints translate into an increased demand for grants, concessional financing as well as local currency funding. Key infrastructure sectors where investment need is high remain transport, energy, environment, agriculture as well as industrial infrastructure and urban development infrastructure. Due to increasing population pressures, support to social infrastructures (e.g. education, health, human capital) will also be critical in the future. Access to finance, and especially long-term funding, remains challenging for SMEs, with many disconnected from the banking sector.

- The significant investment needs and priorities in the Eastern Neighbourhood are in transport and energy infrastructure, including the security of energy supply and connectivity between the EU and the Eastern Partnership countries. Environmental and climate change continue to be a priority together with investment needs in social sectors, such as health and education to ensure enhanced living conditions. The environment for SMEs is also challenging, with gaps in long term finance, local currency lending, rural and agriculture sector finance, and a general shortage of guarantee instruments.

- Investment as a share of GDP in the Western Balkans has not recovered to pre-crisis levels and is not currently sufficient to support transformation into higher income economies. Relative to the EU, the Western Balkan region continues to suffer from structural gaps in all major areas, including human capital, innovation capacity and energy and strategic infrastructure. Access to finance is a major obstacle to most companies operating in the region.

- In ACP countries, there are some of the largest infrastructure gaps, with World Bank estimating annual financing needs for infrastructure in Africa of some USD 90bn over the next decade. The power sector has large investment needs, but significant gaps are also present in transport infrastructure, water, sanitation, health care and education sectors. The four key strategic priority needs for intervention are expected to be: (i) job creation in the context of the migration crisis, (ii) climate change mitigation and adaptation, (iii) sustainable development goals and (iv) economic diplomacy. Demand is expected to be particularly strong in the public sector notably for infrastructure financing.

- In ALA, There are substantial infrastructure investment needs and demand is very high as far as clean energy projects are concerned. In Latin America confronts major investment needs, particularly in energy, sanitation, telecommunication, transport and education. Asia has substantial investment needs related to addressing development bottlenecks and supporting economic growth. Attention will also be given to (i) tackling of climate change and (ii) economic diplomacy.

To support such activities, the Bank is convinced of the need to make available and maximise the impact of its sector expertise both inside *and* outside the EU. To complement the skills and expertise based in the Head Office in Luxembourg, the importance of EIB's local presence in the Member States is already acknowledged and will continue to be used to cultivate member states', stakeholder and client relationships in the medium term. EIB will similarly optimise its presence outside the EU via the network of external offices in addition to further collaboration with the European External Action Service (EEAS).

Knowledge of sector and geographical investment opportunities and constraints on investment finance is indeed a principal strength of the EIB, and the Bank has know-how and expertise in the macro-economic dialogue to make available to various EU fora such as ECOFIN. We will seek to continue to contribute to the debates on policies aimed at boosting investment levels in the EU, on structural reforms enhancing productivity and removing investment barriers or on sound financial regulations aimed at channelling

savings into investment projects and completion of the single market. In the context of the European Semester for economic policy coordination, the EIB will continue to inform the Commission, the Parliament and the Member States on the findings on barriers and bottlenecks to investment which have been identified when carrying out activities on the lending, advising or funding side.

ii. Adding value: (a) policy driven project selection

The evolving market demand and priority needs outlined in i. above are not all mutually compatible. In the allocation of EIB resources to those areas, sectors and countries to which EIB can contribute more value added, astute project selection (including consideration of the projects economic justification and sustainability dimensions) and attention to the drivers of complementarity as well as solidarity, proportionality and subsidiarity when partnering with others will be of paramount importance.

Thus the Operating Framework to support the Operational Plan 2018 is heavily dependent on meeting key priorities in project selection, namely:

- On-going support to Cohesion
- Continued prioritisation of Climate action
- Contribution to Competitiveness
- Contribution to EU external policy

• Cohesion, Climate Action and Competitiveness

The Europe 2020 strategy has three mutually reinforcing growth objectives:

- Smart growth: developing an economy based on knowledge and innovation.
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy.
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

The above EU growth objectives have a common thread related to cohesion, climate action and competitiveness. EIB's activities are fully aligned to these in that they must contribute to two transversal policy goals related to EU social and economic cohesion and to climate action plus the four primary public policy goals (PPGs) of innovation, SMEs and Mid-cap financing, infrastructure and environment. In response to emerging challenges, increasing emphasis was placed on projects addressing migration (such as shelter and social housing), supporting education and skills to facilitate youth employment, climate action, strategic infrastructure in energy/transport, sustainable transport, the digital economy and other innovation. As such, it is clear that the evolving scope of demand for EIB intervention needs to be catered for.

A review of the current PPGs including consultation with relevant stakeholders is foreseen. Consideration will be given to the link between lending priorities and additionality, as

well as how the increasingly relevant Sustainable Development Goals (SDGs) and Paris Agreement objectives can best be reflected. This review will take time, therefore project selection based on contribution to EU social and economic **cohesion;** to **climate action** and to **competitiveness** via the current PPGs will be pursued in the immediate future.

– Ongoing support to Cohesion

The support of EU Cohesion policy has been at the heart of EIB operations since its foundation and is enshrined in the Bank's Statute. Over the last 10 years alone over EUR 200bn of financing has been provided under the Cohesion objective. The EIB's contribution to economic, social and territorial cohesion will continue to be paramount in responding to uneven development across the EU. This includes also the flexible and targeted project advisory support the Bank provides to some Member States in order to improve the rate and quality of absorption of European Structural Investment Funds (ESIF) through better management, leveraging and performance of investments.

A decreasing trend for investment in Cohesion regions has been observed over the last three years. Driven mainly by the slow take up of ESIF in the initial phase of the current MFF, financial constraints of the public sector, limited project development capacity and receding activity volumes in Turkey where the contribution to the Cohesion objective is usually strong. The Bank will continue working to support investment in Cohesion regions notably by scaling up its advisory services and offering targeted support for capacity building and project preparation. Specific focus will be placed on cooperation with the EIF on the advisory support for the development of investment platforms to address country specific market failures and investment needs. As part of this work, the Bank will work closely with Managing Authorities and NPIs to promote blending with ESIF under investment platforms, financial instruments and adapted blending solutions. On the private sector side, the Bank will explore ways to streamline its due diligence and decision-making processes in favour of smaller projects to respond to the need for smaller size investments.

– Continued prioritisation of climate action

Climate change is an all-encompassing threat that impacts economic growth, citizens' well-being as well as the environmental sustainability of our economy and societies. Mitigating the increase of temperature increases and adapting to the effects of climate change will be a key challenge in the years to come. The Bank is the largest multilateral provider of climate finance in the world. It is committed to support the EU's climate goals and international undertakings, and has also added its expertise, resources and wide range of financial instruments to support the EU's leadership role outside the EU.

In 2017, ten internal Action Plans were constituted as a coherent planning framework for the ongoing and future actions necessary to meet the commitments adopted by the Board with the EIB Climate Strategy published in September 2015. The Plans clarify the commitments made in the Strategy and outline specific actions for its implementation until 2020. The Plans aim to support a growing, more stable and diversified pipeline of climate action activities to strengthen the Bank's capacity to continue meeting ambitious Climate Action targets.

In doing so, the EIB will continue its close work with other MDBs and IFIs in identifying priorities for action and coordinating support, e.g. support for countries' Nationally Determined Contributions. The EIB is already identifying areas where flagship initiatives can be launched and supported by other MDBs, e.g. in support of climate action in cities (energy efficiency in buildings, recycling and energy recovery from solid waste), the decarbonisation of energy and transport and improving the resilience of communities through projects that promote water and food security in addition to rural and regional economic development, which also addresses the issue of rural and regional migration pressures.

The Bank will also continue to monitor closely the development of the Clean Energy for All Europeans package, which forms an integral part of delivering on EU 2030 Agenda targets for climate and energy. Once agreed, the Bank will ensure that its support to investments in energy grids, power generation and energy efficiency are fully aligned with this new framework. In addition, the Bank remains committed to supporting the demonstration of innovative energy technologies and business models, which are required to drive down costs in the medium term. A good example has been the Bank's continued support over a number of years to the offshore wind industry in Europe, which helped to drive costs down to record low levels in recent auctions in Germany, the Netherlands and Denmark. With regard to Energy Efficiency (EE), the Commission has asked the EIB Group to step up its activities to enhance access to finance for EE investments, primarily but not exclusively undertaken by households and housing associations. The Group has responded by developing an intermediated financial product, the Smart Finance for Smart Buildings. The EIB Group would significantly scale up its support to EE via the banking sector, using a risk sharing guarantee mechanism, underpinned by a first loss piece funded by structural funds, and also combining Technical Assistance funded by the Commission.

New financial structures or products will continue to be identified and extended to new sectors in the field of climate action, often with the focus to mobilise private resources. Where required, the Bank will seek to identify more stable sources of concessional funding / grant funding (including ESIF) to provide an incentive for promoters to carry out climate action investments.

In 2017, the Bank celebrated the 10th anniversary of the issuance of its first Climate Awareness Bond (CAB), a transaction that opened the green bonds market. This market has grown to significance in ten years and the product pioneered by the EIB now represents a valuable policy and financial instrument for climate finance. Indeed, the green bonds market has accompanied and supported the demand for increased issuers' accountability, with investors scrutinising their funds more closely than ever. The EIB will endeavour to retain its position as market leader, focusing efforts on the promotion of market governance and harmonisation. The High Level Expert Group (HLEG) – to which EIB is an Observer – recommended that the Commission invites the EIB to coordinate the development and endorse the lead responsibility to deliver an EU classification for climate change finance. The HLEG anticipates that the Bank will contribute to future work on sustainability and socially responsibility assets.

– Contribution to competitiveness

Long term challenges for the EU economy include productivity and competitiveness which are dependent on the quantity and quality of current investment, the demographic challenges related to an ageing demographic profile, and the implementation of environmental agreements critical to sustainable growth. Research, development and innovation (RDI) remain particularly important for long-term competitiveness with positive spill overs across the economy. The Bank will continue to support EU policy goals aimed at restoring EU competitiveness and long term economic growth and job creation, building on its financial and technical experience both inside and outside Europe.

The EIB Group has a track record of supporting sound investments having a major impact in many of the areas that are critical to restoring Europe's competitiveness. Key areas include: Innovation, SME enhanced access to finance, education and skills, healthcare and strategic infrastructure. Indeed, responding to the challenge of restoring EU competitiveness is already an integral aspect of EIB activities. As market inefficiencies persist and higher risk investments cannot always be captured by private investors, public financing will continue to play an important role to foster investments e.g. in risky R&D, human capital, basic infrastructure, research and the growth of young and innovative firms. EFSI resources further enlarge EIB Group's capacities to step up activities in such areas, vital to restoring the competitiveness of the EU.

It will remain of fundamental importance that EIB Group's efforts to mobilise additional finance for strategic investments is flanked by decisive action on the regulatory front, at national and EU-wide levels, to create an environment more conducive to private investment. Likewise, an enhanced focus on technical assistance and advisory services is essential to make sure that funds are used effectively and where they are most needed.

– Contribution to the EU External Policy

In line with the common objective to maximize the effectiveness and efficiency of the EU's external policies and activities, emphasis will be placed on supporting projects where it is felt that the Bank can play a significant role and where cooperation and/or synergies with the Commission, EEAS and other financing Institutions can be exploited. For example, the EIB will cooperate closely with the EEAS to foster EU Economic Diplomacy, harnessing the EIB's activities outside of EU to foster growth and job creation within EU in addition to filling external investment gaps.

In delivering its activities outside of the EU, the EIB already cooperates within the EU institutional family with the Commission, Member States and the EEAS but also with other public and private actors, including, MDBs, IFIs and EU Development Finance Institutions (EDFIs). More than one third of EIB lending outside EU currently benefits from co-financing and this will be an important model to build on going forward. As such, EIB cooperation with partner institutions will remain key for the realisation of projects outside the EU. This cooperation shall ensure that EIB activities will facilitate the achievement of the objectives of EU external policies. There are three main arrangements envisaged for future outside EU activities being:

- the **External Lending Mandate (ELM)** for which the mid-term review of the 2014-2020 ELM mandate has reached a political agreement concerning the increase of the ELM ceiling beyond EUR 32.3bn between the Parliament, the Council and the Commission. The increased ceiling will allow the EIB to deliver on the full range of EU requests and key priorities; the ELM final agreement will enter into force beginning 2018. The Own Risk Facilities framework which is designed to enable financing outside the mandates may be adjusted in parallel to the final adoption of the ELM. This adjustment will allow the Bank to accommodate a larger amount of financing at its full own risk in order to pursue lending priorities outside the EU. It is of fundamental importance for the EIB's ability to support EU external policy that the ELM is extended beyond 2020. Evolving discussions on the MFF post-2020 will inevitably examine the details of a new ELM and will have to be closely monitored.
- The **Economic Resilience Initiative (ERI)** is the EIB's flagship initiative aimed at rapidly mobilising additional financing in support of growth, vital infrastructure and social cohesion in the Southern Neighbourhood and Western Balkans regions made significant progress in 2017. Anticipating the revised ELM decision, the Bank has worked closely with the Commission to develop operational guidelines for ERI project selection, in support of the new mandate objective. In parallel the Bank has consulted widely with donors to develop a fund description for the use of grant funds. These documents provide the framework that gives confidence to stakeholders that projects to be financed under the initiative will deliver high value added.
- Building on its experience with the Investment Plan for Europe, the EIB is cooperating closely with the Commission, EEAS and Member States in the elaboration of a new **External Investment Plan (EIP)** to contribute to the achievement of the SDGs of the EU 2030 Agenda and mitigate the root causes of migration. With the European Fund for Sustainable Development (EFSD) under the EIP, the Commission aims to mobilize up to EUR 44bn of investment for primarily private sector operations in the Neighbourhood and Sub-Saharan Africa. This Plan has the potential to be an important step towards increasing the use of financial instruments for investments outside the EU, and fostering further cooperation with international partners.
- The EIB's role in the EIP will be three-fold: (1) to head up the Guarantee Technical Assessment Group (G-TAG), a ring-fenced body composed of EIB employees and staff from several financial institutions and the Commission that will assess guarantee applications; (2) to opine on the Investment Windows selected for the use of the EFSD guarantee, providing banking sector expertise to help ensure proper design of areas for EFSD guarantee support; and (3) to be a beneficiary of the EFSD guarantee alongside other financial institutions. In addition, EIB shall be a member of the EIP Strategic Board to help ensure the effectiveness of the EIP and complementarity with existing initiatives.
- The **ACP Investment Facility (IF)**, under the Cotonou Agreement is the EIB's main instrument for private sector development in the ACP/OCT regions, with a broad range of financial instruments, including the special Impact Financing Envelope (IFE); complemented by the Bank's own resources lending focusing mainly on

public sector infrastructure, which benefits from a comprehensive guarantee by Member States. As a sustainable fund the IF has the capacity to provide a swift response to EU external policy challenges, such as migration.

ii Adding value (b) relevant product offering

The EIB seeks to maximise its ability to target market gaps and investment needs by relevant Financing, Blending and Advisory product offerings that aim to crowd in further private investment inside and outside the EU.

Provision of long-term finance for sound, sustainable investment projects in support of EU policy goals in Europe and beyond will remain at the core of the EIB Group's product offering to address market gaps. At the same time, the Bank is expected to continue facing a complex operating environment of high market volatility coupled with differentiated investment needs in regions and sectors. These conditions will require continuing flexibility and adaptation of the product mix.

It is recalled that the ramp-up phase in the implementation of EFSI– and prior to that, InnovFin – necessitated a remarkable transformation in the scope of the Bank's operations in order to ensure maximum impact. These mandates allowed the Bank to take higher risks and triggered a redirection into innovative product areas including portfolio risk sharing for financial intermediaries, small loans to MidCaps and thematic financing to support early stage innovation. In this way, the market driven nature of EFSI has better equipped the EIB to tackle market needs and increase its risk appetite whilst maintaining a relevant balance between volumes and quality. Equally important, standard products are now being extended to new, higher risk client segments and/or offered under financial structures entailing limited recourse or greater subordination.

In the coming years, operational activity is anticipated in fine-tuning the Bank's product offering as well as continuing to develop more flexible financial or security structures, in order to effectively meet investment needs and provide value added. This includes adapting the EIB Group product offering and business focus to evolving conditions, bottlenecks and relative financing costs in Member States. Outside the EU, the Bank will seek to scale up support in particular to the private sector as well as to play a significant role in the implementation of the EU's forthcoming EIP.

As far as EIF activities are concerned, in the medium term, the focus will be on supporting new market segments such as debt funds and market place lenders; developing private equity activities in new sectors including, the circular economy, agro tech, defence, cybersecurity and artificial intelligence; and launching and upscaling new products such as Payment by results, incubators and hybrids.

The Fund will continue to maximise its impact in the real economy through the delivery of mandates. Particular emphasis will be placed on EFSI; building on equity, guarantee and securitisation platforms developed in conjunction with NPIs and collaborating with the EIB on the Infrastructure and Innovation Window (IIW) (private equity top up /co-investment and SME securitisation).

Demand for advisory services is expected to remain significant, in particular due to growing needs of all public and private counterparts to plan their investment and to better structure and prepare their projects to get access to finance. The Bank foresees thus to maintain and significantly reinforce its advisory role both within and outside the EU over the coming years in line with the guidelines and strategic orientations approved by the Bank's governing bodies. This includes advisory and project development assistance to project promoters closer to the market.

The Bank intends, however, to apply a certain degree of selectivity in its offering and aims to provide its advisory support only when such support builds on the Bank's identified key strengths, is well aligned with EU and EIB objectives and if the required services cannot be better delivered by other service providers. On that basis, the Bank will focus its advisory activities in the EU on two areas, namely (i) capacity building and direct support to projects to increase their investment readiness and (ii) the 'smart' use of EU funds. Outside the EU, the Bank's activities are likely to be more narrowly focused on supporting the origination, preparation and implementation of EIB projects, both in the traditional infrastructure areas and in support of financial institutions and private enterprises.

ii. Adding value : (c) third party cooperation, mandates and facilities

- General

The EIB Group will build on its proven toolkit for financial and advisory instruments, and where relevant designed in cooperation with the private and public sector. The EIB has limited capital, and the overall scale of financing volumes and the level of related risk-taking for the EIB Group will continue to depend heavily on what proportion and type of financing is undertaken at Own Risk and/or in a risk-sharing arrangement with a third party and thus this dimension is expected to have a major impact on both the operational objectives set and the respective financial resources which will need to be made available. Advisory services are expected to continue to be predominantly supported by third party funds, nevertheless, the resources needed to deliver advisory services also need to be proportionately appropriate relative to those dedicated to financing activities *per se* and the respective value-added or impact of the activities on the market.

As such, in general, financing under mandates should aim to focus on either (i) initiatives with a sufficient critical mass or strategic importance or, in limited cases, (ii) initiatives with a particular market gap that could otherwise not be addressed (e.g. impact financing). For these projects, the EIB will typically seek to extend significant financing amounts (e.g. through crowding-in of co-financing), assume higher risks (e.g. through risk-sharing) or act in an advisory or sponsor role. The level of risk diversification which is acceptable for the EIB across the range of debt, quasi-equity and indirect equity needs to be considered. Priority will be given to projects under mandates that offer risk-sharing and other capital consumption mitigants as well as blending.

EIB will also seek to ensure that mandates have simple to understand objectives and defined desired measures of 'success'. Where mandates with the same mandator have similar objectives and thus 'compete' with each other and for EIB capital and staff

resource input, these mandates will, where possible, be defined in clusters for which the achievement of the defined objectives is measured at the level of the cluster rather than individual mandate level - and on a three year rolling basis. In general, EIB will work with relevant third parties on new mandate designs which avoid mandate overlaps.

- With the Commission

The EU budget and the EIB Group are the two main financing tools at the EU level to achieve EU policy objectives and both institutions are unique in that they serve all Member States and globally. The partnerships already developed by the EIB Group and the Commission in the form of mandates have enabled a diverse portfolio of products to be developed which have in particular demonstrated how loans and grants can be combined to achieve greater leverage, thereby enabling more investment with the same amount of EU Budget funding. The EIB financing is a way of crowding-in private sector investment and providing value added through more effective and efficient use of limited EU budgetary funds when investments generate economic and financial returns. At the same time, to facilitate the absorption of ESIF in some regions, the EIB will continue to contribute streamlining delivery mechanisms and through a better preparation of projects and grant applications by mobilising EIB advisory capacity.

In line with its EFSI Strategic Orientation, EIB Group expertise and knowledge will continue to be deployed under EFSI 1.0. The Parliament and Member States have reached an agreement on the EFSI 2.0 Regulation which was adopted by the European Parliament on 12 December 2017 and entered into force at the start of 2018. The new legislation will provide EIB with increased resources and an extended time-frame to implement EFSI. It will also reach new sectors as part of the overall emphasis on financing projects in line with the Paris Agreement targets to transition towards a low-carbon economy for which the EIB shall, whilst recognising the demand-driven nature of the EFSI, target that at least 40% of EFSI financing under the IIW (excluding EFSI financing for SMEs & small Mid-Caps) supports projects with components that contribute to Climate Action. The European Investment Advisory Hub (EIAH) will also play a bigger role in providing technical assistance project promoters so that even more regions and sectors will benefit from EFSI support.

So far, the EIB Group has indeed been the principal implementing body of the financial instruments and advisory programmes funded by the EU budget. Based on the EIB Group empirical experience and lessons learned, especially from EFSI, we will continue to closely collaborate with the Commission, the Parliament and Member States with a view to improving the framework for implementation and the design of financial instruments and advisory activities funded by the MFF post-2020.

In its 'Reflection Paper on the Future of EU finances', the Commission advocates the case for a higher share of the EU budget to be dedicated to financial instruments. The EIB Group could further develop its contribution to maximising the impact of the financial instruments funded by the EU budget while ensuring that it continues to play its full role as the EU Bank for investment. This development may not focus solely on increasing EIB financing levels under mandate but may also increase the Group's role in the areas of central fund manager or mandator.

The MFF post-2020 therefore presents an opportunity to confirm the institutional position of the EU Bank whereby the EIB Group positions itself as the natural partner for the EU for the implementation of EU-level financial instruments and budgetary guarantees funded by the EU budget. At the same time, the EIB is attentive to the need to address considerations surrounding the relative reliance on EU budget funded business compared to activities at EIB own risk and will continue to explore new possible ways by which to achieve EU policy objectives in an optimal manner. As part of such exercises, the EIB Group could propose "Flagship Financial Instruments" to ensure that the impact of taxpayers' money for investment at EU-level is both maximised and visible.

Further development and use of guarantee instruments, such as first-loss guarantees, which build on EU budgetary contributions, would limit the use of EIB risk bearing capacity while optimising the leverage on EU budgetary resources. The creation and implementation of enhanced and new flagship instruments should however take into account the EU Bank's unique experience in the field thus far in order to be deployed on a larger scale. Relevant pricing will also be required to reflect efficient delivery mechanisms in order to be cost effective in terms of internal resources needed to deliver them.

The implementation of new EU priorities defined in the EU post-2020 Agenda may however, require substantial additional amount of scarce EU budget resources. The EIB remains best placed to work with the Commission to define areas that would be more effectively addressed by financial instruments and to optimise the use of such resources. It will be important to be able to support a broad remit of activities under any mandate in order to have the flexibility to respond to market demand and priority needs within the scope of already available mandates rather than devising new mandates for every emerging situation. At the same time, as noted above, a balance between the level of EIB activities benefiting from EU budget support which is politically acceptable and the volume of EIB Group activities (having a relevant risk balance between 'standard' and 'Special Activities') at EIB own risk will need to be determined.

In advisory services the Bank aims to establish a cross-cutting mechanism to complement existing programmes pursuing specific policy objectives in order to be able to respond more flexibly to new challenges (such as requests covering multiple policy objectives or sectors). Existing programmes, some of which have developed a strong brand name, are expected to continue post-2020; their remit and business rationale remain to be confirmed and it is likely that an effort to reduce fragmentation and increase the flexibility in deploying the available expertise through the establishment of a horizontal mechanism will be required. Such an approach would build on the Advisory Hub model and would also allow the Bank to mobilise the expertise of partners, such as NPIs and other IFIs where possible.

The Commission is likely to remain the primary source of funding for EIB advisory services; a sufficient grant envelope will be needed to enable the Bank to continue to offer its services and to maintain a relevant pool of experts to ensure maximum impact via the application of 'smart funds' through the addition of expertise with Commission funding. Other sources of funding (contributions from other donors and where appropriate, fees from beneficiaries) will continue to be sought. The EIB will also consider

continuing to complement Commission funding with contributions from its own funds, as it already does for JASPERS, EIAH, ERI and other advisory services programmes.

The EIB Group's alignment of interest in pursuing EU policy objectives is recognised in the current Financial Regulation. Under the umbrella of the Financial Regulation, centrally managed EU instruments entrusted to the EIB Group are in general governed by the respective EU-EIB or EU-EIF Financial and Administrative Framework Agreement (FAFA), which set out the common rules under the Financial Regulation and by a Delegation Agreement setting out specific conditions for the particular mandate. Overall, the FAFA has contributed to a greater harmonisation of the terms and conditions across Commission-funded mandates although its full intentions have not been realised.

- With National Promotional Institutions (NPIs)

NPIs are fundamental partners for the EIB Group and their importance is constantly growing, extending from the traditional business cooperation i.e. intermediated loans and co-financing, to more strategic exchanges on how major economic and social challenges of the EU can be tackled together.

In the context of EFSI, a new approach has been developed to reflect the significance of the EIB's cooperation with the NPIs, including through the provision of increased additionality in the form of risk taking or subordination. This renewed approach has and will enable a range of new products to be developed and launched, in particular investment platforms and risk-sharing schemes. Another flourishing area of cooperation is advisory. A series of Memorandums of Understanding have been signed with NPIs under the EIAH and in the next stage, NPIs are foreseen to deliver advisory services on EIAH's behalf.

The EIB Group could further gain from a closer cooperation with NPIs both within the EU and outside the EU (which is likely to be requested by the Commission, Council and Parliament not only in the context of EU post-2020 Agenda), based on subsidiarity and proportionality and a delineation of business activities. Such cooperation, including coordination of views on relevant EU policy issues and knowledge sharing of the Bank's experience under existing mandates, may also be warranted in light of broadly comparable features and interests from the respective business models.

- With Multi-lateral Development Banks (MDBs)

The EIB has various channels of co-operation with MDBs as noted in Section 1 and under parts i. and ii. of this Section 2. In 2018, the EIB will also seek improved cooperation with MDBs in general.

ii. Adding value : (d) measurement of and demonstration of value added/impact

EIB is engaging with other MDBs, in response to G7 and G20 ministerial requests aimed at increasing the effectiveness of international financial institutions' coordination, particularly in the context of the EU 2030 Agenda for Sustainable Development. Amongst

other, these requests call on MDBs to work towards common frameworks that can demonstrate and track the additionality of their investments with the private sector, optimisation of balance sheets, enhancing conditions for infrastructure investment and the "value for money" that these institution bring to their shareholders. Such frameworks will inevitably need to take into account the specific nature and objectives of each MDB, but the process of articulating what additionality and value for money mean for the MDB community will bring a new dimension of accountability and transparency to each participating institution, including EIB.

Based on a macroeconomic modelling approach, impacts on EU-wide GDP and employment levels have been evaluated, using detailed information on the type, location and timing of EFSI and other EIB Group supported investments. To better address broader issues of accountability, the Bank will further develop tools to assess the macroeconomic impact of its activity on Europe's growth and jobs. The EIB Group will continue to conduct detailed project-by-project assessments of the expected and actual direct outputs and outcomes of the projects it supports. A complementary macroeconomic modelling approach will also be used to take full account of indirect and induced project effects (such as the effect on trade and business costs and labour market access of an upgraded railway network, for example).

iii. Securing financial sustainability and maintaining investor confidence

The Bank's financial stability, as reflected by the high credit standing and the stability of its business model are fundamental requirements of its efficient and sustainable access to funding. Investor confidence relies equally on the financial strength of the EIB and on the strength and availability of support from the EU Member States as shareholders. These two elements are, and will continue to be, key in enabling the EIB to maintain a distinctive market position as a sovereign-class benchmark borrower. The EIB's high credit standing remains a requirement for the overall Funding Strategy, to optimise the funding cost on a sustainable basis and to pursue liquidity, transparency and diversification of funding sources. In this perspective, the Bank will maintain its engagement and dialogue with investors and credit rating agencies, in order to manage expectations and proactively inform about relevant potential developments, such as on the outcome of Article 50 negotiations.

Risk taking at the EIB therefore has to be exercised in a stringent manner to maintain financial stability. As such, the Bank will maintain robust risk management processes and accept to take credit, market and liquidity risks up to a level where these risks remain aligned with the Bank's risk appetite, i.e. the amount of risk that it is willing and able to take in the pursuit of its public mission and objectives.

EIB's risk appetite is set out in the Risk Appetite Framework, (RAF) which will continue to be subject to on-going review and update. It allows the organisation to assess whether it is within or outside of the Bank's risk appetite at any given time. The Board of Directors will remain responsible for the approval and monitoring of the Bank-wide RAF limits.

When setting its operational targets and defining the appropriate lending volumes and business mix the Bank takes into consideration the inevitable trade-offs between the

various types of risks to be pursued by the Bank, with the ultimate aim to optimise the overall value added transferred to the real economy, and, at the same time, to ensure the Bank's long-term financial sustainability. In light of the constraints and challenges described in Section 1, the EIB will take a prudent approach and make only shorter term commitments within acceptable risk boundaries in order to embed the required flexibility needed with regards to its medium to longer term planning.

The EIB will seek risk mitigation techniques where possible, for example through continuation of the portfolio credit enhancement provided by the EU guarantee under the EFSI which is allowing the Bank to reach new higher-risk clients, sectors and markets while remaining aligned to its risk appetite. As such, priority will be given to new initiatives under mandates that offer risk-sharing or other capital consumption mitigants.

Intermediation revenues from lending, revenues from risk pricing and returns from the investment of Own Funds have been the main drivers of a stable flow of earnings in the past, allowing the Bank to increase its reserves and sustain the growth of its activity. However, if the prevailing low interest rate environment continues, this will inevitably diminish the Bank's potential future returns from Own Funds investments.

The substantial investment in the implementation of EFSI 1.0, negotiation and development of EFSI 2.0 as well as investment in other mandates including advisory programmes to which the EIB contributes have marked the EIB's cost income structure in recent years. Furthermore, in the medium-term, the complex and riskier new financing products are expected to cause more project specific follow-up and restructuring work which will impact the resources needed.

This demonstrates that whilst market demand and priority needs may require the use of so-called higher-risk financing products, any shift in the Bank's product-mix away from more standard intermediated lending to more resource intensive high-risk activities will need to be carefully balanced.

iv. Building on people and organisational responsiveness

Team-work, diversity, long-termism, openness and simplicity have been, and shall be, the fundamental value attributes for the coming years. Everyone in the Bank is expected to work to the best of their ability and with a can-do attitude in the interests of our members and clients, rewarding the tireless pursuit of results. This will be possible thanks to the diversity, skills, talent, engagement and expertise of staff and their specialised know how that allows EIB to offer solutions and new products in a huge variety of areas. However, talent needs to be nurtured, and differing viewpoints and attitudes of different generations of staff need to be accepted but managed appropriately.

As a modern employer, EIB will also continue working on more flexible technological solutions, adapted human resources' policies and the adoption of a greater use of collaborative tools within the Bank. The further improvement of gender diversity in the various management levels of the Bank continues to be a priority.

From 2018, the Bank will introduce more flexible and agile approaches to staffing. In coming years the focus will be on improving people management with an increased focus

on staff development and performance, culture, leadership, diversity and inclusion. Staff will be able to develop their careers in line with their potential and the Bank's needs and expectations. Particular focus will be dedicated to the "2017-2021 Strategy for Diversity and Inclusion at EIB" where, for example, gender targets will be introduced that aim to increase the proportion of women at all executive and management staff levels.

All staff are encouraged to think afresh, to ask questions and to strive for continuous improvements so that EIB will arrive at better answers for products, working methods, organisation and governance, markets or partners. Nevertheless, improvement will require investment that allows the Bank to perform with a higher degree of digitisation and automation, reducing the ratio of the workforce assigned to manual tasks who can then be redeployed for more value added activities. This will not be a short-term big bang, but through incremental improvements, solid progress that leads to real long-term benefits will be made.

The Bank's newly developed, joint IT and Information Management Strategy has two broad aims; first, improving compliance and security and second, working better by harnessing fully the potential of new tools and technologies. Whilst a number of initiatives have been driven by external factors such as the need for IT systems supporting compliance with requisite regulatory standards and other best banking practices applicable to the Bank, equal emphasis will continue to be placed on internal drivers of change and measures to increase operational effectiveness.

The actions envisaged therefore focus more specifically on (i) data governance and reporting, (ii) improving collaboration and communication in a multi-site EIB, (iii) fast-track IT methods to complement traditional development and provide agility to respond to demands arising from a more complex operating environment, (iv) new capabilities for the Bank's core applications, particularly to meet demand for improved mobile access (v) applicable best banking practices compliance and (vi) security, scalability and enterprise architecture. The Bank has begun addressing these challenges by investing in both new infrastructure and applications, which will streamline processes, reduce paper and improve communication internally and with third parties.

Given the multi-annual nature of these programmes and the significant changes in staff behaviour they entail, the direction of travel is expected to remain unchanged in the short to medium term. Efforts will rather focus on strengthening delivery capacity and change management so as to reduce "time-to-market" and ensure early adoption of new, improved ways of working.

v. Compliance, transparency and accountability

The significant increase in the core financing, blending and advisory services of the EIB Group in recent years has been coupled with the evolving regulatory environment and an increasing amount of prudential and non-financial requirements impacting the Group's activities.

Against this backdrop and in keeping with the EIB's statutory role and mission, continued action is necessary to ensure compliance with the requisite regulatory standards and other applicable best banking practices requirements. Regulation and the understanding of

related market implications, such as regulatory sanctions, are critical for regulatory compliance and to demonstrate accountability, credibility and financial sustainability and soundness in the eyes of the public, investors and other stakeholders. The EIB will remain committed to conforming its activities to best banking practice as applicable to it.

On that basis, the EIB will continue to assess major legislative and regulatory developments expected to impact the activities of the Bank and to develop its internal regulatory compliance capacity in order to ensure that the EIB services are informed about regulatory changes and are capable of applying the latest developments in a timely manner (also taking into account the Basel Committee and European Banking Authority Guidelines and principles).

The Bank is also in the process of revising its Codes of Conduct and Whistleblowing Policy, considering best practices and the EU Institutions and IFIs' standards, while incorporating principles of EU legislation, as appropriate. The revision process aims to identify the core ethical values that are shared and applied throughout the Bank and to strengthen compliance with rules and effective enforcement.

The revised Codes of Conduct will strive to adopt a positive tone in general and take into consideration the increased size of the Bank, its multicultural dimension and its specific role as not only a bank but a policy driven institution. The enhancement of the EIB ethics and compliance culture is intended to reinforce the protection of the EIB's reputation that is nurtured and sustained through a collective commitment on EIB values and integrity principles.

The framework set by the EIB Transparency Policy reflects and enables EIB's commitment to being open and transparent so to improve the effectiveness and sustainability of Bank-financed projects and increase its accountability towards all its stakeholders. Consulting with civil society organisations through public consultations about key EIB policies and organising workshops and seminars to discuss specific aspects of EIB's activities will be pursued to develop mutually beneficial relationships. In the coming years, the Bank will continue to respond to the growing interest in its activities from civil society organisations by answering questions and publishing or disclosing documents so to build trust with all parties. It will also maintain its effort to extend its outreach toward a greater diversity of such organisations.

The EIB Group Strategy on Gender Equality and Women's Economic Empowerment, enhances EIB commitment to embedding gender equality in EIB Group activities by identifying actions to protect female rights, ensuring equal access by women and men alike to benefits generated by EIB investments and targeting women's economic empowerment. These objectives correspond directly to the Strategy's three focus areas of Protect, Impact and Invest. In 2018, the Bank will implement the Strategy against an EIB Group Gender Action Plan (GAP 1.0) to serve as a roadmap for the implementation of the Gender Strategy. Achievements under GAP 1.0 will pave the way for increasing operational implementation of the Strategy under GAP 2.0 (2020-21). The Plan prioritises the development of the EIB's knowledge base, including building a better understanding of approaches followed by others, the enhancement of its institutional commitment to facilitate the implementation of the GAP, the sharpening of the Bank's focus on

approaches that best suit its business needs and the development of the Bank's capacity across the three thematic areas:

- Delivering on the **Protect** pillar will result in a fit-for-purpose EIB due diligence framework, which is able to assess, prevent and mitigate impacts and risks of EIB investments to girls and women.

- Action under **Impact** will contribute to the improved integration of gender considerations across EIB operations, reflecting good practice across different regions as well as across different sectors.

- The **Invest** pillar will focus on identifying geographical priorities and suitability of instruments tackling women's economic empowerment. It will also determine how the Bank may best influence an increase in women's participation in the labour market.

During 2018 the revised EIB Group policy of the Complaints Mechanism will enter into force. The Complaints Mechanism is the primary tool of the Group to address public concerns regarding possible maladministration in line with standards and jurisprudence established by the European Ombudsman. Under the revised policy, it is proposed to have a dedicated committee for project procurement in view of the specific nature of such complaints. It is expected that the number of complaints handled by Complaints Mechanism will continue to increase due to a combination of factors, notably more complex Bank operations and large number of new counterparts as well as the increased visibility of the Bank's operations.

The control and accountability mechanisms in the Bank will be bolstered by the implementation of an exclusions policy designed to help ensure that the goals of the Bank's Anti-Fraud Policy are met. Proactive Integrity Reviews which proven to be an extremely relevant preventive tool in detecting and reporting fraud and corruption in EIB projects and their effectiveness will be further strengthened by increasing the number of Proactive Integrity Reviews the Bank carries out annually.

The Bank carries out independent evaluations of its activities which help the Bank to be accountable for the past, and to learn for the future which is particularly important in the context of a changing Bank and its environment. Looking ahead, EIB will increasingly focus these reviews on thematic evaluations of areas of strategic importance, such as the on-going evaluations on Mandates and EFSI.

The Bank is paying close attention when it comes to compliance, transparency and accountability. The EIB already discloses specific non-financial information through initiatives such as publishing our Environment and Social Data Sheets for each project and preparing our Annual Sustainability Report in accordance with Global Reporting Initiative standards. The Bank will strive to remain the class leader in non-financial disclosure, ensure best practices on sustainability and improve our own environmental performance, including Green Public Procurement, through implementation of an Environmental Management System in accordance with the EU Eco-Management Audit Scheme. We also aim to maintain the BRE Environmental Assessment Method certification for our campus buildings.

3. The Operational Plan 2018 – Our Plan

Introduction

The Operational Plan for 2018 has been developed in line with the Operating Context in Section 1. The longer term view is contained within the Operating Framework in Section 2. As such, the Operational Plan here presented has less narrative than Operational Plans of prior years but still contains specific figures and text related to each of the key elements.

While the plan and decisions are only for 2018, preliminary indications are provided for 2019 and 2020 in the tables and graphs in Section 3 assuming a continuing steady lending pace. During 2018, progress on the Article 50 negotiations will be closely followed.

Decisions from the Board

On the basis of the Operational Plan 2018 as here described, the Board of Directors approved:

Lending Programme

I. A disbursement orientation of EUR 56-61bn for 2018.

II. A total new signature volume of EUR 67bn (+10%/-20%) for 2018.

Borrowing Programme

III. A global borrowing authorisation for 2018 of up to EUR 65bn and the implementation of treasury and derivatives management operations.

Budget

IV. the expenses and revenues of the Operating Budget and the Capital Budget for 2018. The overall operating expenses budget is EUR 1,025.3m implying a cost coverage ratio of 155%.

V. The delegating of decisions to the Management Committee regarding staff and operating expense budgets relating to existing mandate agreements provided that the budgetary framework of these mandates approved by the Board is complied with (as granted in the Operational Plan 2017-2019).

VI. the principle of making relevant resources available during 2018 for other new initiatives provided that the Board will have approved these initiatives and will have been informed of the impact on the 2018 budget and cost recovery accordingly.

Operational Plan 2018

Macroeconomic and geopolitical situation

Following a very encouraging 2017, recent growth forecasts[1] have been revised upwards and now see the EU economy exhibiting GDP growth of just above 2% in 2018. This growth is increasingly broad-based and driven by domestic demand. Investment has been revised upward for 2018 and is expected to grow at almost twice the pace of GDP. Investment averages 20.5% of GDP in peripheral Member States, where it is strongly supported by ESIF, and 20% in other Member States, where it is more heterogeneous. Accompanying the above is an improving labour market, with falling unemployment. The core inflation rate is forecast to remain stable and below 2% in the EU and well below 2% in the Euro area, with the strength of currency being an important factor. Financing conditions are also set to continue to improve.

The EU faces important economic challenges during 2018; including the impact of the UK's decision to leave the EU and the growing infrastructure investment gaps, particularly in fiscally constrained euro area Member States which undermines convergence.

Forecasts for 2018 envisage a global economy growing at a moderate rate, with investment averaging 25% of GDP. Most global advanced economies are set to grow at rates close to 2%, with investment rates around 20%. Emerging markets are providing the impetus for global economic growth to return to historical averages over the coming years, with investment well-above 30%.

Further details on challenges and the outlook for the EU and the EIB are provided in Section 1.

Lending Programme (EIB own resources)

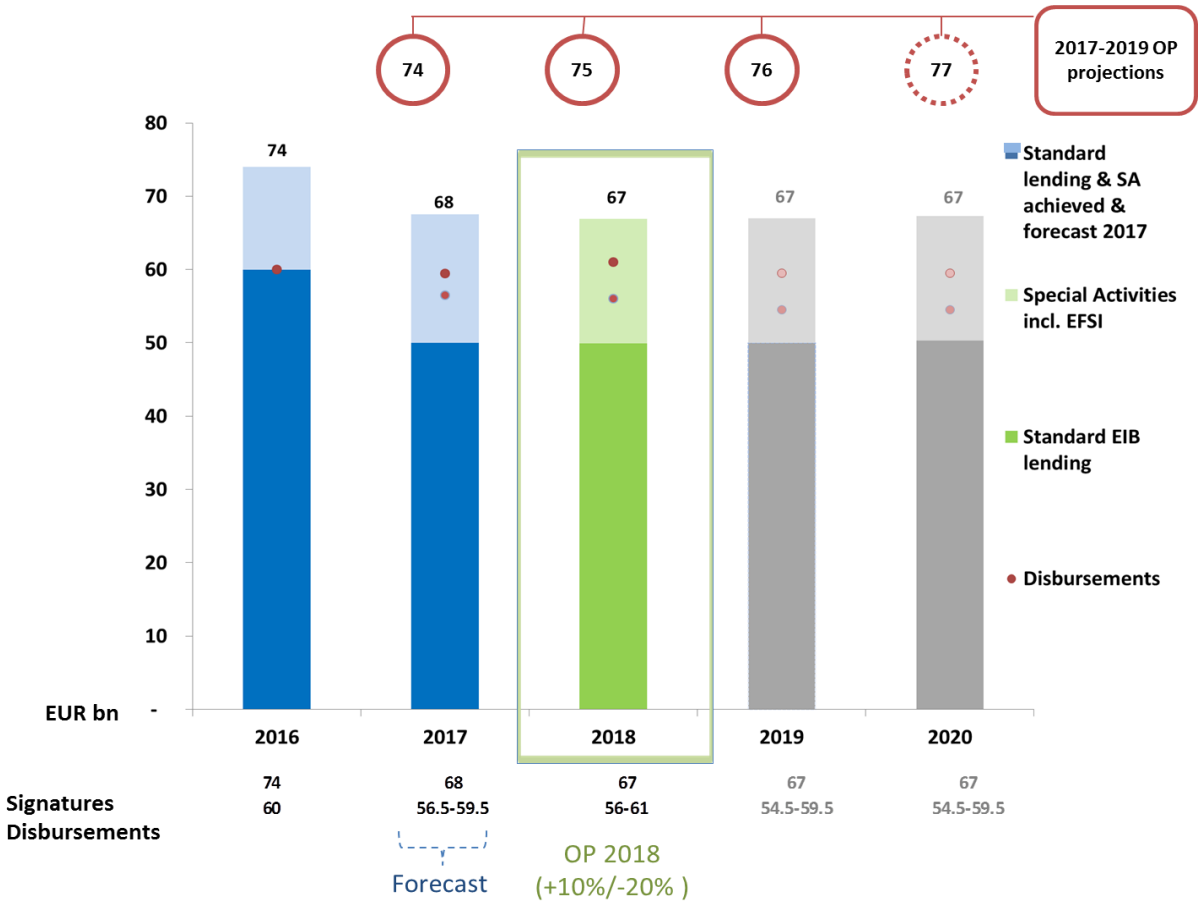
In determining the overall lending programme the Bank set the total lending orientation for 2018 to EUR 67bn p.a. with an increased +10%/-20% flexibility allowance. This flexible range will allow the Bank to respond to urgent challenges and demands in the short term. The number of individual operations is expected to be maintained but with smaller sizes as higher risk Special Activities continue to contribute a growing proportion to the Group's lending volume (see Graph 1).

In an uncertain political environment inside and outside the EU, the Bank must remain watchful that activity levels are and will be financially sustainable and aligned with its risk bearing capacity. In such changeable times, this flexibility provides a measure of caution so to maintain both investor and borrower confidence in the EIB.

The recent evolution and the 2018 expected lending programme utilising EIB own resources is shown in Graph 1 together with preliminary indications for 2019 and 2020. The breakdown by inside and outside EU is shown in Table 1.

[1] Based on forecasts from the Commission (November), ECB (September) and IMF (October)

Graph 1: Evolution of the EIB Lending Programme



Lending Programme – Focus and approach

Table 1 reflects the breakdown of the signature and disbursement levels by region.

Table 1: Signatures and Disbursements utilising EIB own resources – inside and outside EU

EUR bn	2016 achieved	2017 forecast	2018 orientation	2019 indicative figures	2020 indicative figures	Average 2018-2020
Total Disbursements inside EU	54.1	51.0 - 54.0	50.3 - 55.3	48.6 -53.6	48.6 -53.6	49.2-54.2
Total Disbursements outside EU	6.0	5.5	5.7	5.9	5.9	5.8
Total Disbursements	**60.1**	**56.5-59.5**	**56.0-61.0**	**54.5-59.5**	**54.5-59.5**	**55.0-60.0**
Total Signatures inside EU	66.5	60.5	58.5	58.5	58.5	58.5
Total Signatures outside EU	7.6	7.5	8.5	8.5	8.5	8.5
Total Signatures	**74.1**	**68.0**	**67.0**	**67.0**	**67.0**	**67.0**

Signature orientations (including Special Activities and PPG orientations) are set with +10%/-20% range to allow flexibility in an evolving market and political environment, including in relation to the UK's withdrawal from the EU. Disbursements are based on signature orientations and indicated as ranges.

Inside EU

Total signature volumes in the EU are expected to reach EUR 58.5bn p.a. in the short term. The lending orientation reflects currently foreseen market needs and takes account of the

economic recovery in the EU being heterogeneous. It is highlighted that the +10%/-20% range referred to above allows for the orientation for total lending in the EU 27 to remain consistent with that indicated in the Operational Plan 2017-2019. As the EU Bank, the EIB remains focused on viable projects within all Member States of the EU, prioritising those projects and industries targeting long-term growth, competitiveness and employment in the EU.

The Bank's lending programme remains focused on delivering its highly relevant standard products, whilst also actively seeking opportunities to bridge market gaps and add value through financing more complex and riskier projects. Indeed, higher risk Special Activities, including EFSI and other risk sharing initiatives, are expected to remain at levels of around 25% of the overall volume in the short term, almost 85% of this high risk activity is executed under third party mandates.

The ongoing deployment of the portfolio risk-sharing product and the EIB's equity strategy under EFSI implies a considerable increase in product diversity for the Bank. The EIB will continue to seek new opportunities for credit enhancement through guarantees or securitisation, or for absorbing early stage development risks of innovative companies, e.g. under the InnovFin programme.

A continued focus on smaller size operations is anticipated, with high numbers of operations with new clients, in particular through higher risk Special Activities. Indeed, due to continued efforts to broaden the Bank's client base during 2017, in the reference period up to end-October approximately 51% of clients (or ca. 160 clients) were new EIB clients[2].

Outside EU

As indicated in Table 1, the Bank foresees slightly lower signature volumes outside the EU than previously indicated in the Operational Plan 2017-2019. Whilst the revised outlook is overall a result of the Bank's cautious approach taken in setting its targets, it considers in particular an adjustment of its lending activities in Turkey.

Outside the EU, the lending focus will continue to be on the modernisation and expansion of basic economic infrastructure such as roads, electricity networks including regional interconnections, and water supply, in addition to supporting the local private sector development. The ERI is expected to drive signature volumes in the Southern Neighbourhood, in particular in support of the private sector. The regional split of EIB activity will be framed by the expected new ELM decision. The fight against climate change and contribution to climate as a global good remains a lending priority for other regions outside the EU, notably ALA, supporting the Bank's commitment to reach a share of 35% of financing volumes in developing countries contributing to Climate Action by 2020.

More detail on evolving market demand and priority needs for EIB intervention in the EU and also for the Pre-Accession, Neighbour and Partner Countries is provided in Section 2.

[2] First-time clients including those clients who over the last five years did not enter into a new finance contract with the EIB.

Lending Programme – Key challenges and response

- challenges from origination to signature

In order to achieve the ambitious objectives under EFSI, business development inside the EU will focus even more on projects and operations eligible for the EFSI guarantee. The Bank's experiences affirm that EFSI operations are much more resource intensive than standard operations. These operations are typically smaller scale and more complex, involve new clients and have extensive documentation and transparency requirements. In order to improve its responsiveness and shorten the project cycle to signature in the interest of clients, the Bank aims for a higher degree of standardisation and is considering further streamlining of project appraisal and approval processes .

The achievement of the Climate Action orientations remains challenging. In order to ensure that the Bank's contribution to Climate Action inside and outside the EU reaches its targets, the pipeline of projects will be closely monitored throughout the year, with each new project assessed early in the project cycle to determine its contribution to climate change mitigation and/or adaptation and enable early prioritisation where needed.

Lending evolution outside the EU will be mainly driven by the revised ELM 2014-2020 as well as on the ability to identify operations which may be suitable for financing outside the mandates, under the Own Risk Facilities. The latter will need to be renewed or replenished, following the adoption of the revised 2014-2020 ELM mandate after the completion of the mid-term review. See also Section 2.

Furthermore, the Bank has developed a strong pipeline of projects under ERI with the ultimate the goal of an increase by EUR 6bn to catalyse up to EUR 15bn of additional investment. However, implementation of some elements will also depend on securing the required donor resources. Further information on ERI is provided in Section 2.

It is already noted that the evolution outside the EU beyond 2018 remains subject to the approval of a new framework for infrastructure lending from EIB Own Resources in the ACP States.

Absorption capacity is still one of the bottlenecks in implementation of the projects outside the EU. In this context, the EIB advisory role and technical assistance support will be enhanced in complementarity with its funding support.

- challenges to disbursements

Inside the EU, uptake of EIB funds depends strongly on the Bank's pricing attractiveness and ability to generate financial value added. The Bank will continue to carefully manage its pricing policy in order to be able to offer financial value added and remain financially self-sustainable. The pace of disbursements may also be negatively impacted by the increased number of smaller, more complex transactions combined with a higher proportion of new clients. To date however, the Bank has been able to maintain solid disbursement levels.

Outside the EU, disbursements continue to be subject to a greater level of volatility given the prevailing uncertainties in an environment that is inherently more politically and economically unstable.

A gap between signatures and disbursements remains unavoidable reflecting the progress of project implementation. In recent years rising signature volumes have resulted in an increase of the stock of undisbursed loans which the Bank will continue to actively manage.

Lending Programme – Public Policy Goals (PPGs)

The EIB continues to pursue its two over-arching policy goals related to EU social and economic cohesion and to climate action plus the four primary public policy goals (PPGs) of innovation, SMEs and Mid-cap financing, infrastructure and environment.

2018 PPG orientations are indicated in Table 2 together with preliminary indications for 2019 and 2020. By keeping the highest proportion of lending contributing to improved access to finance for SMEs and MidCaps, the Bank will continue to foster growth and create employment. At the same time, the new orientations will be even more ambitious in promoting competitiveness through support to the Innovation PPG.

Overall, 30% of all signatures should contribute to Economic and social cohesion and convergence, a figure which is in line with the orientations pursued in recent years. The annual orientation for contribution to climate action is at least 26% but the Bank's previously communicated goal of 35% of outside EU financing contributing to climate action by 2020 remains valid at this time.

Table 2: Public Policy goals

Signatures (own resources) by Public Policy Goals	Orientation Unit	2016 achieved	2017 forecast	2018 orientations	2019 indicative figures	2020 indicative figures	2018-2020 Average
Innovation	**EUR bn**	**13.5**	**14.0**	**15.3**	**15.3**	**15.3**	**15.3**
- inside the EU	*EUR bn*	*13.2*	*13.8*	*14.9*	*14.9*	*14.9*	*14.9*
- outside the EU	*EUR bn*	*0.3*	*0.2*	*0.4*	*0.4*	*0.4*	*0.4*
SMEs & Midcap finance*	**EUR bn**	**24.6**	**20.5**	**18.4**	**18.4**	**18.4**	**18.4**
- inside the EU	*EUR bn*	*21.4*	*18*	*15.7*	*15.7*	*15.7*	*15.7*
- outside the EU	*EUR bn*	*3.2*	*2.5*	*2.7*	*2.7*	*2.7*	*2.7*
Infrastructure	**EUR bn**	**19.2**	**17.0**	**16.8**	**16.8**	**16.8**	**16.8**
- inside the EU	*EUR bn*	*17.6*	*15.0*	*14.4*	*14.4*	*14.4*	*14.4*
- outside the EU	*EUR bn*	*1.6*	*2.0*	*2.4*	*2.4*	*2.4*	*2.4*
Environment	**EUR bn**	**16.8**	**16.5**	**16.5**	**16.5**	**16.5**	**16.5**
- inside the EU	*EUR bn*	*14.4*	*13.7*	*13.5*	*13.5*	*13.5*	*13.5*
- outside the EU	*EUR bn*	*2.4*	*2.8*	*3.0*	*3.0*	*3.0*	*3.0*
Total Inside & Outside EU	**EUR bn**	**74.1**	**68.0**	**67.0**	**67.0**	**67.0**	**67.0**
Signatures contributing to Economic and Social Cohesion and Convergence (within EU, EFTA and Pre-Accession)	%	*29.6*	*29.0*	*30.0*	*30.0*	*30.0*	*30.0*
Signatures contributing to Climate Action (EIB total)	%	*26.3*	*25.8*	*26.0*	*26.1*	*26.3*	*26.1*

* Excludes EIF signatures which from an EIB Group perspective contribute 100% to the SME & Midcap finance PPG (achieved 2016, EUR 9.4bn).

In 2016 the Bank exceeded the overall signature target (EUR 74.1bn vs target EUR 71bn), the additional signatures fell under the SME & MidCap finance PPG. The 2016 target for SME lending was EUR 19bn, consistent with levels forecast for 2017 and planned for 2018.

Special Activities – within the Bank

Special Activities enable the Bank to diversify its customer and loan portfolio supporting priority projects through assumption of a higher risk profile compared to standard operations, either at EIB's own-risk or with the backing of EU guarantees. In 2017, the

volume of Special Activities signed is expected to reach unprecedented heights. Total Special Activities includes higher risk operations at EIB's full own risk, as well as higher risk operations under risk sharing partnerships with the Commission, notably EFSI, InnovFin, CEF, PF4EE and NCFF. Total Special Activities in the order of EUR 17.3bn (with a flexibility range of +10%/-20%) are expected in 2018. This orientation rests primarily on the lending prospects under EFSI 1.0.

The expected orientations for Special Activities are shown in Table 3:

Table 3: Higher Risk Special Activities, Risk Sharing and EFSI Infrastructure and Innovation Window (IIW)

EUR bn	2016 achieved	2017 forecast	2018 orientations	2019 indicative figures	2020 indicative figures
Special Activities (higher risk) / EFSI	12.5	16.3	15.8	15.8	15.8
Other Risk Sharing / Mandates	1.4	1.2	1.5	1.4	1.1
Total Special Activities	13.9	17.5	17.3	17.2	16.9
Estimated EFSI investment facilitated (IIW)	56.1	64.5	66.0	66.0	66.0

Estimated EFSI investment facilitated (IIW) in 2015 amounted to EUR 11.9bn

The ramp-up phase of EFSI 1.0 is ongoing. EIB and EIF expertise and knowledge is used to maximise delivery in terms of volume and impact. With the benefit of the EFSI, the EIB Group has enhanced its offering, focusing on higher value-added operations through a more comprehensive product range for risk sharing and for new intermediary segments and, generally, more higher risk activity to mobilise additional investment. The estimated investment expected to be facilitated by EIB Group (based on approvals) is on track to reach EUR 315bn by mid-2018 under the IIW and under the SME Window (SMEW).

The European Parliament and Member States have come to an agreement on EFSI 2.0. The Regulation, adopted by the European Parliament on 12 December 2017 and in force since the start of 2018, foresees an increase of the EIB's capital commitment to EFSI, by up to EUR 2.5bn. EFSI 2.0 would be expected to facilitate in total, EUR 500bn of investment by 2020 (including investment under EFSI 1.0). EFSI 2.0 provides EIB with increased resources and an extended time-frame to implement EFSI.

As regards implementation of EFSI 2.0, it will be of the essence to continue the close cooperation with the Commission so as to clarify timely any potential divergent interpretation which may arise from the Regulation which provides the legal basis for the extension of EFSI until 2020. The cooperation between the EIB and the Commission on EFSI 2.0 will be governed by the Implementation Agreement negotiated between both institutions.

In 2017, the Bank agreed with the Commission on a strategic repositioning of InnovFin. The revised InnovFin Delegation Agreement aims to re-focus InnovFin products towards geographies and risk segments that are constrained or excluded under EFSI. In order to ensure complementarity with EFSI revised policy guidance has been adopted also for CEF (Connecting Europe Facility). The EIB will step-up its efforts, and effectively use Advisory services where relevant, to ensure the increased activity in higher-risk operations under the InnovFin EDP and CEF DI, which now also deploy the NER 300 undisbursed revenues.

The figures in Table 3 do not include EIF activities under the EIB mandates managed by EIF. These are shown in the following Table 4a:

Special Activities – within EIF

Table 4a: Mandates managed by EIF on behalf of EIB (including EFSI)

EUR bn	2016 achieved	2017 forecast	2018 orientation	2019 indicative figures	2020 indicative figures
EIF Mandate Activities (including EFSI)	**3.1**	**1.7**	**1.5**	1.5	1.5
Risk Capital Resources (RCR)	2.2	1.2	1.0	1.5	1.5
of which:					
- EFSI	*1.2*	-	*0.3*	*0.6*	*0.6*
EIB Group Risk Enhancement Mandate (EREM)	0.9	0.5	*0.5*	-	-

EFSI amounts for 2018 are indicative at this stage.

Through consecutive increases in the intra-group RCR mandate and third-party mandates, the EIF has enhanced its role as one of the largest institutional investors in Europe, adopting a Fund-of-Fund model. It is anticipated that in parallel to the launch of EFSI 2.0 and subject to approval by the EIB decision-making bodies, the Risk Capital Resources (RCR) mandate may be further increased by EUR 1.5bn allowing the EIF to deploy the EFSI 2.0 SME Window (SMEW).

The EIF has progressively shifted its collaboration with the EIB from purely mandate activity (RCR and the EIB Group Risk Enhancement Mandate (EREM)) to also include a Service Level Agreement (SLA) model. An SLA model between EIF and EIB has been used to accelerate the deployment of the EFSI Innovation and Infrastructure Window (IIW) and the model will be expanded further in the coming years.

Table 4b provides an overview on EIF commitments under the EFSI SME Window:

Table 4b: EFSI SME Window – deployed by EIF

EUR bn	2016 achieved	2017 forecast	2018 orientation	2019 indicative figures	2020 indicative figures
EFSI - SMEW (signatures)	**4.1**	**3.5**	**4.1**	4.4	4.4
of which:					
- EIB backed (higher risk) /RCR	*1.2*	-	*0.3*	*0.6*	*0.6*
- EU backed (risk sharing)	*0.8*	*1.6*	*1.7*	*2.0*	*2.2*
- Backed by other resources	*2.1*	*1.9*	*2.1*	*1.8*	*1.6*
Estimated EFSI investment facilitated:	**29.4**	**25.0**	**30.0**	30.0	30.0

EFSI amounts for future years are indicative at this stage.
Estimated EFSI investment facilitated (SMEW) in 2015 amounted to EUR 25.1bn.
'Other resources' include EIF own resources, in particular, and potentially other third party mandates.

EIF is deploying the EFSI SMEW in line with plan and 101% of the original window has now been approved. Within the SMEW the equity windows targeting early and later stage companies have been increased and additional capacity to deliver is expected to be provided via top-ups of the existing COSME LGF, InnovFin SMEG, EaSI Guarantee and CCS Guarantee mandates signed with the Commission in 2017.

Advisory Services

Table 5 gives an indication on the expected evolution of advisory services:

Table 5: Advisory activities

	2016 achieved	2017 forecast	2018 orientations	2019 indicative figures	2020 indicative figures	Average 2018-2020
Number of new assignments - Inside EU	350	400	420	430	440	430
- of which through the EIAH	*1%*	*9%*	*11%*	*13%*	*15%*	*13%*
Number of new assignments - Outside EU	90	100	110	115	120	115
Total number of new assignments	**440**	**500**	**530**	**545**	**560**	**545**
Total estimated investment cost of projects supported (EURbn)	**25.0**	**27.0**	**28.0**	**30.0**	**33.0**	**30.0**
Number of Group operations benefitting from Advisory support	**70**	**75**	**80**	**85**	**90**	**85**

All figures in the above table are indicative and based on estimations and unaudited data

The Bank will continue to deliver advisory support to project promoters and public authorities under existing programmes and facilities. New initiatives are anticipated in order to respond to requests from the Commission or from Member States, both within and outside the EU; these are expected to complement existing programmes. The focus will therefore be on the efficient and timely implementation of existing programmes and on activities which have a concrete impact on the EIB business plan.

Anticipated specific developments in 2018 include:

- Under EFSI 2.0, the Bank will be requested to strengthen its support to a number of sectors and areas (e.g. Paris Agreement-related investments, cross-border projects, investment platforms, innovative projects). Coordinated through the Advisory Hub, the existing advisory programmes together with Bank experts will contribute to the achievement of these objectives. Cooperation with external partners (incl. NPIs) and local presence of EIB staff will also be strengthened where necessary and possible.

- JASPERS will continue to support Member States and Accession Countries for the preparation of EU-funded projects with a high proportion of these projects expected to come to the Bank for co-financing. Hands-on support during project preparation as well as ad-hoc workshops, training events and publications are also expected to develop.

- The InnovFin Advisory programme will put further emphasis on new product development and the mobilisation of investments in key knowledge economy sectors. Dedicated innovative renewable energy and carbon capture and storage project development services will be developed in the context of the NER 300 funding programme. Assignments covering the agri-food, digital and circular economy as well as blended products linking SME instruments to financial instruments will be finalised.

- Financial Instruments Advisory will increase its tailored support to public sector institutions and financial intermediaries (including NPIs) for the design and implementation of financial instruments and investment platforms in complement to fi-compass' activities promoting the use of financial instruments using ESIF and the sharing of best practice. Through bilateral assignments, ex-ante assessments/feasibility studies will been further developed in the urban, low carbon, SME, agriculture, micro-

credit and social investment sectors. Fund structuring assignments, including ESIF/EFSI funding combinations, as well as feasibility studies are also expected to grow.

- An increased contribution from the Horizon 2020 programme to the European Local Energy Assistance (ELENA) facility is expected to allow for diversification of the type of beneficiaries and improve geographical coverage allowing the Bank to step up its support to local authorities and private entities. In addition, eventual additional appropriations for ELENA could further help accelerate the deployment of the Smart Finance for Smart Buildings Initiative.

- Potential expansion to other countries and sectors of the Project Advisory Support programme (assistance beyond Romania and Bulgaria and in the health sector).

- In respond to increasing demand for advice, EPEC will intensify its bilateral support to public authorities to deliver sound and bankable PPPs. Given the ramp-up of projects seeking EU funds, EPEC expects to support the development of PPP/EU fund blended projects under the new regulations. Interdependent horizontal activities will also lead EPEC into new project support areas (e.g. payment mechanisms, balance sheet treatment of concessions).

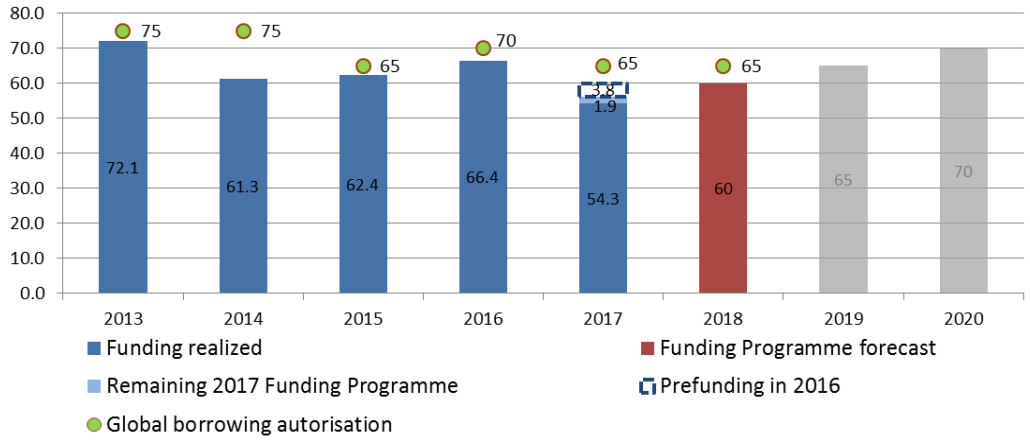
- Outside the EU, the Bank intends to strengthen its advisory support to the private sector (e.g. financial intermediaries which target SMEs and micro-enterprises), and for project preparation and implementation in the environment, social, transport and energy sectors, notably under the Economic Resilience Initiative and potentially as part of the External Investment Plan (EIP), which comprises an important advisory TA pillar. A Results Measurement Framework (REM) for TA operations outside the EU is being implemented in order to better measure outputs and impact.

- To facilitate activities both inside and outside EU, external consultants will be mobilised under a renewed Framework Contract and increased cooperation with other IFIs will be sought to ensure complementarities and synergies.

Borrowing (Funding) Programme

The funding programme forecast reflects the borrowings required to meet the operational targets presented in the Operational Plan for 2018. Beyond the lending targets, the funding volumes for 2018 also consider borrowing redemptions, estimated bond buy-backs and loan reflows. Resulting indicative guidance on annual borrowing needs in 2018 is shown in Graph 2 together with preliminary indications for 2019 and 2020.

Graph 2: Evolution of the EIB Borrowing (Funding) Programme



In order to cover its financing obligations in 2018, the Bank will continue to rely on benchmark funding in core currencies, combined with smaller and more opportunistic issuance following a multicurrency approach so as to ensure borrowing in an efficient manner. Moderate pre-funding from 2018 to the following year may be used, when appropriate, to smoothen the volumes.

EIB will continue to engage actively with the investor community, seeking to maintain a fluent dialogue and provide regular information updates. Maintaining high standards in its communication and regulatory disclosure practice is paramount to its reputation, the fair pricing of its securities, hence consolidating and further enlarging the Bank's investor base.

The global borrowing authorisation of EUR 65bn for 2018 will be reviewed during the year and to include some flexibility, if need be, for example to prefund for 2019.

Risk Management

The EIB's financial strength, as reflected in its high credit standing, is key to allow a favourable access to capital markets and maintain low funding costs, which is at the basis of its business model. As set out in Section 2, risk taking at the EIB therefore has to be exercised in a stringent manner to maintain financial stability. As such, the Bank will maintain robust risk management processes and accept to take credit, market and liquidity risks up to a level where these risks remain aligned with the Bank's risk appetite, i.e. the amount of risk that it is willing and able to take in the pursuit of its public mission and objectives

Financial Planning

Table 6: EIB Net surplus (before provisions)

EUR m	2016 Achieved	Simulations 2017 Forecast	2018 Target	2019 indicative figures	2020 indicative figures
Net Surplus	2,771	2,653	2,170	2,057	1,982
- of which Financial Surplus	3,431	3,327	3,002	2,919	2,842

The Net Surplus before provisions will decrease in 2018, mainly driven by the very low and negative level of interest rates currently prevailing on the market.

Budgetary Planning

Operating Revenues and Expenses Budget for 2018

Table 7: Total EIB Operating Budget 2018

(EUR m)	2017 Budget	2018 Budget
Intermediation and Administrative Revenues	1,652.7	1,593.8
Depreciation and Operating Costs	-997.4	-1,025.3
Cost Coverage (EUR m)	655.4	568.6
Cost Coverage (%)	166%	155%

EIB Capital Budget

Table 8: 2018 Total EIB Capital Budget

(EUR m)	2017 Annual Budget	2018 Annual Budget	Multi-Annual Remaining budget (beyond 2018)
Total Capital expenses	55.2	46.3	249.0

Performance Indicators

Table 9: Performance Indicator Table

		Orientation Unit	2016 achieved	2017 forecast	2018 orientations	2019 indicative figures	2020 indicative figures	2018-2020 Average
1	Total Disbursements (own resources)	**EUR bn**	**60.1**	**56.5-59.5**	**56.0-61.0**	54.5-59.5	54.5-59.5	55.0-60.0
	- inside the EU	*EUR bn*	54.1	51.0-54.0	50.3-55.3	48.6-53.6	48.6-53.6	49.5-54.2
	- outside the EU	*EUR bn*	6.0	5.5	5.7	5.9	5.9	5.8
2	Total Signatures (own resources)	**EUR bn**	**74.1**	**68.0**	**67.0**	67.0	67.0	67.0
	- inside the EU	*EUR bn*	66.5	60.5	58.5	58.5	58.0	58.5
	- outside the EU	*EUR bn*	7.6	7.5	8.5	8.5	8.5	8.5
3	Special Activities (higher risk)/EFSI	**EUR bn**	**12.5**	**16.3**	**15.8**	15.8	15.8	15.8
	- inside the EU	*EUR bn*	12.0	15.2	14.9	14.9	14.9	14.9
	- outside the EU	*EUR bn*	0.5	1.1	0.9	0.9	0.9	0.9
4	Other Risk Sharing/Partnerships	EUR bn	1.4	1.2	1.5	1.4	1.1	1.3
	Total Special Activities	***EUR bn***	***13.9***	***17.5***	***17.3***	*17.2*	*16.9*	*17.1*
5	Estimated EFSI (IIW) investment facilitated	EUR bn	56.1	64.5	66.0	66.0	66.0	66.0
6	Value added (3PA) inside EU (incl. EFTA) : Proportion of approved operations in higher rating categories							
	- Pillar 1: Contribution to EU policy (High Priority area/transversal objectives)	%	86%	>80	>80	>80	>80	>80
	- Pillar 2: Quality and soundness of the project (Good/Excellent)	%	94%	>90	>90	>90	>90	>90
	- Pillar 3: EIB technical and financial contribution to the project (Significant/High)	%	52.3%	50.0%	>65	>65	>65	>65
7	Value added (REM) outside EU: Proportion of approved operations in higher rating categories							
	- Pillar 1: Contribution to EU policy (Good/Excellent)	%	100%	>90	>90	>90	>90	>90
	- Pillar 2: Quality and Soundness of the project (Good/Excellent)	%	97%	>90	>90	>90	>90	>90
	- Pillar 3: EIB technical and financial contribution to the project (Significant/High)	%	86%	>75	>75	>75	>75	>75
8	Return on own funds less notional return on own funds	%	2.7%	2.6%	2.1%	1.9%	1.9%	2.0%
9	Cost/Income Ratio	%	23.0%	24.6%	32.1%	33.9%	34.7%	33.6%
10	Implemented Internal Audit actions & IG recommendations	%	61%	>60	>60	>60	>60	>60

Conclusion

The Operational Plan 2018 sets out the specific ambitions for the next year considering all the challenges outlined in the Operating Context and is the result of extensive consultation between all Services of the EIB Group. As previously outlined, however, this Plan for 2018 and the plans for future years will be closely dependent on the outcome of Article 50 negotiations between the EU and the UK.

A degree of caution has also been applied in determining the level of operations outside the EU. Whilst flexibility has been incorporated into the Plan in order to respond to uncertainties, further refinement may be required.

The EU Bank faces important challenges during 2018 and the orientations presented herein seek to optimise the balance between securing financial sustainability and generating a considerable impact in the real economy which will require careful project selection and prioritisation. The orientations allow for a degree of flexibility that will continue to allow the Group to respond effectively to urgent demands and market gaps as the global, and specifically the European, economic and political situation unfolds during the next year.

Glossary of Terms

ACP	*Africa, Caribbean and Pacific*
ALA	*Asia and Latin America*
CAB	*Climate Awareness Bond*
Candidate countries	*Albania, Montenegro, Serbia, The former Yugoslav Republic of Macedonia, Turkey*
CCS Guarantee	*Cultural and Creative Sectors Guarantee Facility*
CEF Transport	*Connecting Europe Facility for Transport*
CMU	*Capital Market Union*
EaSI	*EU Programme for Employment and Social Innovation*
ECB	*European Central Bank*
ECOFIN	*Informal Meeting of Economic and Financial Affairs Ministers*
EDFIs	*EU Development Finance Institutions*
EE	*Energy Efficiency*
EEAS	*European External Action Service*
EFSD	*European Fund for Sustainable Development*
EFSI	*European Fund for Strategic Investments*
EFTA	*European Free Trade Association*
EIAH	*European Investment Advisory Hub*
EIBIS	*EIB Investment Survey*
EIF	*European Investment Fund*
EIP	*External Investment Plan*
ELENA	*European Local Energy Assistance facility*
ELM	*External Lending Mandate with guarantee from the EU budget, granted by Decision No 466/2014/EU of 16 April 2014 of the European Parliament and of the Council of the European Union.*
EMU	*Economic and Monetary Union*
EPEC	*European PPP Expertise Centre*
EREM	*EIB Group Risk Enhancement Mandate*
ERI	*Economic Resilience Initiative*
ESIF	*European Structural and Investment Funds*
FAFA	*Financial and Administrative Framework Agreement*
GDP	*Gross Domestic Product*
G-TAG	*Guarantee Technical Assessment Group*
HLEG	*High Level Expert Group*
IFIs	*International Finance Institutions*
IIW	*Infrastructure and Innovation Window*
IMF	*International Monetary Fund*
InnovFin	*EU Finance for Innovators*
Inside the EU	*28 Member States of the European Union*
IPE	*Investment Plan for Europe*
JASPERS	*Joint Assistance to Support Projects in European Regions*
LGF	*Loan Guarantee Facility (LGF) is part of COSME (Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises), an initiative launched by the European Commission and managed by EIF*
MDBs	*Multilateral Development Banks*
MFF	*Multi-annual Financial Framework*
MFW4A	*Making Finance Work for Africa*
MidCaps	*Companies of a size and development stage between SMEs (according to the Community definition of less than 250 employees) and larger companies*
Neighbourhood & Partnership Countries	*Include Mediterranean countries (excluding Turkey), Eastern Europe, South Caucasus, Russia, ACP/OCT, RSA, ALA*
NPIs	*National Promotional Institutions*
OCT	*Overseas Countries and Territories*
Outside the EU	*Pre-Accession, EFTA, Neighbour and Partner Countries*
Potential Candidate countries	*Bosnia and Herzegovina and Kosovo (under UNSCR 1244/99).*
PPG	*Four primary public policy goals of innovation, SMEs and Mid-cap financing, infrastructure and environment*
PPP	*Public Private Partnership*
Pre-Accession Countries	*Collective term for Candidate and Potential Candidate countries*

RAF	*Risk Appetite Framework*
RCR	*Risk Capital Resources*
RDI	*Research, development and innovation*
SDGs	*Sustainable Development Goals*
SLA	*Service Level Agreement*
SMEs	*Small and Medium-sized Enterprises*
SMEG	*SME Guarantee Facility*
SMEW	*SMEW Window*
TA	*Technical Assistance*
VC	*Venture Capital*

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