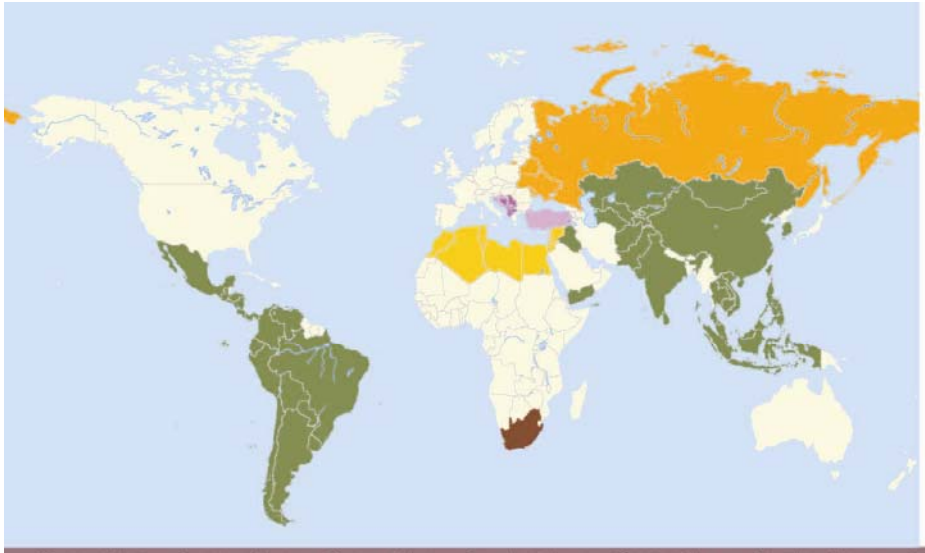

July 2009

Operations Evaluation • Operations Evaluation • Operations Evaluation • Operations Evaluation • Operations Evaluation

Portfolio and Strategy Review

EIB activities in "2007 Partner Countries" from 2000 to 2008

Operations Evaluation

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PORTFOLIO AND STRATEGY REVIEW

EIB ACTIVITIES IN "2007 PARTNER COUNTRIES" FROM 2000 TO 2008[1]

Prepared by

Operations Evaluation (EV)

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July 2009
Edited April 2019

* * *

NOTICE

The EIB has an obligation of confidentiality to the owners and operators of the projects referred to in this report. Neither the EIB nor the consultants employed on these studies will disclose to a third party any information that might result in a breach of that obligation, and the EIB and the consultants will neither assume any obligation to disclose any further information nor seek consent from relevant sources to do so.

[1] This report is part of the evaluation programme set-up by EV on that subject – see annex 1

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Unless otherwise specified, all amounts are given in EURO.

Foreword

The Co-decision of the European Parliament and of the Council regarding the period 2007-2013 (European Parliament/Council Decision 633/2009/EC of 13 July 2009) is valid until 31 October 2011. A mid-term review (MTR) should be available in 2010 in order to support a new proposal to be presented by the Commission in due time.

Contributions from EV foreseen for the MTR include (see also annex 1):

- *previously evaluated operations under other thematic evaluations*

- *3 new evaluation reports presented together with this report:*
    - *Evaluation of operations financed by the EIB in Candidate and Potential Candidate countries between 2000 and 2008*
    - *Evaluation of operations financed by the EIB in Neighbourhood and Partnership countries between 2000 and 2008*
    - *Evaluation of operations financed by the EIB in Asia and Latin America countries between 2000 and 2008*
    - *Evaluation of operations in South Africa is included in a previous report.*

Considering previously and newly evaluated operations, EV has evaluated more than 30% of the portfolio of operations signed after 2000 and available for evaluation in the areas covered by the above Decision.

- *Portfolio and Strategy review of EIB activities.*

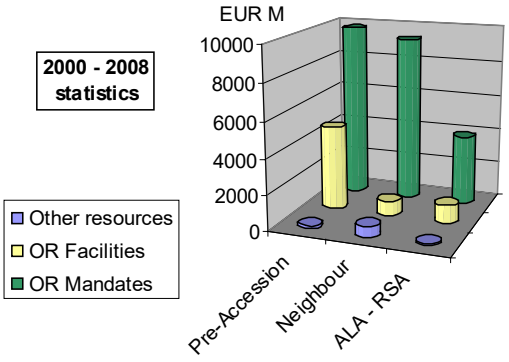
This report is an exhaustive overview of EIB activities in Partner countries from 2000 to 2008. This document reports on all type of EIB activities (under any mandate or facility) and presents all financial products utilised by the Bank to achieve its mission. It assesses the additionality of the various financial products to those available under the mandates.

The evaluation role of the 2007-2013 Mandate has been given to the Steering Committee, as set up by the European Council following the rules established in the above Decision. This review does not follow the same set-up as a standard evaluation report and may not consider certain aspects, such as the coordination and cooperation with the EC and other IFIs, the assessment of which is carried out by the Steering Committee.

Executive Summary

This report presents an exhaustive overview of EIB's activities in Partner Countries outside the EU from 2000 to 2008. As this review is meant to contribute to the 2010 mid-term review of the EIB 2007-2013 external mandates, it focuses exclusively on the countries in which the Bank could be currently active, as listed in the Council decision 2006/1016. The so-called "2007 Partner countries" (annex 2) are grouped under four main areas: Pre-accession, Neighbourhood and Partnership, Asia and Latin America, South Africa. The new Member States which joined the EU in 2004 and 2007, as well as ACP and EFTA countries are therefore not covered in this review.
The review considers all Mandates and Facilities under which the Bank can finance operations in those regions and through which it offers a wide variety of financial products. Various indicators are used to illustrate overall EIB operations in each geographical region, while highlighting the various financial products and their respective contribution to the mission of the EIB.

Framework of EIB activities



The EIB is the Financial Institution of the EU; its Board of Governors can authorise the Bank to finance operations outside the European Union in support of the Community's external policies. These activities are initially framed within Mandates that follow Council Decisions to guarantee the EIB against losses under loans on own resources. *§ 1 and § 2* *Annex 3*

For the period under reference, two Council decisions covering periods of 7 years (2000 to 2006 and 2007 to 2013) are relevant. In addition, the Accession of 10 New Member States (2004) and the launch of FEMIP[2] (2002), followed by the reinforced FEMIP (2004) were reflected in a revision of the EIB external mandates in 2004. *§ 2.1*
The overall guaranteed ceiling reaches EUR M 19 460 for the period 2000-2006 (of which 2.8 bn financed operations in New member States) and EUR M 25 800 for the period 2007-2013.
Council decisions refer to the Community policies in the various regions covered and may add specific targets to the Bank mandates. These targets are better defined for the on-going period. Specific ceilings are defined for each of the following regions: Pre-accession countries, Neighbourhood and Partnership countries, Asia and Latin America, Republic of South Africa. *annex 2*
Other Mandates can be given to the Bank, following political events or natural disaster. *§ 2.1.4*

In order to better support the EU external policies, the Bank may decide to provide more financing on its own resources and at its own risk (hereafter called Facilities). *§ 2.2*
The second Pre-Accession Facility (2000) has been regularly increased, with today a cumulative ceiling of 19.5 EUR bn (of which 11.1 bn financed operations in the New member States). The Mediterranean Partnership Facilities (1 bn for 2001-2006 and 2 bn for 2007-2013) are benefiting the FEMIP countries. A third Facility has been recently added in order to serve Europe's Energy Interests, including operations in the context of climate change.

The Bank handles other mandates on EC budget resources (risk capital, interest rate subsidies, technical assistance as well as funded by Member States (Trust Fund); amounts available have been limited. *§ 2.3*

[2] Facility for Euro-Mediterranean Investment and Partnership

Policies and strategies

In its conclusions, this report shows that the Bank is following three main business lines where it has an established expertise and has developed its competences through its activities both within and outside the EU:

- support to the development of economic infrastructure,
- support to the development of Small and Medium size Enterprises, associated with support to the financial sectors
- support to the development of the manufacturing sector

The Bank's priorities and objectives may vary from one region to the other, and may change from one period to another, but are always building on experience.
As an example, working with the private sector could be the priority, which is then further developed under any one of the above business lines.

§. 3.1.2
§ 3.2.2
§ 3.3.2
§ 3.4.2

The Community policies to which the various mandates refer are translated into objectives for the Bank mainly through the setting of the Corporate Operational Plan which covers three years and is revised annually. The COP refers to quantitative objectives established in line with the volumes targets given in the Mandates and Facilities. The COP objectives, established by main region, are split according to sectors and, more recently reflecting other specific targets defined in the Mandates (e.g. private sector, environment, energy security, and also reconstruction, pre-accession …).

The Bank has also written specific strategy notes for each region for the implementation of its activities during the period 2007-2013. In general, with the exception of Turkey, the Bank does not establish detailed country objectives, and operates in each country according to priorities co-defined with the national authorities or based on pure market absorption considerations, within a given framework.

Portfolio management

The Bank actively manages its portfolio of operations, screening projects at each stage of the appraisal and approval process. However, the aim is always to ensure the commitment of the maximum amounts available.
Cancellations after signature represent more than 6% of the signed amounts (financial conditions not accepted, overestimated amounts for global loans, undisbursed amounts for various reasons in direct operations and early repayments). These have been partially compensated for by additional signatures.
Disbursement rates differ between private and public sector operations. There is a concentration of difficulties arising from weak institutional promoters in various infrastructure projects.
Mandate amounts have been committed, although there is a clear anomaly today for the new Eastern Partnership countries. The amounts foreseen under the Pre-accession Facility have always been committed, which has not been not achieved for the first Mediterranean Partnership Facility.

§ 4.1
and
§ 3.1.1
§ 3.2.1
§ 3.3.1
§ 3.4.1

Geographical scope

The pattern between the regions is set-up in the volumes targets, while the country repartition is first influenced by the absorption capacity of the countries, i.e. their size and level of development; the latter factor is significant when the country development allows the easy mobilisation of the Facilities (investment grade countries).
At a global level, it is interesting to correlate the Bank's activity with the GDP per capita; it gives an illustration of the Bank's presence: strong in pre-accession countries, significant in Mediterranean countries and only based on some specific objectives in South Africa and Asia/Latin America.

§ 4.2
and
§ 3.1.3
§ 3.2.3
§ 3.3.3
§ 3.4.3

Sectors

The Bank's activity is largely spread over all sectors:

- Support to the development of economic infrastructure represents 63.4% of total Bank's activities during the 9 years reviewed. Under this heading are grouped: transport (28.1%), energy (23.3%), environmental infrastructure (7.2%) and

§ 4.4
and
§ 3.1.5
§ 3.2.5
§ 3.3.5

telecommunications (4.8%). With the new targets of the 2007-2013 mandates, the Bank's financing of environmental infrastructure is increasing. *§ 3.4.5*

- Whenever justified or requested, the Bank is supporting private sector promoters, for example when financing Public-Private Partnerships (PPP).
- The development of SMEs represents 21.4 % of the Bank's activity and has always been a priority, both with public sector banks and, more and more, private sector commercial banks.
- Manufacturing operators are the third target of the EIB, in particular as the Bank supports the development of EU Foreign Direct Investments; this represents 8% of the Bank's activity.
- Finally, a new sector is developed more on a case by case basis: 7.2 % of the Bank's activities are grouped under Social and Housing, combining reconstruction efforts after natural disasters and support to social programmes including education and social housing. All are public sector operations financed under mandates.

Financial products.

The main financial product offered by the Bank is the long-term loan on its own resources. Financing formulas are based on the Bank's credit risk guidelines which are well set-up both for the Mandates and for the Facilities. It is clear from this report that the financing under the Facilities is additional to the financing under the Mandates and vice-versa (i.e. each is targeting different groups of borrowers). *§ 4.3 and § 3.1.4 § 3.2.4 § 3.3.4*

In general, the Bank's activities in a country start with a mandate, i.e. with full recourse to the Community Guarantee. At the end of the 90s, the "risk-sharing" formula was introduced, under which (simplified presentation) the Bank takes the commercial risk while the Community budget covers the political risk. In this case the Bank has partial recourse to the Community guarantee. This has allowed to increase the financing of the private sector in countries where private operators are prepared to invest. *§ 3.4.4 § 2.1.1*

Under the Facilities, any financing is set up without recourse to the Community Guarantee.

The level of development of a country (investment grade or not) is normally the main criterion for deciding to finance public sector operations under a Mandate or a Facility. In the case of the private sector, the credit rating of the operation concerned defines the type of resources which can be used, although some other factors can be considered (see below special reserves for riskier operations).

The table in section 4.3 gives a good illustration of the use of the three formulas, according to regions, countries and borrowers.

The respective shares over the full 2000-2008 period are: Full recourse: 61% Partial recourse: 17 % No recourse: 22%. This global view shows that, with the combination of the 3 formulas, the EIB covers the commercial risk over 39 % of the operations financed.

To further diversify its financial offer, the Bank has mobilised its own funds, the Community budget and also Member States funding.

Where the Bank is supporting the commercial risk (partial recourse or no recourse), it has introduced a new financial product under which the Bank is taking more risk, setting aside, from its reserves (EIB own funds) the necessary provisioning (from the Structured Finance Facility: SFF or SFE: Special FEMIP Envelope). The use of SFF has been significant during the last 2 years (2007-08): it represents 12% of the total signed operations. Given the scarcity of the resources available under SFF, amounts are limited and the report shows that the level achieved recently is probably not sustainable under the existing procedures and the foreseen amounts for SFF/SFE. This formula allows targeting a different clientele and is therefore additional to other financial products. *Annex 4*

Under the existing EIB rules, borrowing and lending in one specific currency are disconnected and intermediated through the Bank's overall financial resources management, with the historical exception of the Rand (South-Africa). Some attempts to develop the financing in local currencies have been made. The report shows that any development is slowed down by both the low financial value-added for the borrowers and the high initial administrative cost. The notable exception is South Africa where a different category of clientele can be financed. *§ 3.4.4*

To usefully complement its lending on own resources, the Bank has been authorised to mobilise EC Budget funding.

The use of interest rate subsidies is valuable for operations in weak financial sectors such as environmental infrastructure or social sectors.
Risk capital operations have the highest impact when the Bank manages directly a specific envelope and uses it both for the development of SMEs and the development of the local financial markets.
Technical assistance funding is a powerful instrument for supporting EIB operations in difficult sectors. The future need for this instrument will be even greater given the targets retained, such as: reconstruction in the Balkans, environmental infrastructure and climate change in all regions, without forgetting the weak public promoters in many countries.
In order to fully support the evolution of the Bank's activities towards operations with more value added (both in financial terms and in sector terms), grant resources should be significantly increased in the remaining period of the 2007-2013 mandate.

Further observations

The report also makes a few remarks on the future activities of the Bank in the 4 areas.
In the Pre-accession countries, the commitment of the Mandate is ahead of schedule; it could therefore be justified to rebalance the future portfolio in favour of the Western Balkans, maybe through an increase of the Mandate amount. The Facility will have to be renewed, probably in 2011. Recourse to technical assistance funding is essential in the Western Balkans.
The commitments of both Mandate and Facility have a regular pattern in the Mediterranean countries. Efforts to finance riskier projects should be sustained. Recourse to budget funding is essential for an enlarged impact under the FEMIP objectives.
The development of a portfolio of operations is facing difficulties in the Eastern Partnership countries. Current agreements should be reviewed and the Bank should be allowed to independently build its pipeline of operations, capitalising on its competences (financing the development of economic infrastructure and supporting SMEs, as well as FDIs for EU companies).
In Asia and Latin America, the possibility of committing the Mandate amounts before 2013 seems high. The new targets (environment – poorest countries) call for technical assistance funding currently not available.
The situation in South Africa is similar.

In general, the current financial crisis has increased the demand for long-term funding in all countries, and mostly in countries where access to funding is difficult; this creates a higher demand on the Mandates.
The demand on the Facilities is significant only in Pre-accession countries, where the private sector is ready to invest, and in China. This is far less visible in other regions. The commitment of the new "Sustainable Energy Facility" is on the low side".

1 Background

The contribution and role of EV is presented below as defined in the context of the Mid-Term Review of the EIB 2007-2013 external mandates.

The EIB operates outside the European Union under the rules defined in Article 18.1 of its statutes. This chapter defines the various forms this activity can take:

- Financing on own resources under Mandates covered by the Guarantee (partial or full) of the Community
- Financing on own resources under Facilities at full EIB risk
- Financing with other funding (mainly EC budget) under special mandates

1.1 Definition of the role of Operations Evaluation (EV)

This definition is given in the European Parliament/Council decision 633/2009/EC granting a Community guarantee to the EIB against losses for projects outside the Community.
This decision refers to the EIB activities outside the EU in all regions, excluding ACP and EFTA countries. The Annex II of this decision has defined the broad lines of the Mid-Term Review (MTR) of the EIB external mandates.

Two main sets of tasks are foreseen:

- *an evaluation of the EIB's external financing activities. Parts of the evaluation should be conducted in co-operation with the EIB's and the Commission's evaluation departments.*
- *an assessment of the wider impact of the EIB's external lending on interaction with other IFIs and other sources of finance.*

> *European Parliament/Council Decision 633/2009/EC article 9-1*
> *Review*
> *"The Commission shall present to the European Parliament and the Council a mid-term report on the application of this Decision by 30 April 2010, accompanied by a proposal for its amendment, drawing upon an external evaluation, the terms of reference of which are specified in Annex II to this decision".*

For this purpose, EV has proposed independent evaluations to the Commission, which will be made available to the external consultant in charge of the mid-term evaluation managed by the EC.
In the context of its evaluation programme, EV has also decided to include all Facilities and Mandates governing EIB activities in the regions covered. This will allow a comprehensive view through individual operations' evaluations and through a global assessment of EIB activities.

This specific MTR evaluation programme performed by EV includes the following reports:

- A full review of the portfolio of the operations signed under mandates and facilities for the period 2000-2008, together with a review of the corresponding EIB strategies (this report does not include the assessment of the interaction with other IFIs as this is the role of the evaluation mandated by the EC)
- in-depth evaluation reports of a large number of selected individual operations, presented in 3 distinct synthesis reports (Pre-accession / Neighbour / ALA). Operations should be already physically completed and therefore have been mainly selected from the operations signed during the period 2000-2006.

This will serve as a contribution to the evaluation of the EIB Programme as defined for the EC consultant in charge of the Mid-Term Review. Annex 1 presents EV's contributions to the MTR: evaluation reports already available (including one on activities in South Africa), evaluations started in 2008 (available in 2009) and a new evaluation programme specific to the MTR (performed in 2009).

1.2 EIB activities outside the EU: definitions

a. EIB activities on own resources under Mandates:

Since 1963, the EIB has undertaken activities outside the Community in support of the Community's external policies. EIB financing is provided in selected countries following receipt of a mandate or invitation from the Council, and fall under the second paragraph of Article 18 of the EIB statutes, under which derogation is required from the Board of Governors so that operations may proceed.

> *EIB statutes: article 18 - 1*
> *Within the framework of the task set out in the Article 267 of this Treaty (Rome), the Bank shall grant loans to its members or to private or public undertakings for investment projects to be carried out in the European territories of Member States (...).*
> *However, by way of derogation authorised by the Board of Governors, acting unanimously on a proposal from the Board of Directors, the Bank may grant loans for investment projects to be carried out, in whole or in part, outside the European territories of Member States.*

Council mandates to the Bank take the form of a Council Decision guaranteeing the EIB against losses under loans and loan guarantees on own resources for projects outside the Community. The guarantee is covered by the General Budget of the Community[3] (however, this does not apply to operations in ACP States). The Council Decision which, in recent times, has been aligned to a Financial Perspective, e.g. 2000-2006, fixes the maximum ceiling which is guaranteed for EIB activities on own resources outside the Community for the entire period, and also specifies regional sub-ceilings for the geographical areas covered by the guarantee.

b. EIB activities on own resources under Facilities:

Following a proposal or an invitation from the European Council, the Bank might agree to establish a Facility with a specified ceiling amount, financed on its own resources, for operations in specific areas outside the Community. Its purpose is usually to provide additional lending to that already available under mandate, but without any recourse to a Community or Member State guarantee. Such a Facility falls under the second paragraph of Article 18(1) of the Bank's Statute. As a general rule, lending under a Facility is undertaken in investment-grade countries or in projects/structures with an equivalent rating; the geographical areas covered by a Facility are usually already defined in a parallel mandate.
In addition, individual operations (in general of a large size) financed outside of the EU without any recourse to a Community guarantee can also be authorised by the Bank's Board of Governors (one operation during the period 2000-2008 in China).

c. EIB activities on other resources under Mandates:

The EIB also manages budgetary envelopes on behalf of the Community or various Member States. This report will refer mainly to the following

- EC budget: mandates defined within the MEDA regulation and referring to risk capital operations, interest rate subsidies (for environmental loans) and Technical Assistance operations in the Mediterranean countries
- Specific Member States resources: the FEMIP Trust Fund
- EC budget: the new facilities open in various regions (Balkan, Mediterranean) will also be referred to.
- EC budget: risk capital mandates for operations in RSA [4];

[3] In 1994, the Council established a Guarantee Fund, the financial management of which was entrusted to the Bank. This Fund also covers risks related to Euratom lending and macro-financial assistance by the EC. Modalities and procedures for payment and reimbursement between the EC and the Bank are governed by the Implementation Agreement between the European Community and the EIB of January 1999, replaced by the Recovery Agreement between the European Community and the EIB of August 2007.

[4] These operations are managed by a South African development bank with a managerial role for the EIB. Amounts are not recorded within EIB statistics.

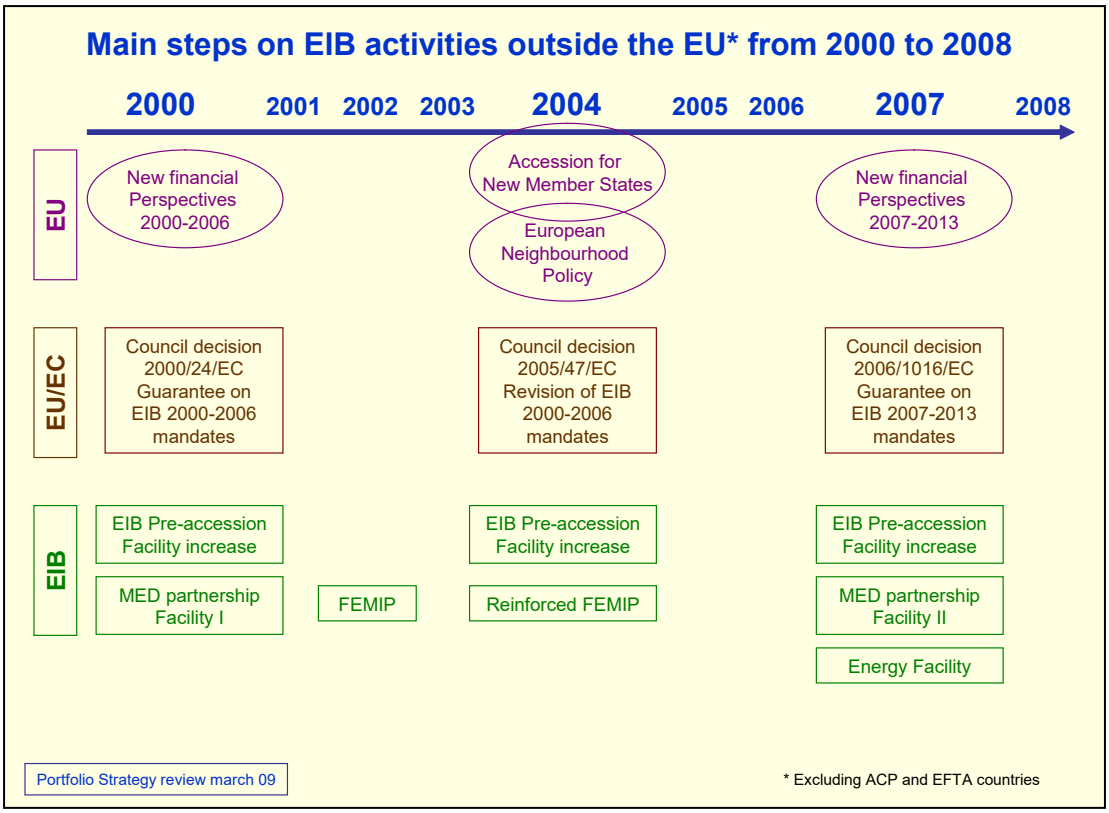
2 A global view of EIB activities in the "2007 Partner countries" (refer to annex 3)

Council Decisions regarding EIB Mandates are, since 2000, aligned with the EU/EC financial perspectives; therefore two main periods can be identified: 2000-2006 and 2007-2013; in addition, the Accession of 10 New Member States (2004) and the launch of FEMIP (2002), followed by the reinforced FEMIP (2004) were reflected in a revision of the EIB external mandates in 2004. Furthermore, some special mandates were added between 2000 and 2006 following special political or natural events (earthquake, new countries...).

Following the same time pattern, the EIB enlarged its activities through: (i) the renewal (and increases) of the Pre-Accession Facility, (ii) the creation (and renewal) of the Mediterranean Partnership Facility, and lately (iii) the establishment of a Facility for Energy Sustainability and Security of Supply.

Finally, the EIB accepted the management of "mandates" financed by other sources of finance, mainly the EC budget, but also provided by some Member States. They mainly allow the provision of technical assistance as well as interest rate subsidies.

At the end of this section, the mapping of EIB activities from 2000 to 2008 illustrates the amounts committed by the Bank under all these mandates and facilities. The relative importance of Mandates versus Facilities and the differences between regions is shown.



2.1. Council Decisions and EIB external mandates on own resources

Three main **Council decisions** dated 2000, 2004 and 2006 govern the EIB mandates.

2.1.1 Decision 2000/24/EC of 22.12.1999 granting a Community guarantee to the EIB against losses under loans for projects outside the Community

This decision was taken as part of the 2000-2006 EU Financial Perspectives and refers to previous Decisions regarding the EU role outside the Member States. It provides a global guarantee of 65% in respect of all loans up to an overall ceiling of 18 410 M (for 7 years starting at 01/02/2000 with an automatic extension of 6 months).

4 regions are targeted	M EUR
Central and Eastern Europe	8 680
Mediterranean countries (with Turkey)	6 425
Asia and Latin America	2 480
Republic of South Africa	825

Risk-sharing scheme

Under this scheme *"the EIB should secure adequate non-sovereign third-party guarantees for commercial risks, with the budgetary guarantee in that case covering only political risks arising from currency non transfer, expropriation, war or civil disturbance"*.

Two specific requests have been made to the Bank:
For all regions: the EIB is "*invited to aim to cover the commercial risk on 30% of its lending under this Decision from non-sovereign guarantees as far as possible on an individual regional mandate basis*" (see box aside).
Regarding the first region: "*the EIB should ensure that its guaranteed lending within the Central and Eastern Europe mandate will finance particularly projects in those countries which have fewer projects suitable for financing from the pre-accession facility or projects in non-applicant countries*".

2.1.2 Decision 2005/47/EC of 22.12.2004 [amending the above 2000/24/EC decision] to take into account the enlargement of the European Union and the European Neighbourhood Policy

The mid-term review of the above Decision (2000/24/EC) prepared by the Commission concluded that some amendments were appropriate, in particular in view of the enlargement of the European Union. Furthermore the Copenhagen European Council has declared Turkey eligible for pre-accession support in December 2002.
Therefore the "format" of the guaranteed ceilings was revised with an overall ceiling fixed at 19 460 M, for the same duration 2000-2006, the Global Guarantee remaining at 65%.

The 4 regions are redefined as	M EUR
South-Eastern Neighbours (+ Turkey)	9 185
Mediterranean countries	6 520
Asia and Latin America	2 480
Republic of South Africa	825

The Special Action Programme for Turkey (450 M) is also included in the overall ceiling.

This decision includes an amendment to the risk-sharing scheme.

This Report will always refer to these numbers as authorised amounts for the period 2000-2006.

Risk-sharing scheme

Addition to the list of political risks: "*denial of justice upon breach of certain contracts by the third country government or other authorities*".

2.1.3 Decision 2006/1016/EC of 19.12.2006 granting a Community guarantee to the EIB against losses under loans for projects outside the Community (Important: see new Decision in the box below)

In parallel to the framework of the new 2007-2013 Financial Perspectives, the rules governing the EIB external mandates were revised at the end of 2006. Under this Decision, the EIB Financing operations should be consistent with and support EU external policies. It refers notably to the Pre-accession Strategy (2005), the European Neighbourhood policy (2004), the renewed partnerships with Latin America and South-East Asia and the strategic partnerships with Russia, China and India.
This decision provides a global guarantee of 65% in respect of all loans up to an overall basic ceiling of 25 800 M (for almost 7 years starting at 01/02/2007 and ending at 31/12/2013) and an optional mandate of 2 000 M.
The targeted countries (see Annex 2) are grouped in 4 main regions with specific ceilings:

	M EUR	M EUR
Pre-accession countries		8 700
Neighbourhood and Partnership countries		12 400
Mediterranean countries	8 700	
Eastern Europe, Southern Caucasus, Russia	3 700	
Asia and Latin America		3 800
Latin America	2 800	
Asia (and possibly Central Asia)	1 000	
Republic of South Africa		900

Recourse to the Community guarantee: under this decision:

"*The EIB should be encouraged to increase its operations outside the EU without recourse to the Community guarantee, particularly in the pre-accession countries, the Mediterranean as well as in investment grade countries in other regions*"

Risk-sharing scheme

No more quantitative objectives. The Decision defines the operations which can benefit from the full guarantee.

Two general targets are proposed to the Bank:
"*the protection of the environment and energy security of the Member States should form part of the EIB's financing objectives in all eligible regions*"

In addition, numerous specific objectives at regional level are included:

- For pre-accession countries:
  "*The EIB should seek to encourage the Institution building aspect in the Western Balkans, in cooperation with other IFIs active in the region"*
  "Financing to candidate countries should increasingly take place under the Pre-Accession Facility "

- For the ENP countries:
  In the Mediterranean region: "*enhance focus on private sector development"*
  In Eastern Europe, Southern Caucasus and Russia: *"finance projects of significant interest to the EU in transport, energy, telecommunications and environmental infrastructure".*

- For ALA countries:
  "*progressively expand its activities across a larger number of countries*"
  "*focus on environmental sustainability, energy security, continued support of EU presence through Foreign Direct Investment, transfer of technology and know-how*"

- For South Africa:
  "*focus on infrastructure projects of public interest and private sector support (including SMEs)*"

A strong reference is made to the combination of "… *EIB financing with EU budgetary resources as appropriate, in the form of grant support, risk capital and interest rate subsidies, alongside technical assistance* ...".
This statement refers to regional budget lines for Pre-accession and ENP countries.
In addition, references are made to coordination, cooperation and reporting throughout the whole text of the Decision.

2.1.4 Other Council Decisions, other Mandates for EIB own resources lending.

During the period under reference, political events have been translated into specific mandates, which are part of this evaluation exercise, as well a natural disaster.
All these mandates ended before the new 2007-2013 period.

TERRA TURKEY EUR M 600
In August 1999, a severe earthquake hit Turkey. The Bank proposed to contribute to the reconstruction process which was initiated by a Council Decision in 1999 (1999/786/EC). The ceiling of EUR M 600 is covered by the Community guarantee stated in the section 1.1.
SPECIAL ACTION TURKEY EUR M 450
In December 2000, the Council Decision 2000/788/EC provided a guarantee (with conditions identical to the above 1999 Decision - § 1.1) for EIB loans in Turkey up to an amount of EUR M 450 under the Special Action supporting the consolidation and intensification of the EC-Turkey Customs Union.
RUSSIA EUR M 100
In November 2001 (Council Decision 2001/77/EC), a 100 % guarantee level was granted to the Bank under a special action programme for selected environmental projects in the Baltic Sea basin of Russia up to an amount of EUR M 100.
RUSSIA, BELARUS, MOLDOVA, UKRAINE EUR M 500
In December 2004 (Council Decision 2005/48/EC), a 100% guarantee level was granted for EIB lending in Russia and the Western New Independent States (WNIS), namely Belarus, Moldova and Ukraine, with a ceiling of EUR M 500.

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL 633/2009/EC granting a Community guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community.
Approved by the Council on July 13th 2009.

This Decision replaces Decision 2006/1016/EC of 19.12.2006 as described in section 2.1.3 above. The period (2007-2013) and the mandate amounts are identical. The guarantee itself is valid until 31 October 2011. The Commission should present, before 30 April 2010, a proposal for a new decision inter alia taking into consideration the conclusions of the mid-term review.

Most of this new Decision is comparable to the previous one, with a notable addition referring to the Articles 177 and 179 of the Treaty:
" whereas (8): EIB financing operations should be consistent with and support the Community's external policies including specific regional objectives an should contribute to the general objective, as referred to in Articles 177 and 179 of the Treaty, of promoting and consolidating democracy and the rule of law, human rights and fundamental freedoms, and to the observance of international environmental agreements to which the

2.2 EIB decisions on Facilities.

2.2.1 The Pre-Accession Facility: from EUR 8.5 to 19.5 bn at Bank's own risk

- In January 2000, the Bank's Board of Governors established the second Pre-Accession facility of EUR 8.5 bn for an initial duration of 3.5 years, up to July 2003. The Facility was open to all applicant countries (the 10 countries of Central and Eastern Europe) plus Cyprus and Malta; Turkey also became eligible in April 2001.
  All sectors eligible for EIB financing, such as infrastructure - which includes energy and telecommunications, environment and municipal investments - SMEs and industry were included under this Facility.

- In April 2003, this Facility was extended up to the end of 2004, with an additional amount of EUR 3.5 bn, covering the same beneficiary countries.

- In May 2004, following the Accession of the 10 new member States, the Facility was increased by a further EUR 2 bn (valid until end 2006), and was open to all Acceding, Accession and Candidate countries. The cumulative amount available under the Facility is therefore EUR 14bn.

By the end of 2006, more than EUR 11.1bn had been signed in all 12 new Member States prior to their respective accession dates. A further EUR 2.156bn had been signed in the remaining countries – which are included in this report – leaving a further EUR 0.7bn available for signature at that time.

- January 2007: in parallel with the formulation of the new 2007-2013 EIB external mandates, the ceiling of the Pre-Accession Facility was further increased by EUR 5.5 bn; a new proposal is envisaged at the end of 2010, which should take into account the mid-term review of the external mandates as well as the development of activity in the Pre-Accession countries.
  The geographical coverage includes all (today three) Candidate States, as well as Potential candidate countries in the Western Balkan region recognised as such by the Council.

As of January 2007, the amount therefore available for signature in these countries is EUR 6.2bn. The cumulative amount made available under the Facility for the entire region is EUR 19.5bn since 2000.

2.2.2 The Mediterranean Partnership Facilities 1bn (2001) and 2 bn (2007)

- April 2001: During the Fourth Euro-Mediterranean Conference of Foreign Ministers (Marseille – November 2000) the EIB proposed to add a Facility with an amount of EUR 1 000 million to its lending under the Mandate,
  The Mediterranean Partnership Facility was agreed by the Bank's Governors in April 2001 to contribute to the realisation of projects of regional and common interest, particularly in the communications and energy sector. The period of validity of this authorisation was identical to the Mandate.
- March 2007: In parallel with the new external mandates, a second Mediterranean Partnership Facility was approved for M EUR 2 000, open for the period 2007-2013.
  This Facility does not have any specific sector or country requirements, although some priorities are highlighted: communication networks, production and exchanges of energy, protection of the environment and all projects of particular European interest.

FEMIP ("Facility for Euro-Mediterranean Partnership".)

This is not a new financial instrument, but a framework revising the EIB strategy and its relationship with Mediterranean Partner Countries and all other partners (European Commission and Financial Institutions).

➢ *October 2002: launch of FEMIP at the Meeting in Barcelona of the Finance Ministers of the 15 Member States and the 12 Partner Countries.*
The main new feature of FEMIP is the ***Partnership*** *with the beneficiary countries taking the form of a "Policy Dialogue and Coordination Committee" (PDCC) which should meet twice a year.*
The yearly signatures were supposed to be regularly increased from 1.65 bn in 2003 to 2 bn in 2006 (Mediterranean countries including Turkey at that time) as long as budgetary resources were increased, both for risk capital operations and technical assistance support (additional budgetary support of 250 M on the 4 years).
Additional amounts had to be committed with a higher priority given to the private sector.
But the amounts available are not increased within FEMIP (no immediate change in Mandates – the mandate revision in 2004 took into consideration that decision as shown below), except through the creation of the FEMIP Support Fund for Technical assistance operations, financed from the EC Budget (M EUR 105 for 5 years) and through the provision of a limited additional volume of risk capital resources.

➢ *2004: the Reinforced FEMIP.*
As foreseen when launching FEMIP, the ECOFIN Council (December 2003) reviewed various options for the future of FEMIP. While Partner Countries signalled a preference for a "reinforced" FEMIP Initiative, the Council agreed to develop this instrument within the Bank (and set aside the creation of a subsidiary).
The Council confirmed the reallocation of M EUR 2180 in favour of all Mediterranean countries (under the 2000-2006 mandates), following the Accession process.
The rules for the implementation of the reinforced FEMIP were established early 2004. They include (see more details on section 3.2):

- *the introduction of the "Special FEMIP Envelope" (SFE – see also SFF definition on section 3.1.3 and more details on SFE in section 3.2).*
- *the creation of a "FEMIP Trust Fund" to support priority sector activities*
- *the transformation of the PDCC into a Ministerial Committee to improve institutional aspects and coordination*
- *the increase of the Bank's regional presence*

2.2.3 The Facility for Energy Sustainability and Security of Supply: June 2007

- Considering the targets set for the EIB under the 2007-2013 mandates: "*the protection of the environment and energy security of the Member States should form part of the EIB's financing objectives in all eligible regions*" , and
- Considering the principles set by the Council for "An External Policy to serve Europe's Energy Interests" in May 2006 which called for EIB loans as one of the instruments to implement this policy, the EIB's Board of Governors endorsed the creation of this Facility for an amount of M EUR 3 000 to be committed within the period 2007-2013. The amount of this Facility could by adjusted mid-2010 if justified.
  Eligible regions are: Neighbourhood and Partnership countries (excluding Russia), Asia and Latin America, South Africa, as well as ACP countries subject to such countries being rated investment grade or appropriate security being provided on a project basis.
  The operations targets include renewable energy, energy efficiency investments, projects aiming at reduce greenhouse gas emissions and projects contributing substantially to security of EU energy supply.
  In practice, environmental projects relating to climate change in any sector are also now eligible under this Facility.

2.2.4 Decisions for individual operations under article 18-1 of the EIB statutes

In 2005 one individual operation was approved under this procedure: a loan of 500 M for financing investments in the transport sector in China.

2.3 Other mandates on EC Budget resources or other type of funding

Background

The EC MEDA Budget line is guided by the MEDA Council Regulations. The first regulation was ratified in 1996 (N° 1488/96); it was amended in November 2000 (CR 2698/2000/EC) to regulate the MEDA II budget line, which is applicable to the timeframe 2000-2006. A similar set-up is still initially valid for 2007-2013 from the European Neighbourhood and Partnership Instrument (ENPI budget line).

The Regulations in Article 6.1 foresee: *"Community financing shall notably be in the form of grants and **risk capital**. Concerning cooperation measures in the field of environment it may also take the form of **interest rate subsidies** for loans granted by the Bank from its own resources.* "

After 2007, EC budget funding is provided from various budget lines set-up per region, such as the ENPI budget.

2.3.1 Risk capital (EC Budget)

Article 6.4 of the MEDA Council Regulation specifies that risk capital shall be used to make available own funds to undertakings in the production sector and gives more details about the form of those financings, provided and managed by the EIB.

Funding under this label reached 183 M EUR between 2000 and 2006. Further funding is being provided for the period 2007–2010 from the new ENP budget line, at a rhythm of 32 M a year (which can be used both for risk capital operations and for the FEMIP Support Fund). A more detailed assessment is provided in the section 3.2.

2.3.2 Interest rate subsidies (EC Budget) - see application in section 3.2

Based on the above text concerning regulations, projects with an environmental priority objective could benefit from an interest rate subsidy - a feature which already started in 1992 in previous Mediterranean mandates. Since 2000, such subsidies are part of the Budget country programme set-up between the EC, the country and the EIB. The principle, established within the MEDA budget line in 1997, is still valid today.

The interest rate subsidy level is capped at 3% and applies to each loan repayment. The cumulative amount of the subsidies is estimated and mobilised at the date of signature. They represent some 20-22% of the loan amount (i.e. a leverage of 5).

Budgeted amounts utilised reach 188 M for the period 2000-2008.

Since 2007, eligibility criteria include Social and Environment, and funding allocations have to be called through the NIF (see below).

2.3.3 Technical assistance from the FEMIP Support Fund (EC Budget)

In 2002, the setting up of FEMIP included the creation of the FEMIP Support Fund (FSF). This Fund was established at the end of 2003 through a Financial Agreement under the MEDA budget and an amount of 105 M EUR was provided by the EC to the EIB between 2003 and 2006. This funding allows for actions to be financed until the end of 2009.

EIB commitments started in 2004 as planned; at the end of 2008, 82.6 M EUR had been signed, of which 11 M in Turkey and the remainder in the Mediterranean Neighbour countries..

For 2010, 10 M will be made available by the EC on the ENPI budget. Further funding should come from the ENPI budget directly and/or from the NIF.

The FSF was evaluated in 2007. More information on its utilisation is given in section 3.2.

2.3.4 The FEMIP Trust Fund

The FEMIP Trust Fund (FTF) was created (first Assembly of donors on 01/2005) as part of the reinforced FEMIP to allow donors to complement on a voluntary basis the Bank's own resources as well as the financial resources provided to the Bank by the EU budget.
The purpose of the Fund is to foster private sector development in the Mediterranean region. As the end of 2008, 15 Member States and the EC have contributed with 34 M EUR; active actions signed amount to 8.1 M.
The Assembly of donors foresees a review mid-2010, together with all other mandates.

2.3.5 Other recent Facilities (EC Budget associated with other resources)

The Neighbourhood Investment Facility:
Within the context of the European Neighbourhood Policy, the Commission has proposed the creation of the Neighbourhood Investment Facility (NIF), to which it would allocate 700 M EUR within the 2007-2013 timeframe. NIF is normally earmarked for public sector support.
A Trust Fund has been launched which will receive EC budgetary allocations, but also additional contributions from Member States.
For the EIB, this instrument is now the only source of support under the form of interest subsidies (or grant co-financing). The direct allocations to the EIB for risk capital and technical assistance funding will be questioned in 2010. It should be noted that recourse to the NIF can normally only be called by a minimum of two IFIs co financing an operation. Procedures are still under negotiation on many aspects.

The Western Balkan Investment Framework (WBIF):
Under this framework proposed by the Commission as well as EIB, EBRD and CEB, a joint grant fund would be created for a similar purpose as above. Discussions are still on-going on the structure.
In-between, the EIB has been providing since 2008 technical assistance financed from its own budget (the Western Balkan Facility).

2.3.6 The Risk Capital Facility (RCF) for operations in RSA (EC Budget)

The RCF was launched by the European Commission in 2002 as a component of the Commission's "Private Sector Support Programme" and aims at providing equity and quasi-equity funding to SMEs owned by historically disadvantaged persons.
The RCF is co-managed by a South African development bank (as implementing agent) and the EIB. The role of the Bank is to:

- evaluate, decide on and monitor proposals made – on behalf of the EC
- report to the EC on the management and performance of the RCF

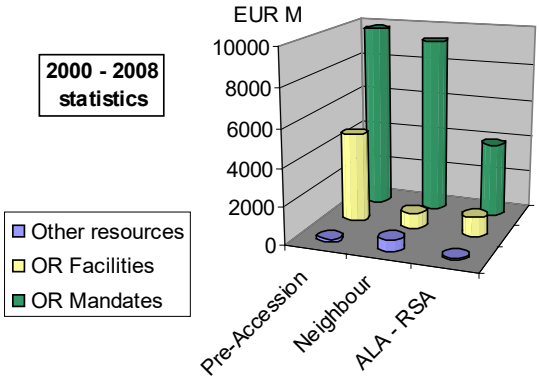
The initial amount of 55 M EUR was renewed by 50 M at the end of 2006. As such, amounts financed by the RCF are not part of the Bank's activities; financial flows are between the EC and the South African government and the development bank.

2.4 Mapping of EIB activities in the "2007 partner Countries"

All numbers are strictly adjusted to the countries eligible in this report. The annex 3 gives the numbers per mandate/facility and per period for the three main areas.

2000 - 2008 amounts	Pre-accession		Neighbour & Partnership		ALA + RSA		Total	
M Euros	Net signed	Disbursed	Net signed	Disbursed	Net signed	Disbursed	Net signed	Disbursed
Mandates	9792	5407	9298	5009	3937	2917	23027	13333
Facilities	4751	3592	838	604	1000	301	6589	4497
Other Res.	168	148	593	250	85	10	846	408
total	14711	9147	10729	5863	5022	3228	30462	18238

Net signed amounts = signatures minus cancellations after signature

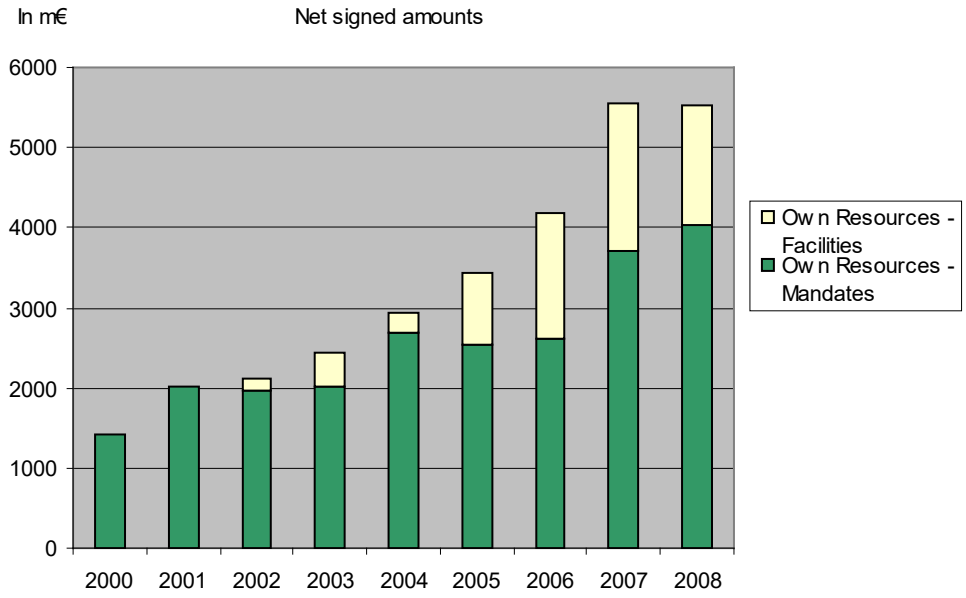


A global illustration is provided by the adjacent graph based on net signed amounts. It shows the relative importance of Mandates versus Facilities on own resources and the low levels of volumes financed from other resources, (except for the Mediterranean countries). The analysis of the respective volumes per region and per type of resources will be looked at in the following part of this report.

The graph below illustrates the net amounts signed per year split by Mandates and Facilities for Own Resource financing. The utilisation of the OR Facilities was authorised in 2001 for Turkey, in 2003 for the Neighbour countries and in 2004 for Croatia; following 2007, almost all countries can have operations financed under a Facility.

The main changes in the level of EIB financing took place:

- in 2004 with additional amounts under Mandates for the countries under review
- in 2005-2006 with increased utilisation of the Facilities
- in 2007 with a further change in the Mandates' amounts



3 Assessments per region (see also amounts in Annex 4)

This chapter reports on each of the 4 main regions included in the new 2007-2013 mandates under the following headings:

- Portfolio management: year by year signatures, cancellations and disbursements.
- Brief overview of policies and strategies both at EU and EIB level.
- Review of the geographical scope – distribution by country and correlations with GDP per capita.
- Detailed review of the financial products offered: mandates with full recourse to the Community guarantee, mandates with partial recourse to the Community guarantee (risk sharing), facilities with no recourse to the Community guarantee, additional support from the EIB (SFF = Structured Finance Facility), lending in local currency, additional support through EC funding (technical assistance, interest rate subsidies, risk capital) and possibly other special instruments.
- Review of the sectors targeted in relation to the EIB's role, including public/private shares
- Assessment of the additionality of each instrument.
- Latest 2009 trends on signatures and approvals.

The last section of the chapter presents some results aggregated over all regions, in relation with the above indicators.

3.1 Candidate and potential candidate countries

During the FP1 (2000-2006), mandates and facilities were open to both candidate countries (as now defined) and to the 12 New Member States (NMS). Numbers recorded in this paper for that period refer only to existing candidate countries (Turkey, Croatia and FYROM).

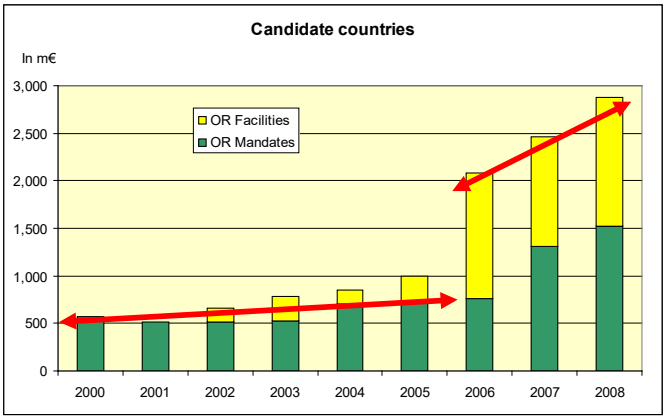
For the 2000-2006 Mandate, the regional ceiling (as set in 2004) is EUR M 9185 of which EUR M 2776 financed operations in the NMS; Amounts signed in the countries in this report reached EUR M 6409, which is taken as the authorised amount
The ceiling for the Pre-accession Facility reached EUR bn 19.5 (beginning of 2007); about 11.1 bn have been signed in NMS. From the remaining amount, EUR M 2156 have been signed during the period 2000-2006 in the countries covered by this report and EUR M 6200 are available at the beginning of 2007 for the same group of countries.

				All amounts from 2000 up to 31/12/2008		
	Period	EUR M	Authorised	Signed	Net signed	Disbursed
Mandates	FP 1	Candidate countries Potential candidates	6409	4325 2084	4302 2068	3035 1103
		Turkey Special Action Turkey Terra	450 600	450 600	425 600	362 575
	FP 2	Candidate countries Potential candidates	8700	1834 563	1834 563	306 25
Facility	FP 1	Candidate countries	2156	2156	2131	1843
	FP 2	Candidate countries Potential candidates	6200	2513 107	2513 107	1642 107
Total			*24515*	*14632*	*14543*	*8998*
Other resources		Turkey	*Some funding available when Turkey was part of the Mediterranean mandate – see corresponding section*			

This group of countries is characterised by a high rise in amounts financed over the period under reference. This is in line with the evolution of the relations between the EU and those countries. Distribution per country follows the pattern of the GDP, which means high volumes in Turkey. Nevertheless, activity in the Balkans is growing rapidly.
The portfolio is solid with few cancellations after signature. Disbursement rates are satisfactory, with some deficiencies in countries and/or sectors with weak institutional set-up and budgetary constraints.
The EIB's financial kit is quite diversified and each instrument is considered as additional to the other. Large amounts are committed both with recourse to the Community Guarantee (Mandates) and without recourse to it (Facilities). The Bank is providing significant support (SFF) to riskier borrowers. The Bank is issuing in Turkish Lira since 2004. Lending in Turkish Lira, which is possible, has had a limited interest to the EIB borrowers.
Access to EC funding has been limited in the past, although important needs are identified. New EC budget facilities, identified at the beginning of the new financial perspectives (2007), take a long time to become available, under often complex structures.
Sectors financed show that Bank activity is high on its traditional and most important mission: development of the economic infrastructure. This has contributed to the rapid development of the EIB's portfolio in the Balkans. Financing SMEs is the second priority (in volumes) and is significant in all countries, with an even higher priority in 2009. Further diversification is high in Turkey and now in Croatia, to more private sector operators and also to social sectors.

3.1.1 Portfolio Management

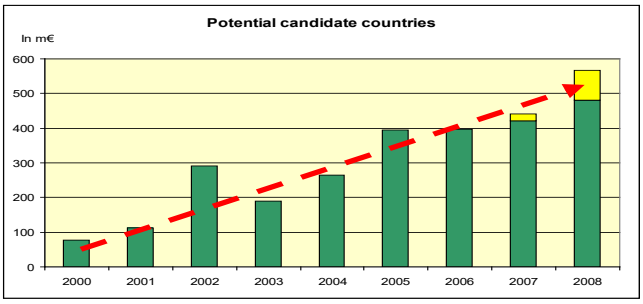
Candidate countries:
Amounts under the first mandates remain stable at about 500 M a year and increase with the new mandate (up to 1500 M per year for 2007-08). For Croatia, loans were signed under the Mandate until 2004 (when it was granted the status of candidate country and started to draw under the Facility); therefore the recent increase is taking place in Turkey, as loans signed in FYROM are limited (32 M).



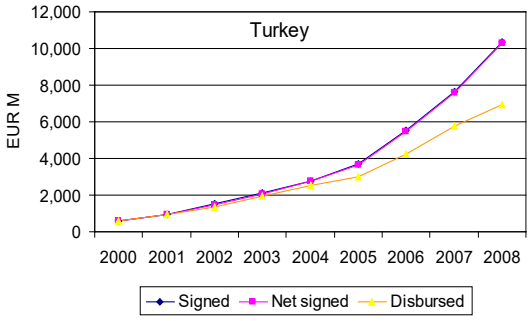
Turkey became eligible for the pre-accession Facility in 2001; amounts signed in Turkey increase significantly in 2006 (from 200 M to 1.1 bn a year) with the use of innovative financial products (§ 3.1.3). For Croatia, all loans are signed under the Facility since 2004, as the country is investment grade. In the last 3 years 80% of the Facility has been engaged in Turkey and 20% in Croatia.

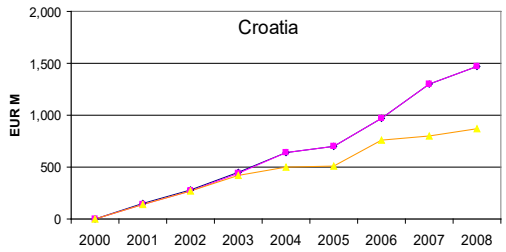
*"Investment grade countries" refers to countries that are rated in the "top half" of the agencies' rating scale. That means a rating of at least **BBB-** by the rating agencies Standard & Poor's and Fitch, or **Baa3** by Moody's.*
In order to get such a rating, the rating agencies must deem it is sufficiently likely that the governments will honour their debt obligations, an assessment which can change over time. Basically, industrial countries are rated investment grade and developing countries are rated non-investment grade. Emerging economies (countries like Brazil or Azerbaijan) are split between the two risk groups.

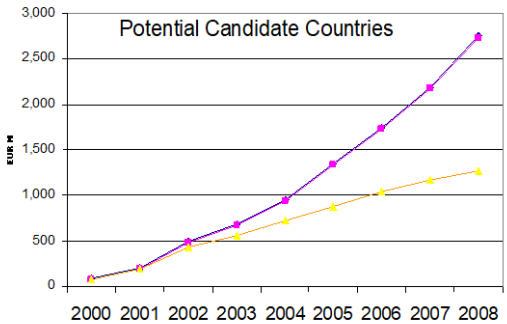
Potential candidate countries: for the other Balkan States, amounts signed under mandate increase regularly from 2000 to 2008, starting at less than 100 M to almost 600 M.
Small amounts have been committed under the Facility in the last 2 years (one telecom project in Kosovo and one regional Fund for financing small enterprises).



The portfolio movements give further indications of the developments.







Regarding Turkey and Croatia:

Cancellations after signature are low in both countries; it demonstrates the attractiveness of the Bank's financing under all types of resources and the satisfactory level of preparation and implementation of the operations signed.

Disbursements, although with a regular pattern, their level can be influenced by a few public sector operations.
In Turkey, the signature of two loans for the construction of a large infrastructure project changes the pattern (about 1 bn signed in 2005-06 to be disbursed).
In Croatia, 2 large public operations have been signed in 2007 for a total of 290 M and a framework loan signed in 2004 is slow disbursing (pending 116 M).

In the **other Balkan countries**, operations are signed within the public sector in a context of limited budget resources and weak institutional set-up. It translates into long (and late) implementation time. Such difficulties should call for more support (see below § 3.1.4) in the form of Technical Assistance.

3.1.2 Policies and strategies

Although all countries included in this area are part of the same group, EU support became progressively available with different motivations. Each country became eligible to the "enlargement" policy of the EU at the end of the 1990s or in early 2000s. Obviously, mandates and facilities were at that time "reserved" and priority given to the 12 New Member States.
The Balkan countries joined the "enlargement group" progressively. The EIB followed EU policy and these countries became eligible to both the Mandate and the Pre-accession Facility.
The situation was different for Turkey, although part of the Mediterranean countries it had restricted access to the both EC grants and EIB loans before 2000. When political relationships changed a Special Action Programme (450 M EIB loans in December 2000) was designed to support the consolidation of the EU-Turkish Customs Union. At the end of 1999, the EU provided significant support to the reconstruction of the Marmara region, including the TERRA mandate (600 M EIB loans). Then in early 2001 Turkey became part of the "enlargement group" and was fully eligible for the 2000-06 Mandates and for the Pre-accession Facility.

For this region, the only request in the 2000 Mandate is to give a clear priority to the non-applicant countries (i.e. all Balkan countries at that time). The revision in 2004 made the inclusion of Turkey official under the first Group of the South-East Neighbours.
General targets set-up in the new 2007 mandates are directly applicable:

- as stated twice: increase financing without recourse to the Community Guarantee
- target the protection of the environment and energy security of the Member states
- for the Western Balkans: encourage the Institution building aspect in cooperation with other IFIs active in the region

The EIB follows those objectives as all countries are eligible for financing under the extended Pre-accession Facility; in practice some limitations may occur due to the application of the EIB credit risk guidelines.
The strategy of the EIB includes all the above features and aligns to the requests of the countries, in particular for the inclusion of operations either under the Mandate or under the Facility (see below § 3.1.4 financial product offer).

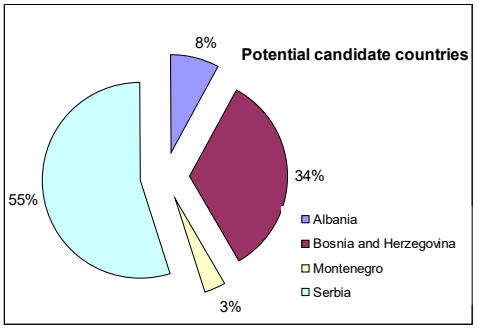
The EIB strategy in the region anticipates mobilising two-thirds of the Mandate in Turkey and the complement in the Balkans States without Croatia (which means a relative increase for the Balkan States compared to the initial situation). For the latter countries, there should be a move from reconstruction to pre-accession support.

In parallel, the EIB strategy foresees an increase in the Pre-accession Facility for mid 2010, necessary for the anticipated activities in Croatia, Turkey and to a lesser extent in other countries.

3.1.3 Geographical scope

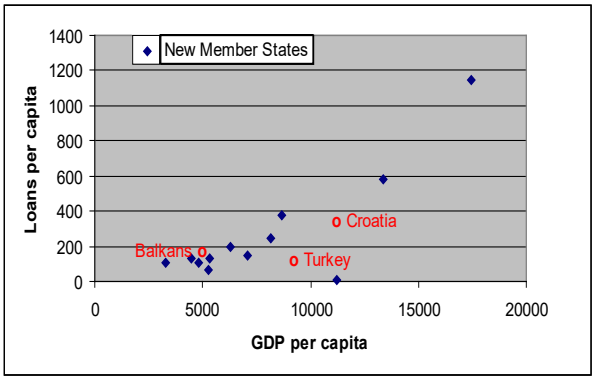
Within the "candidate" states, where 11.8 bn have been signed, Turkey represents 88% and Croatia 12 %; signatures in FYROM are very low (starting process).

Signatures (total amount 2.7 bn) in the group of the 4 other Balkan countries (potential candidates) illustrate a financing process still under structuring.
It is correlated to the evolution of the political standing of each country and to the entry into force of the various framework agreements (from 1998 to 2008).



Framework agreement:
- *Signed between a country (outside the EU) and the EIB*
- *Purpose: extend certain protection to investment projects and ensure certain rights and privileges for the EIB*
- *Main features relate to: taxation of the Bank – currency convertibility – public tendering – Bank's statutes, treatment, privileges and immunities*

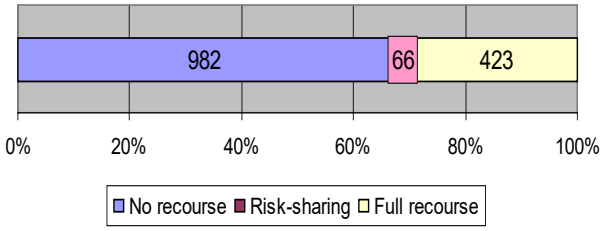
Bank's activity and GDP/capita
This indicator was already used in the previous evaluation report on operations financed in the New Member States (NMS) before their Accession. The corresponding graph is reproduced here. Turkey and Croatia are on the high side of GDP per capita, close to Hungary and Czech Republic. Other Balkans are grouped within many NMS (Romania, Poland, Slovakia and the 3 Baltic States).



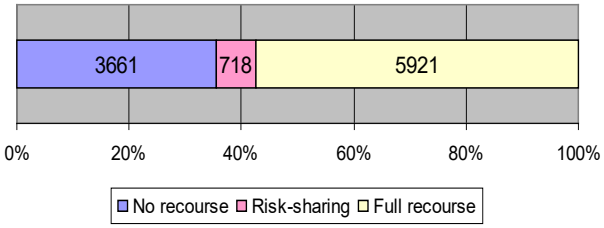
Loans per capita could already reach a level comparable to the NMS before accession, although on the low side for Turkey. If the objective is to give priority to the less "developed" countries, volumes should increase more in the Balkans, although the question of absorption capacity is relevant.

3.1.4 Financial product offer

Operations can be financed on own resources under the Mandates with FULL RECOURSE to the Community guarantee, under the Mandates with partial recourse to the Community guarantee for the political risk coverage - RISK SHARING - or under the Facilities - NO RECOURSE to the Community guarantee.



Croatia is investment grade. Therefore, since Croatia has been granted the status of candidate country (2004), all operations are signed under the Facility, i.e. without recourse to the Community guarantee, in line with the Bank's credit risk policy for candidate countries; operations signed with or guaranteed by the Government can be supported. Before 2004 all operations were signed under the mandate (of which 17% risk-sharing with banks).



Turkey is sub-investment grade (BB-) which means that normally the government risk cannot be accepted for operations signed under the Facility.

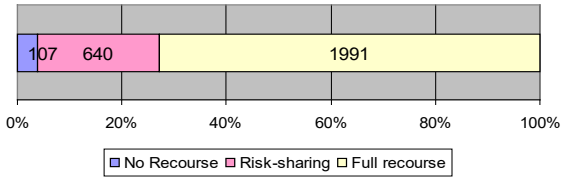
The Turkish government has been (and still is) willing to reserve the full mandate amounts to public sector projects - which is their right within the context of the framework agreement; therefore, no operation can be signed with the private sector under the risk-sharing formula. The exception in this "risk-sharing" pattern corresponds to the signature of one large operation with this city in 2008 (see below).
After Turkey was granted the status of candidate country, private sector borrowers have been accepted (in April 2001) under the Facility with adequate securities and financial innovative structures, which allowed for further increase in volumes signed. In particular, local government bonds have been accepted as securities for financial sector operations within the Facility, with strict control of their rating.

In FYROM amounts (34M) are signed under the Mandates, but almost all under the risk-sharing formula (see below).

The year by year evolution is illustrated in the table below.

M Euros - Net signed		2000	2001	2002	2003	2004	2005	2006	2007	2008
Croatia	Mandate		145	130	169	45				
	Facility					150	62	270	330	170
Turkey	Mandate	575	370	380	350	655	730	753	1308	1419
	Facility			150	250		200	1049	825	1287

Potential candidate countries



The recourse to the full guarantee is predominant in potential candidate countries, although the share of operations signed under the risk-sharing structure is growing. This reflects a move to the private financial sector (see also below).

Risk-sharing operations

Almost all risk-sharing operations signed in the Balkans (66 M in Croatia before 2004, 640 M in potential candidates and 10 M in FYROM) are lines of credit signed with Financial Intermediaries for SME finance. 28 GL have been signed with about 10 different private banking groups.
This contributes to the reinforcement of the financial private sector and improves SMEs' access to finance. This is one of the main objectives supported by the EIB in the region (and in general outside the EU).

One operation was signed (cement sector) in Bosnia and Herzegovina with a private sector company. The financing of urban transport developments was signed (718 M) with the Istanbul municipality under an innovative risk-sharing formula, although this would probably be difficult to reproduce.

Utilisation of SFF

***Structured Finance Facility** – SFF - (see details in annex 5)*

SFF enables the EIB to generate high value-added by providing support to priority projects, using instruments with a higher risk profile than the standard normally assumed by the EIB. Capital is allocated against the "SFF reserve" for each SFF operation at a level determined by its loan grading, i.e. reflecting their higher risk and complexity.

The "SFF reserve" is funded by the EIB from its reserves. From a ceiling recently increased to EUR M 3750, EUR M 1550 (end June) are provisioned for EUR M 8400 loans signed (inside and outside the EU); another EUR M 1900 is earmarked from the "SFF reserve" for approved operations. The Bank foresees a further increase of the reserve by EUR 1 bn in 2010.

Activities (end June 09) outside the EU represent 18% of the SFF allocated reserves and of the corresponding loans, with about 40% for Pre-accession countries, 57% for Mediterranean countries (SFE) and 3% in South Africa.

The utilisation of the SFF in this region effectively starts in 2007 with the new Financial perspectives and only, until now, for operations financed through the Pre-accession Facility.
In Turkey, 106 M have been mobilised from the SFF reserve for 4 operations (2 global loans 400 M and 2 projects 211 M / energy and manufacturing).
Some 21 M have been mobilised from the reserve for investment in regional funds supporting SME development in other countries.
In 2009, one operation has been approved by the Board and none signed (at 30/06/2009).

Local currency activity

Borrowing in Turkish Lira was initiated in 2004 and is considered as suitable for the management of the Bank's Funding. The EIB is the largest issuer after the Turkish government, with the equivalent of about EUR 1 bn per year issued since 2005.
Under the existing EIB rules, borrowing and lending in one specific currency are disconnected and intermediated through the Bank's overall financial resources management. Nevertheless lending in Turkish Lira is possible '(at any time) in the EIB, with financial conditions reflecting those of the international markets. The "financial value added" is considered as limited by the EIB borrowers, as most of them have direct access to the international financial markets. Therefore the use of this financial product has been low (144 M EUR in 2007-2008).

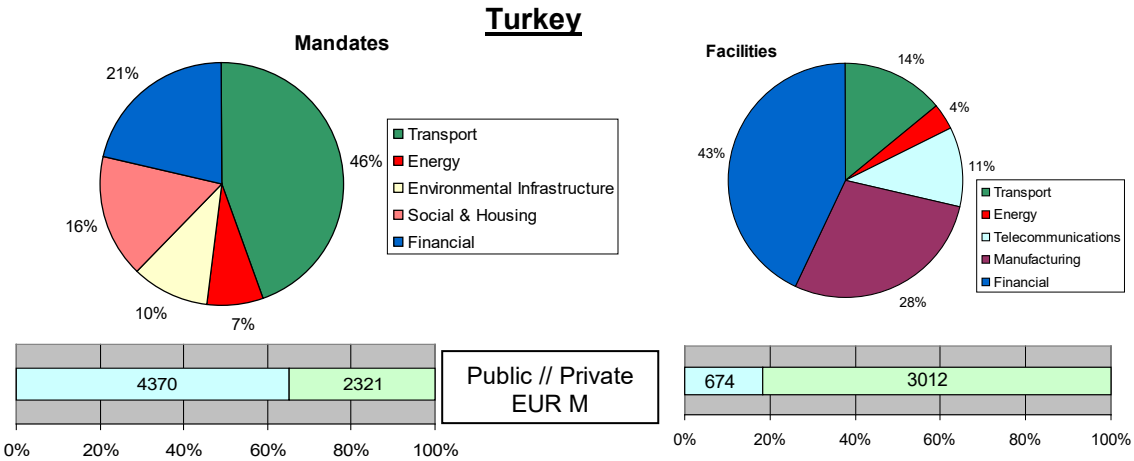
Technical assistance managed by the Bank

In the early years of the FEMIP Support Fund, Turkey benefited from EUR M 11, which have supported 7 activities: 3 for feasibility studies (of which 2.6 M for environmental infrastructure) and 4 to support project implementation (of which 5 M for the Bosphorus crossing project).
New funding may now be available for the region (mainly for the Balkans). As it can be seen from the individual evaluations (see other EV reports), the recourse to this type of funds is particularly relevant to support infrastructure projects, mainly in the transport and environmental infrastructure sectors.
Technical assistance can be considered as essential in the countries with weak institutional frameworks, as is the case in most of the Balkan countries and funding for TA should be readily available.

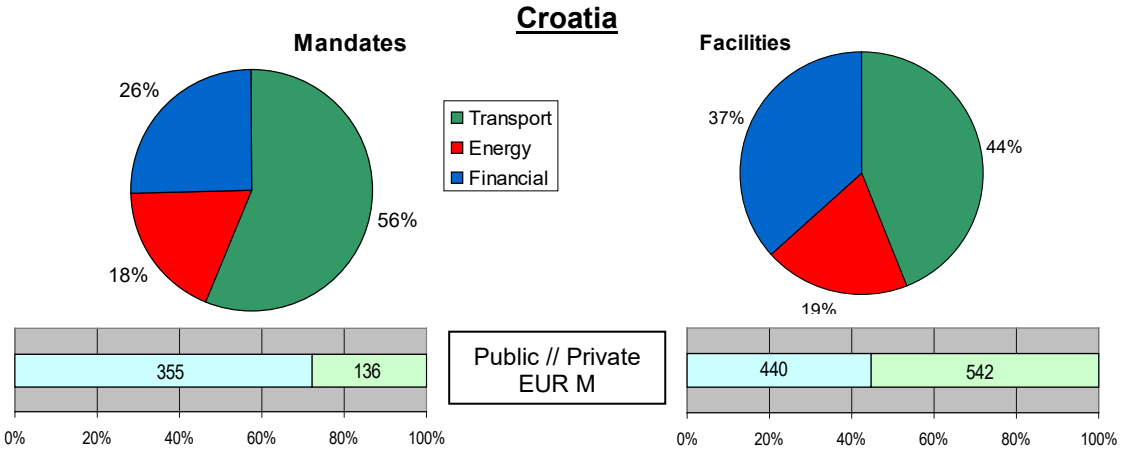
Interest rate subsidies
Before 2004, 3 projects (environmental infrastructure) in Turkey benefited from a subsidy in the framework of the MEDA II budget line (loans 210 M and subsidies 47M).
Please refer to § 2.3.2. page 15 and 3.2.4 page 33.

3.1.5 Sector view

Candidate countries: for Turkey and Croatia, two figures are presented illustrating the different typology of operations financed with or without recourse to the Community guarantee.

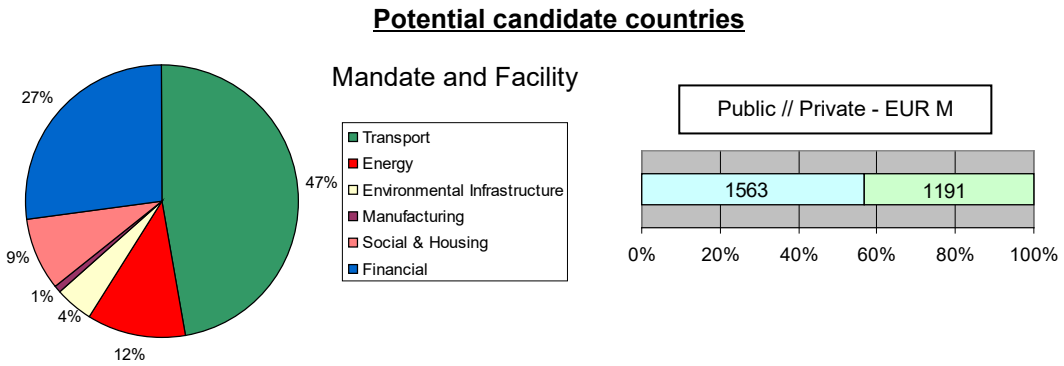


Support to *SMEs development* has always been an EIB priority in Turkey; until 2004, all financing was provided through the mandate, while now, the Pre-accession Facility is the normal channel for global loans dedicated at private sector banks. Most loans are financing the private sector and a reasonable share supports municipal infrastructure.
The support to the *development of economic infrastructure* is achieved through both instruments, which complement each other and allow the Bank to support both public sector (mostly under the Mandates) and private sector operations (Facilities). This is clearly an area where the Bank has a large expertise, based on decades of experience within and outside the EU.
In the transport sector, approximately 1 bn is financing a large infrastructure project (public sector – mandate), 1.7 bn for rail and urban rail systems (public sector – mandate), 0.5 bn for airlines (public sector – facility).
Social financing (targeting private sector beneficiaries) relates to the TERRA mandate and to operations in the education and research sectors.
Finally, the Bank is supporting the private *manufacturing* sector development through the Facility with about 82 % (850 M) of funding provided to the automotive sector.



It should be recalled that, until 2004, all operations have been signed under the mandate. Since then all operations have been signed under the Pre-accession Facility only.
The repartition between the sectors remains stable as the Bank's strategy has not yet evolved:

- 50% for *reconstruction and new infrastructure projects* within the transport sector; some private operators (PPPs) are supported by the Bank, mainly after 2005.
- about 25% of the activity is on global loans to support *SME development*
- the remainder is provided for *municipal infrastructure and energy* projects



Reconstruction of main economic infrastructure has been the priority and will remain so for the following years, although private sector development becomes the second priority.
Private sector financing includes several energy projects, a large telecommunications project to be implemented in Kosovo (87 M under the Facility), as well as a start towards the manufacturing sector.

3.1.6 Additionality between the Instruments

EIB activity can be divided into three main specialist domains: (i) development of economic infrastructure (ii) SME development and (iii) support to the manufacturing sector, often linked to EU FDI. According to the objectives of the Mandates and Facilities, the Bank is focussing on one or more of these domains.

- The Mandate and the Facility complement each other for the development of economic infrastructure; the Mandate covers all public sector projects in the Balkans, a large part of projects in Turkey, but none in Croatia. As all projects in Croatia are signed under the Facility, it allows the allocation of larger amounts to other Balkan countries under the Mandate. The Facility, which the Bank plans to increase in 2010 (if justified), is therefore additional to the mandate, also when allowing private transport financing in Turkey.
- For the support to SMEs (global loans), the Facility is additional to the Mandate as private sector banks can be financed under it thus limiting the recourse to the Community guarantee.

- Finally, the Facility allows the EIB to develop its support to the private manufacturing sector without recourse to the Community guarantee, again a factor of additionality.

- The use of the risk-sharing formula (Mandate) is more limited: (i) normally all Turkish projects under the Mandate are public sector operations, except for SME support through public banks, (ii) private sector operations in the Balkans under the mandate will remain at a low level for some time, mainly for SME support

- The recourse to the SFF, although significant for the period 2007-2008, still has to be sustained. It is additional to other financing instruments as it allows the Bank to diversify its clientele (financial and manufacturing sectors). This instrument is particularly attractive in the context of the current financial crisis for supporting promoters with a relatively low grading and having difficulties in securing pure commercial loans.

- Local currency: the Bank has developed its borrowings in Turkish Lira, but without any additionality on the lending side.

- Recourse to EC funding should be further secured both for technical assistance in order to reinforce promoter's competences and for grant financing (interest rate subsidy or other formula) in order to sustain the financial set-up of some operations. There is high potential for the development of public infrastructure in complex and demanding areas (e.g. railways, water and sanitation) and also for public reconstruction projects in the Balkans.

Latest 2009 trends as observed at the end of June 2009.

	Authorised	Signed end 2008	Signed 1S 2009	Total mid 2009		Approved not signed mid 09	
	M EUR	M EUR	M EUR	M EUR	%	M EUR	%
Mandate 2007-2013	**8700**	**2397**	**1225**	**3622**	**42%**	**1176**	**14%**
Turkey		1824	735	2559	71%	577	
Fyrom		10	100	110	3%		
Balkans		563	390	953	26%	599	
Facility 2007 - 2010	**6200**	**2620**	**890**	**3510**	**57%**	**734**	**12%**
Turkey		2012	640	2652	76%	550	
Croatia		500	250	750	21%	184	
Fyrom		1		1	0%		
Balkans		107		107	3%		

2009 signatures in the region are concentrating on SME finance, as the share of global loans is 73% in Turkey, 100% in Croatia and FYROM and 87% in other Balkans countries! This follows a specific request from the local governments in the context of the financial crisis - a request supported by the European Commission.

Mandate: total commitments (42% of the authorised amount) are growing fast (36% of the period elapsed at end of June), mainly because signatures in Turkey are high, trying to match the demand, with significant support to large infrastructure projects and more recently to SMEs. It could be justified to rebalance the portfolio in favour of the Balkan countries, if possible without limiting volumes necessary to support SMEs in all countries. The commitment of the Mandate is clearly on the high side and an increase of its amount may have to be considered.

Facility: after 2.5 years, SME finance represents 57 % of the signatures under the Facility for Turkey; this high share was not expected in the EIB strategy but is also the answer to the government's request. The Bank should now focus on other objectives, such as the development of economic infrastructure with the private sector (energy, environment, telecommunications,) as well as the support to EU FDI.
The current level of commitments, even taking into account the operations approved (at Board level), is slightly behind the schedule established by the Bank; the increase in the amount of the Pre-Accession Facility should be necessary by 2011.

3.2 Neighbourhood and Partnership countries

	EUR M		Authorised	Signed	Net signed	Disbursed
Mandates	Mediterranean	00-06	6520	7174	6413	4642
		07-13	8700	2400	2400	281
	Eastern ENP	00-07	100 + 500	315	315	86
		07-13	3700	170	170	0
Facilities	Mediterranean	00-06	1000	633	620	389
		07-13	2000	218	218	215
	Other[5]		*See § 2.2.3*			
Total			*22520*	*10910*	*10136*	*5613*
EC budget Other	Mediterranean	00-08	590 34	513 9.6	489 8.1	145 4.1

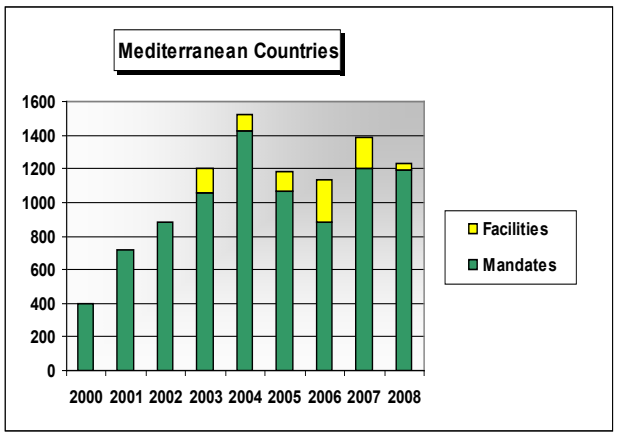
Amounts recorded for the period 2000 – 2008.

The main characteristic of the Mediterranean policy is the heavy reliance on the Barcelona process, its impact on the EU policy and its EIB translation into the FEMIP (Facility for Euro-Mediterranean Partnership and Investment).
This region has therefore benefited from the most diversified financial kit, including large amounts of all types of EC budget financing and access to the EIB reserves for financing riskier operators.
The mandates are regularly committed, the only variation being related to Algeria which decided to reduce to zero its external debt. Disbursements are following a regular pattern, although some projects are slow to be implemented. The spread over the countries is wide, but country strategies are recent which can be reflected in some imbalances amongst country/sector repartition. The presence of the EIB in the region is considered as significant and visible.
Local currency lending has been unsuccessful and there are doubts that it could be achieved with a sustainable solution. To partly compensate, the use of the Bank's reserves (SFE operations) is growing and allows a diversification towards riskier operators.
EC funding has been largely additional to the EIB financial kit. Risk capital has allowed increasing support to SMEs and has a significant role in the development of the local financial markets towards private equity. One of the most powerful tools is the Femip Support Fund which finances actions directly related to EIB projects: preparation implementation, changes in institutional set-up.
Other instruments such as interest rate subsidies and the Femip Trust Fund have a more limited impact.
The share of private sector operations is improving over time while the activity is largely spread in all sectors of activity, from infrastructure to SMEs.

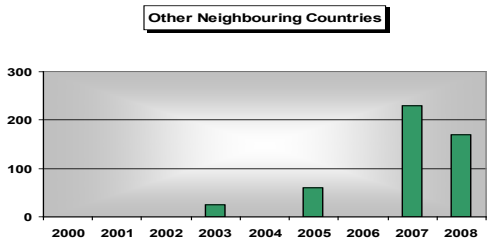
The EIB activity in other Eastern Partner countries (with operations signed only in Russia, Ukraine and Moldova until end 2008) is slowed down by the procedures imposed at the launch of those new mandates. Their revision seems essential in order to allow the Bank to develop its activities by making full use of its competences.

[5] Facility for Energy Sustainability and Security of Supply

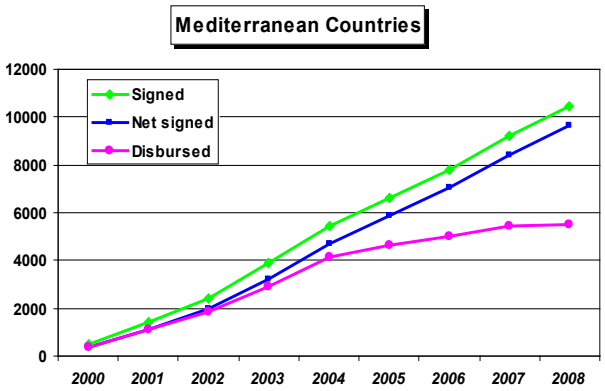
3.2.1 Portfolio Management:



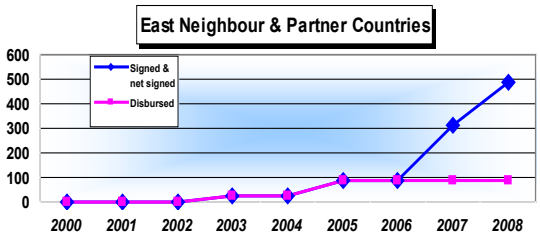
Following the launch of the 2000-2006 Mandates, new requests were transmitted to the Bank in order to increase its support to the Barcelona process. The successive promotions of FEMIP (2002) and Reinforced FEMIP (2004) are reflected in regular and significant increases in signatures (graph illustrates net signed amounts). The mandate has been fully committed, while the first Mediterranean Partnership Facility was not exhausted[6] .



In the other ENP area, the first mandate for Russia (EUR M 100) and the second mandate for Russia/WNIS (EUR M 500) (cf. under 2.1.4 above) were partly committed (85% and 46 % respectively). Under the current mandate, EIB is operational in five countries (Russia, Moldova, Ukraine, Georgia and Armenia). EU green light has not yet been received for activity in Belarus, and Azerbaijan has not yet signed a Framework Agreement. The second mandate had too short a timeframe for the establishment of both political and financial set ups.
Activities are slowly starting under the new mandate (with 2 operations signed at the end of 2008).



Cancellations after signature represent around 7% of the signed contracts, with more than half being Algerian operations. In 2005, the Algerian authorities decided to cancel undisbursed amounts and to repay all outstanding loans early for the whole public sector portfolio. The remaining part of cancellations (less than 4% of signatures) has a large variety of origins without specific characteristics.
Disbursements have a low rhythm which seems to reflect a permanent feature of a portfolio mainly composed of public sector operations. The disbursement of environmental loans also appears slower than the average. Attention should be given to undisbursed amounts on loans signed in 2005 and before.



The 85 M signed (between 2003 and 2005) in Russia under the first specific mandate are fully disbursed. Disbursements on operations signed in 2007 and 2008 are almost nil (at the end of 2008); all are recent and slow moving public sector operations.

[6] With reference to the amounts foreseen at the launch of FEMIP, the Bank has signed 13.5 bn in (Med + Turkey) for a target set initially in 1999 at 11.1 bn for the 7 years 2000-2006.

3.2.2 Policies and strategies

In the **Mediterranean region**, all the Bank's activities, since 2002, are grouped under the FEMIP (Facility for Euro Mediterranean Investment and Partnership) umbrella.
While EIB activity started in the late 1970s in the region, the current objectives fixed by the EU have their roots in the Barcelona Process, which started in 1995. The main objectives given to the Bank (in 1997 and confirmed in 2000) can be summarised as follows:

- upgrading of economic infrastructure, including that necessary to encourage interregional trade, such as telecommunications, transport and power
- private sector development, including support for SMEs and for joint investments between EU countries and Mediterranean partners.

Already in 2001, the EIB launched the first Mediterranean Partnership Facility (EUR 1 bn) to complement the Mandate, focussing on projects of regional and common interest.

In order to strengthen the Barcelona process (March 2002), the European Council invited the Bank to create the Facility for Euro Mediterranean Investment and Partnership (FEMIP). The Euro-Mediterranean Conference of Foreign Ministers (Valencia April 2002) endorsed the EIB proposals, while always referring to the objective of creating a Euro-Mediterranean Free Trade Area by 2010, an objective which was later diluted in the creation of the European Neighbourhood and Investment Partnership Policy. Discussions on the creation of a Euro-Mediterranean bank took place in 2002 – 2003 and again in 2006 when the Bank was confirmed in its role.

The FEMIP institutional organisation includes:
- *the FEMIP Council at Ministerial level (meeting once a year)*
- *the FEMIP Committee (meeting about twice a year) composed of high-level civil servants*
- *and FEMIP conferences organised on an ad-hoc basis*

The European Council of Brussels (12-2003) welcomed the decision to develop further the FEMIP within the EIB; in 2004, the mandate was restructured, focusing on Mediterranean countries as defined in this report (without Turkey).
In the same year, the Bank launched the "Reinforced FEMIP", which includes:

- a first tranche of 100 M EUR set aside from the Bank's reserves for the SFE
- the creation of a FEMIP Trust Fund of initially 20-40 M EUR

The objectives of the Bank were recalled in the new 2007-2013 Mandates, as seen previously (section II 1.1), with more precision to:

- increase operations without recourse to the Community guarantee
- target the protection of the environment and energy security of the Member states
- enhance focus on the private sector

Strong reference is also made, and this report should assess this aspect, to the combination with EU budgetary resources as appropriate.

SFE: Special FEMIP Envelope

The ECOFIN Council (11/2003) resolution stipulates to "*dedicate up to 200 million euros from the Bank's reserves to allow for extended risk-sharing operations of up to EUR 1 billion, and a better structuring of lending to mitigate private sector risks*".
SFE is structured according to the rules set-up for, and is an integral part of, SFF (see annex 5)

As a response to these new objectives, the Bank launched the second Mediterranean Partnership Facility (EUR 2bn) with a large remit that includes almost all types of operations (see § 2.2.2). This remit seems to overlap with the targets set-up within the Facility for Energy Sustainability and Security of Supply (EUR 3 bn), potentially limiting the commitment under the latter from this region. In theory, more operations financed in investment grade countries (namely Israel and Tunisia) could be signed under this Facility; this has to be explored.

In the presentation of its strategy to the European Commission (mid-2007), the Bank confirmed these objectives and described its internal guidelines in order to better achieve the new challenges. Bank's objectives are updated yearly in the Corporate Operational Programme

In 2008, the Bank presented its 2008-2010 Strategy to the FEMIP Council, delivering more detailed information at the level of the countries and sectors.

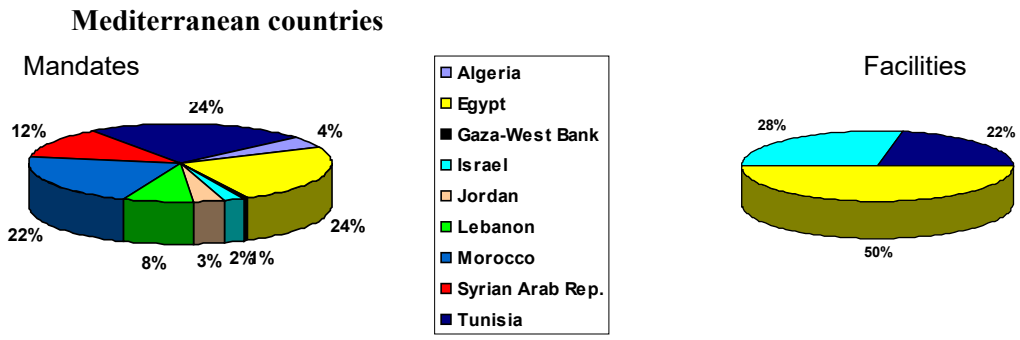
Eastern Neighbour/Partner countries [7]

The first mandate (Russia 2001) had a clear and limited scope to finance environmental projects in the Baltic Sea basin of Russia. Three projects were financed, all located in the St Petersburg area (a fourth project, approved by EIB's Board, could not be signed as the Russian Federation did not include the amount in its relevant Budgets).
In the "intermediate mandate" open to 4 countries (Moldova, Russia and Ukraine, and - subject to future Commission decision still awaited – Belarus)), eligible sectors were: environment and, on priority TEN axes having cross-border implications for Member States: transport, telecommunications and energy infrastructure.
In the new mandate (2007-2013), the general statement is to finance:

- as in all regions: the protection of the environment and the energy security of the Member States
- in this region, projects of significant interest to the EU in transport, energy, telecommunications and environmental infrastructure , to which a list of priorities is added:
- Trans European Networks, cross-border projects, etc.; although the need to include those priorities in such a decision is not obvious.

Finally, a strict reference to the close cooperation with the EBRD is made.
In its strategy, the Bank has chosen to focus on the priorities listed in the Council decision, which are considered as fulfilling the definition of "projects of significant interest to the EU".
The Memorandum of Understanding signed with the EBRD in 2006 gave to the latter the initiative for the identification of projects in this area. Its setting should probably be reviewed as it does not give a sufficient flow of projects to the EIB pipeline.

3.2.3 Geographical scope



The activity of the Bank has spread over all countries in the Mandate portfolio, but the use of the Facilities is limited to three countries, with 8 loans signed.
In most countries, the Bank spreads its activity over all sectors of the economy, with some special characteristics depending on the country's development:

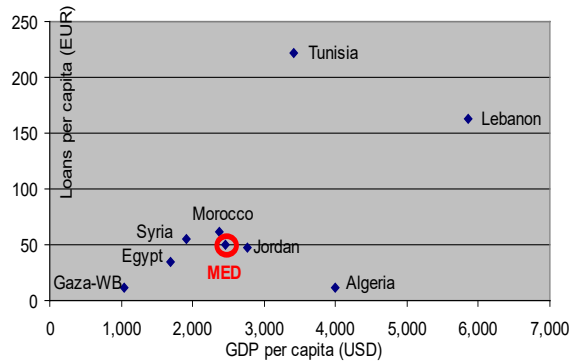
- in Egypt: the financial sector is not liberalised and limits activity towards SMEs
- in Morocco: the financial sector has benefited from a high level of liquidities in local currency, lowering the demand from the private sector to the Bank
- in Tunisia: the support to SMEs through the financial sector is significant while the demand of the government is high for public sector investments, explaining the high volumes in this country
- in Jordan: a large spread of activities, nevertheless limited given the strong financial support of the United States, which satisfies most financial needs
- in Lebanon: a high level of activity is foreseen as a contribution to Lebanon's reconstruction efforts
- in Syria: a multi-sector approach is favoured

[7] This report does not mention other countries recently included in this mandate: Central Asia, Caucasus.

- the activity in Gaza-West Bank depends essentially on the political situation
- while, as explained above, Algerian demand in the public sector is nil; the Bank targets SME development.

Bank's activity and GDP/capita

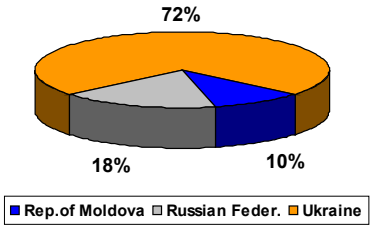
The results of these country activities are illustrated in the following graph (combining Mandates and Facilities). It shows that the levels of activity are similar within a group of 4 countries (Egypt, Syria, Morocco and Jordan), while the special programme for Lebanon can justify a higher ratio per capita. Tunisia has received comparatively large amounts in order to support the significant increase in its GDP per capita during the last 30 years.



The average level of financing support from the Bank in the region is about one fourth of the level observed in Pre-accession countries. This allows the Bank to have a significant presence in the region, thus supporting the global objectives of the EU, and to focus on the upgrading of the economic infrastructure and on the private sector development.

Eastern Neighbour countries

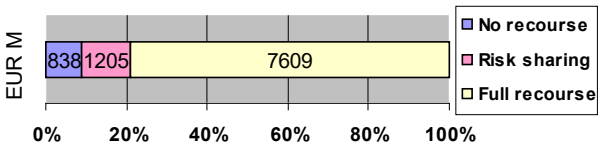
No specific conclusions can be drawn as activities in these countries are still in the early stages.
It is noticed that the breakdown between Russia and other countries is not specified (in the mandate). This could be considered in the EIB strategy in the region.



3.2.4 Financial product offer

The following section, regarding Mediterranean countries, covers the many instruments that have been available for a significant period of time, reflecting the priority given to the region in the context of the Barcelona process.

Mediterranean countries



The first observation is the high level of financing having full recourse to the Community guarantee: 80%.
The proportion of risk sharing operations has only recently improved. They represent 12 % of mandate operations under FP 1 (00-06) and 19% of the signatures under the new mandate.
The use of both risk-sharing and SFE has been limited by developed and liquid local financial markets that have been offering competitive loan finance in local currencies.
The share of the Facilities remained at a low level until end 2008; the following section shows that targeted sectors were limited under the first Facility. Since 2007, there is no special limit given to the sectors and operations to be financed. The new MPF could probably be used for more operations financed in investment grade countries (Israel and Tunisia).

<u>Risk-sharing and guarantors</u>

During the first period (2000-2006), 10 loans were signed with partial recourse to the Community guarantee. The corresponding amount is M EUR 747, or 12% of the mandate. In five cases the "commercial" security was provided by an EU Bank, in three cases (all in Egypt) by Arab banks and by a local bank for a project in Israel (investment grade country). The last project (Lebanon) was supported by a local Bank with the use of the SFE product.
Five operations have been signed (until end 2008 – EUR M 457) under the new mandate, one with the guarantee provided by an EU bank and four with the use of SFE (see below).

Special FEMIP Envelope

Capital allocated from the "SFF/SFE reserve": end 2006: 9.5 M end 2008: 110 M

While, at the end of 2003, the demand from the Council was to set aside 200 M from the Bank's reserves for the SFE, the Bank initially earmarked 100 M. No further amounts were necessary until the beginning of 2007, as only one operation was signed with SFE funding, which entailed a small capital allocation of 9.5 M.
The mobilisation of that Envelope was limited, but it has improved since 2007. At the end of 2008, the allocated amount increased by about 100 M and a further 88M are committed for operations signed in 2009 or approved at end of April.
SFE commitments allow loan signatures of an amount of 870 M EUR (including approved operations). SFE support benefits primarily SMEs, with 360 M signed as lines of credit to local commercial banks (including a large amount for the reconstruction programme in Lebanon); a complement is directed to private sector promoters for industrial projects or private-public sector operations (transport and water sectors).
By mid 2009, it can be deemed that the initial envelope of 200 M for SFE is fully committed, and the pipeline is still consistent.

Local currency activity (for EIB own resources lending)

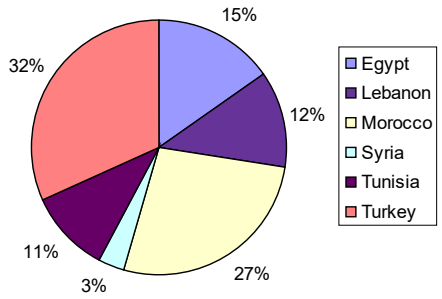
Discussions on the possibility of borrowing, and consequently of lending, in local currencies started with the setting of FEMIP. Only one issue was launched in Egyptian pounds (2007). To investigate further in this area is still an open question.
The examples of the Rand area and of the Turkish Lira demonstrate that additionality for the Bank can be twofold:

- for EIB's funding management, which is the case for the 2 examples, and therefore their justification
- for lending activity, which has developed only with the Rand

As referred to in the EV report on "Borrowing and lending in Rand", back to back operations are not additional for EIB long term lending and should not be considered as a final objective by the Bank. Only the setting of a treasury (pool) management in a specific currency has translated into a regular lending, which is the exceptional case of the Rand. Under existing EIB rules, no other currency pool is possible in order to allow the optimum management of the Bank's financial resources for the benefit of all customers.
The text of the new mandate highlights the need for financial sector reform in order to facilitate the issuance of bonds by the EIB in local markets. Such reforms cannot be initiated just by the EIB, and a coordinated programme should be established with the EC, other potential borrowers and, obviously, with the adhesion of the partner countries.
In theory, borrowing and lending in one of the Mediterranean currency can be looked at, but at a very high initial administrative cost. As it will follow the Bank's rules (see Turkish Lira), the value-added for the borrowers may be limited. The balance between the two factors should be carefully assessed before undertaking any study.

Interest rate subsidies

	Number	EC Budget EUR M			Loans EUR M
		Signed	Net signed	"Disbursed"	Net signed
From 2000 to 2006	16	160.7	148.1	63.5	685
2007 - 2008	3	41.5	41.5	-	215



During the period 2000-2006, 16 projects benefited from support through interest subsidies (including three in Turkey before 2004). Since 2000, such subsidies are part of the country programme set-up between the EC, the country and the EIB. The methodology, established within the MEDA budget line in 1997, is still valid today.
The 12 projects supported are in the water and sanitation sector, 3 concern industrial depollution and one solid waste management, all in the public sector.

Projects signed before 2004 are mostly completed, while the disbursement rate of projects signed in 2004 and after is 10%. Slow disbursement rates are one characteristic of this sector. Projects often still need a preparation phase and implementation is slow. This observation has already been made in the "Evaluation of Water and Sanitation Projects outside the EU" (June 2009).
After 2007, eligibility is extended to operations which could be supported by EC grants in agreement with the Commission. Those grants can take the form of interest rate subsidies attached to loan operations from the Bank.
Two operations have received that support from EC country programmes, one for environmental infrastructure and a large one for a SME reconstruction facility in Lebanon. A third operation has been earmarked to the NIF.

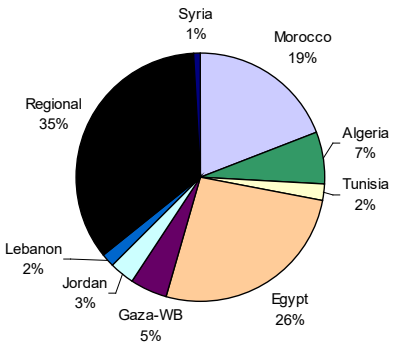
Those funds allow for the reduction of the burden on operating costs in a sector where revenues almost never cover the full cost of the service; in addition, it gives the Bank some more leverage on the definition and implementation of the project, a position which the Bank could even develop further.

Risk capital[8]

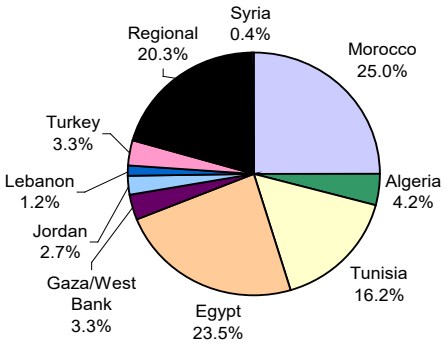
EUR M	Signed	Net signed	Disbursed
All new operations	285.6	274.5	97.4

New operations approved since 2000 amount to EUR M 286 and are spread over the region as seen below. They do not represent the full picture of the activities per country as operations are still approved after January 2000 under lines of credit or similar operations opened before 2000. The comparison with statistics over the whole period 1980-2008 identifies more clearly the activities throughout all countries. The recent trends show a significant development towards regional operations, which represent almost all signatures since 2006.

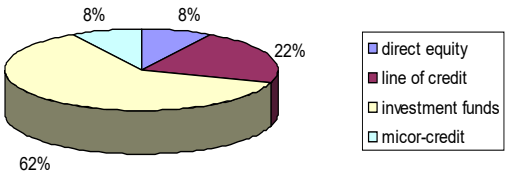
Net signed 2000-2008



Net signed 1980-2008



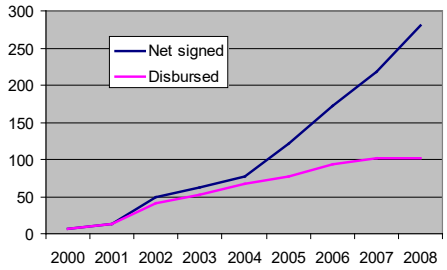
Following a pioneering period, investment funds are becoming more mature instruments in the region, thanks to changes in the regulation of the financial sectors and thanks to the increase of experienced management teams. In parallel, structures such as "investment companies", which were the recipients of lines of credit, disappear and are replaced by management companies operating Funds.



Consequently the EIB's new targets are in priority investment funds (almost two-thirds of risk capital allocated since 2000), followed by support given to micro-credit companies (in local currency) and by direct equity investments in enterprises.

[8] Those figures do not include one Investment Fund financed in Turkey for EUR M 6.

In emerging countries, investment funds are characterised by relatively slow disbursements over a period of 3 to 5 years, although this is improving in more mature markets. Given the high volumes signed in recent years, disbursements could appear low. The recent financial crisis also has a negative impact on new ventures introduced in the Funds' portfolios.



The specific evaluation report: "Evaluation of EIB financing of Investment Funds in Mediterranean and ACP countries"[9] presents a full assessment of this product; it refers to operations signed before 2000, given the very long time frame before conclusions can be drawn on the use of this type of funding.

The additionality of this product is threefold:

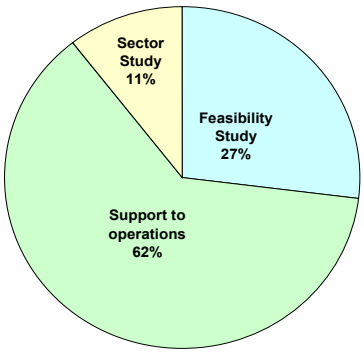
- Financial sector: it has supported and still supports the development of a new financial instrument in these countries; the EIB has contributed to the setting of new regulatory financial guidelines in many countries.
- Private equity market: with an average share of 20% of subscribed capital in the investment fund, EIB participation, by virtue of always being committed early in the fundraising process, has been able to help attract 5 times that amount from other public or private investors in the region.
- SME development: SMEs represent (Bank's estimate) more than 90% of the companies targeted by such funds. Based on previous statistics, the investment funds could represent some 15% of the fixed assets creation indirectly supported which gives another view on the leverage effect of these resources.

FEMIP Support Fund for Technical Assistance – FSF - (start in 2003)

In the decade before 2003, technical assistance (about 1M per year) had been provided directly from the EIB budget in order to finance feasibility studies for operations in the environmental sector only (METAP: Mediterranean Environmental Technical Assistance programme)

The use of the funds available has been regular through the years. The initial allocation of EUR 105 M will be totally allocated at the end of the year. Initially some funding was also available for Turkey.

Amounts in million EUR - end 2008	M EUR	*nb*
Initial multi-annual "allocation"	105	
Signed contracts at end 2008	82.6	
Number of contracts		*95*
Of which completed		*58*
Pipeline	17.0	



On average, two-thirds of the operations are supported by TA, about half at the time of the signature of the loan and half under separate agreements. It is mainly funded using this support Fund, but also directly through the loan or by other financiers.

Feasibility studies are equally important for the Bank, as they help to better define future operations to be financed.

[9] To be edited in November 2009

The repartition per country shows an irregular pattern. Two countries represent half of the commitments. In Syria, institutional support is strongly needed and has supported the Bank's new portfolio of activity in the country. In Morocco, important amounts are supporting recent actions in the social sector (housing and health).

The FSF is a very powerful tool for a better definition of projects, for direct support during implementation, and more and more for the improvement of their institutional environment.

It could be suggested to the Commission and to the Bank to review the strategic approach for the use of these funds. The impact could increase when better defining the role of the FSF in social and environmental sectors, where institutional developments are strongly needed. Other examples could be given in order to have a better justified repartition of the funds between the beneficiary countries, obviously with their cooperation.

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FEMIP Trust Fund[10]

EUR M	Available	Signed	Net Signed	Disbursed	Pipeline
All actions	31.6	9.6	8.1	4.1	3.5

FTF was founded (2005-2006) by EU donors at a level of 32.9 M EUR. Including 4% of fees paid to the Bank, 21 operations have been signed for a total net amount of 8.1 M at the end of 2008.
The operations financed are fully relevant to the FEMIP objectives and are clearly additional to all other instruments. Many actions have been implemented to improve strategies in cooperation and coordination with the beneficiary countries, with the EU member States and with the European Commission.
The Fund, in agreement with the beneficiary countries, has produced well-developed regional studies (51% of the net signed amounts) which may have an impact on many countries on the same theme. It concerns a large variety of sectors, such as transport, renewable energy, environment in various areas, and also SME and micro-finance.
The Fund has also contributed to the reinforcement of the "institutional FEMIP" by developing exchanges between EU and Partner countries on various themes.
The low level of commitments is considered as negatively impacting the effectiveness of the instrument.

Eastern Neighbour countries

Until the end of 2008, all operations have been financed with full recourse to the Community guarantee. Operations recently approved equally fall in this category. The pipeline of projects foresees diversifications towards risk-sharing operations and mobilisation of SFF funding.

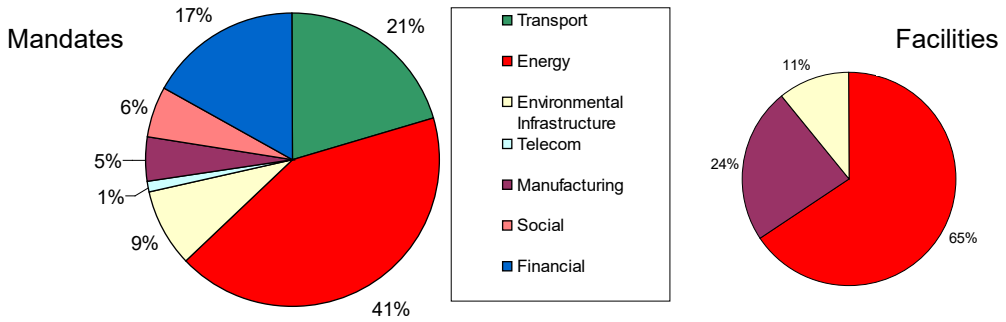
The mobilisation of the Facility for Energy Sustainability and Security of Supply is possible for operations in all countries except Russia, subject to such countries being rated investment grade or appropriate security being provided on a project basis. This Facility does not allow the financing of a larger scope of operations, as with other Facilities (Pre-Accession and Mediterranean Partnership – in particular for the support of private EU FDI and SMEs).
Access to a Facility with terms and conditions comparable to the other main Facilities could be usefully granted in this area and would be additional to the Mandate amounts.

The NIF is applicable in this region, in particular for Technical Assistance or co financing with grants, if operations are co-financed with at least one other IFI.

[10]Update of the previous evaluation reports: Evaluation of FEMIP Trust Fund activities as at 30/09/2006 (December 2006); Evaluation of FEMIP Trust Fund activities as at 30/09/2007 (January 2008)

3.2.5 Sector view

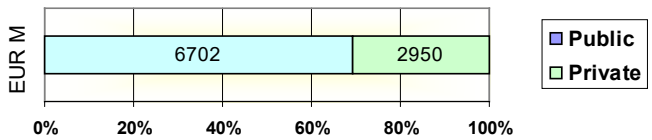
Mediterranean countries



On both Mandates and Facilities, the energy sector is dominant and represents 44% of the Bank's activity in the Mediterranean region. In this sector, the Bank has supported both the economic development of the countries (50% for electricity production, 25% for energy distribution) and the security of the EU's supply (25% of the sector, mainly with private sector operators).
Transport is the second largest sector, with a wide spread of projects financed: motorways, roads, rail and urban transport, as well as ports and one air transport project; all projects have been financed under the Mandates.
All global loans are grouped under "Financial sector" while their ultimate objective is SME finance. SME development is one of the most important targets in the region; intermediaries were initially mostly public sector banks; with the recent use of new financial instruments private sector banks are often identified as qualified intermediaries. Financing under environmental eligibility has been regular and has often benefited from the support of interest subsidies (see above).
The introduction of new eligible sectors for the Mediterranean Partnership Facility could also allow diversifying the sectors, as it can be seen from the first operations signed (in manufacturing and environmental sectors)

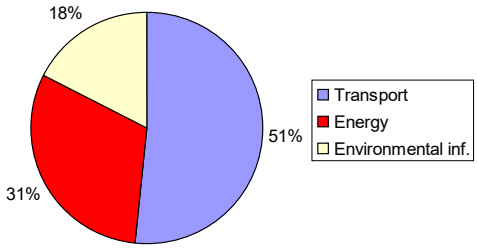
Public versus private sector financing

In total, about 30% of the financing has been directed to the private sector. This number includes all global loans supporting SME development.



The share of the private sector financing between 2000 and 2006 is about 27%; the target as standing at the launch of FEMIP was to increase this share from 25% to about 30% by 2006. In 2007-2008 private sector financing increased more significantly, representing 40% of signatures. Obviously, this matches the observations made on the use of the risk sharing formula and on the mobilisation of SFE.

Eastern Partner countries



Given the limited number of loans signed (6), this figure cannot be considered as representative of a strategy. Environmental loans were signed in line with the first mandate on Russia. The new external Mandate allows for financing in other sectors.
All loans have benefited the public sector.

The new mandate limits the scope to projects of significant interest for the EU. This does not favour the development of a portfolio based on two important competences of the EIB:

- experience in identification and support of investments regarding the development of economic infrastructure
- support to the private sector; e.g. development of SMEs, support to EU-FDI

This factor is also reinforced by the obligation (until recently) to let the EBRD identify projects. A common definition of the EIB objectives amongst all Neighbour and Partner countries could be suggested.

3.2.6 Additionality between the Instruments

Mediterranean countries:

- The potential additionality between Mandate and Facility is still to be demonstrated in order to develop private sector finance; the use of the Facilities remains at a low level.
- Complementarity is significant between loan finance and interest subsidies in sensitive sectors; it is additional for the public sector operations, which could have difficulties in securing loan finance.
- SFE/SFF is additional to classic loan finance in order to develop private sector support, in particular following an increase in demand linked to the financial crisis
- Additionality between loan finance and FSF (technical assistance) for the support of more "difficult" operations which otherwise would not pass the EIB selection process
- Additionality with risk capital to Mandate, Facility for support to SMEs and complementarity between FSF and risk capital for financial sector development
- Moderate additionality of the Femip Trust Fund to EIB actions, except for the support to the "institutional Femip"; the final impact still has to be demonstrated.

Eastern ENP countries: no particular comments can be made on additionality as access to various financial instruments is under strict constraints, which limit the Bank's activity; some suggestions are:

- Loosen the Mandate procedures in order to allow the Bank to develop a portfolio with full use of its competences
- Open access to a Facility instrument, with terms and conditions similar to the Pre-accession or Med Partnership facilities.

Latest 2009 trends as observed at the end of June 2009.

	Authorised	Signed end 2008	Signed 1S 2009	Total mid 2009		Approved not signed mid 09	
	M EUR	M EUR	M EUR	M EUR	%	M EUR	%
Mandate 2007 - 2013	**12400**	**2570**	**594**	**3164**	**26%**	**879**	**7%**
MED	8700	2400	461	2861	33%	354	
East ENP	3700	170	133	303	8%	525	
Facility MED 2007 -2013	**2000**	**218**	**0**	**218**	**11%**	**560**	**28%**

In the Mediterranean countries new commitments follow a regular pattern, although with a higher share given to private sector operations and less recourse to the Community guarantee; 5 out of 6 operations have been signed under the risk-sharing formula while two-thirds are calling for SFE support.
The approved operations (at Board level) are on the low side for the Mandate (when compared with other regions). The Facility's potential includes one large natural gas pipeline (for 500M) connecting Algeria to Europe. It could include more operations financed in Israel and Tunisia in the future.

Signed operations remain low for Eastern ENP countries at the end of June. The approved operations may not all be converted into signatures.

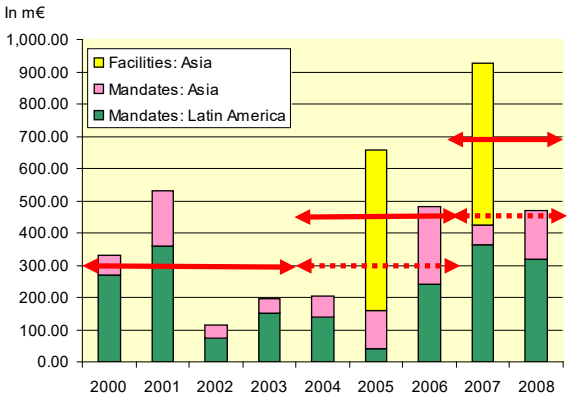
3.3 Asia and Latin America

	EUR M	Authorised	Signed	Net signed	Disbursed
Mandates	Latin America	2480 +3800	2229	1984	1616
	Asia		1089	924	677
Facility art 18	Asia	500	500	500	301
Facility ESF	Asia	Up to 3000	500	500	-
Total			4318	3908	2594

Amounts recorded for the period 2000 – 2008.

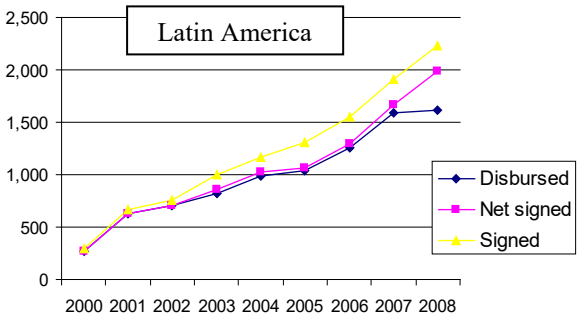
The main characteristic for the ALA region is a mandate targeting certain specific markets, namely EU Foreign Direct Investment and, more recently, environmental improvements. This is fully justified given the respective sizes of the market and of the mandate. Recently, the Bank has financed 2 operations in China (an investment grade country), both without recourse to the Community guarantee.
The financing has been predominantly dealing with the private sector in Latin America (no demand from the public sector) and is balanced between the two in Asia. The management of the portfolio is more complex with private operators, who are very sensitive to market opportunities. The Bank has made irregular issuances in some local currencies. Lending in a local currency has not yet been suitable to borrowers.
No funding is available for technical assistance, although this could be useful to implement part of the missions given, e.g. targeting poorer countries.

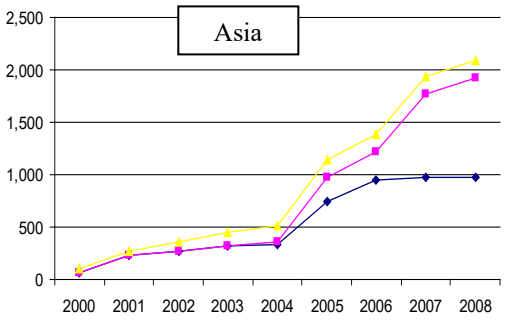
3.3.1 Portfolio Management: Net signed operations account for 3.9 bn Euros, of which 2.9 under Mandates and 1.0 under the Facilities.



Volumes are mainly driven by Mandate amounts, while yearly signatures may be more volatile as they are linked to the date at which an operation is ready for signature.
In 2007, signatures under the Mandate increased; the average over 2 years (approx. 450 M) is still below the average per year of the new mandates (540 M), but this will be compensated for in 2009.
The only significant variations are the signatures of two loans in China under the Facilities.

The assessment of cancellations and disbursements gives further information on portfolio management.





Cancellations after signature are significant: they represent 16% of signatures as regards the 2000-2006 Mandate.

Half of the cancellations are related to the lack of competitiveness of the financial product offered by the Bank in the "productive" sector (see also section 3.3.4).
The other half is concentrated in Global Loans. This product may not be suitable to this market because of: (i) problems of competitiveness of foreign currency funding; (ii) contractual and reporting requirements that are excessive for pure commercial banks; and (iii) inadequate guarantee requirements.
Active management of the portfolio has made it possible to identify early cancellations and to propose more operations; net signed operations represent 86% of the mandate.

Disbursements: given the predominance of private sector operators, loans are normally quickly disbursed, or are cancelled because financial conditions are not acceptable by the borrower. This pattern is clearly seen in Latin America. The situation is similar in Asia; only the recent signatures of two very large public operations in China change the pattern.

3.3.2 Policies and strategies

The 2000-2006 Mandate has no formal objectives for the two sub-regions**.** The Mandate refers to EU policies as stated in various EU Council meetings (Madrid 1995 – Florence 1996) where the role of the EIB is not specifically set out.
Implicitly, the Bank chose to continue with its previous guidelines, i.e. to support EU presence in the 2 regions. Accordingly, the activities of the Bank were mainly responding to the demand from private promoters. The situation was often discussed at the time of the presentation of specific operations (global loans, renewed financing with the same EU promoter), without clear indication, except in 2004 when the Bank chose ("given the scarcity of resources") to:

- focus on operations with a significant, clear and visible European interest while avoiding excessive concentration of financing in favour of individual European promoters and intermediaries
- accept a limited spread over countries, but aiming at a reasonable balance between the 2 regions (Asia 35% - 40% and Latin America 60% - 65%)

The new Mandate has been split between the 2 regions (Latin America 2800 M and Asia 1000 M, now reduced to 900 M as 100 M could be "reserved" for Central Asia). Specific objectives include:

- support to EU presence (FDI, transfer of technology and know-how) as above
- focus on environment sustainability
- focus on energy security projects

the latter two also being general objectives for the Bank.
The Bank is also requested to progressively align to the EU cooperation strategy in ALA, which is translated into:

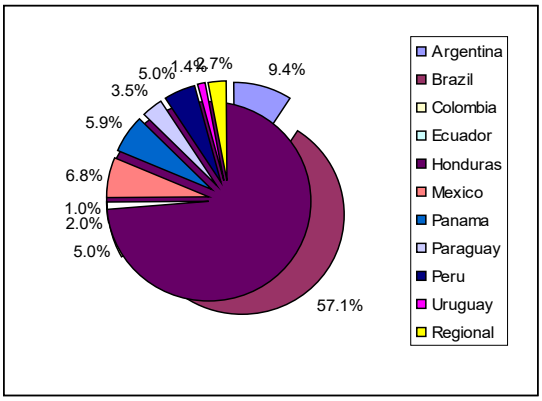
- adding countries, including less prosperous ones
- working also with local companies.

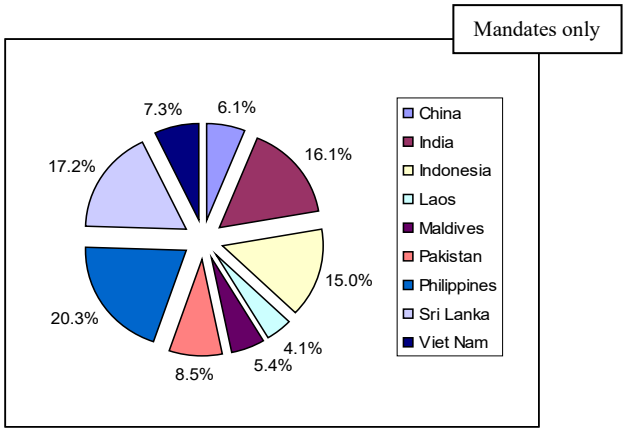
In order to answer to the new general objectives set-up in the 2007-2013 mandates, in June 2007 the Bank launched the Facility for Energy Sustainability and Security of Supply with an initial amount of EUR M 3000, under which Asia and Latin America are eligible. Recent interpretations show that the criteria "security of supply" is not applicable for ALA countries.
A first loan (500 M) has been signed in China for the support of "investments aiming at reducing CO2 emissions and other pollutants".

The EIB strategy paper, prepared in September 2007, foresees an important use of this Facility in the ALA region (possibly up to 50% of the total amount before the end of 2010).
In parallel, this strategy paper endorses all new objectives set-up for the ALA region. It specifies that projects eligible under "environment and energy" could be financed both from the above Facility (but almost only in investment grade countries) and from the mandate in other countries (so-called less prosperous countries) with a higher demand in Asia.
Both for that reason and considering the different market characteristics, the proportion of projects financed with full recourse to the Community Guarantee is likely to be higher in Asia than in Latin America.

All specific objectives, once clearly set-up, are aligned to EU policies in the regions. Therefore, it can be anticipated that all operations financed should be relevant to the EC policies.

3.3.3 Geographical scope





In Latin America, the Bank has financed operations in 10 of the 17 countries listed in the mandate.
In general, the amounts have been limited in each country, less than 10% of the total, except for Brazil which represents 57% of the Bank's activity.

In Asia, the Bank has financed operations in 9 of the 18 countries listed in the mandate.
Volumes are spread regularly, but <u>when amounts financed outside the mandate are included, China represents 55% of the total</u>.
Again, the size of a country can distort the whole picture.

During the period 2000-2006, the Bank had a general incentive to improve the country coverage; in the ALA region, this proved to be difficult to achieve given the limited amounts available and the narrow scope of the Bank's loan product. Therefore, in 2004, internal guidelines accepted geographical concentration on a few countries (Brazil, Mexico, China and Vietnam) for the remainder of the mandate. At the same time, it was decided to aim to lend 35% to 40% of the mandate in Asia in order to better balance the amounts between the two regions. This has been achieved as Asia represents 37% of this mandate.
For the new mandate in the ALA regions, the Bank is requested to "*progressively expand its activities across a larger number of countries, including the less prosperous ones*".

Bank's activity and GDP/capita

In Latin America, GDP per capita is the range 1000 to 8000 Euros. In Asia, the GDP range is more variable; the Bank is not active in the "wealthier" countries (Brunei, South Korea, Singapore GDP/capita > 15000 Euro). In both regions, no strict relation between GDP per capita and the level of the Bank's activity can be established.

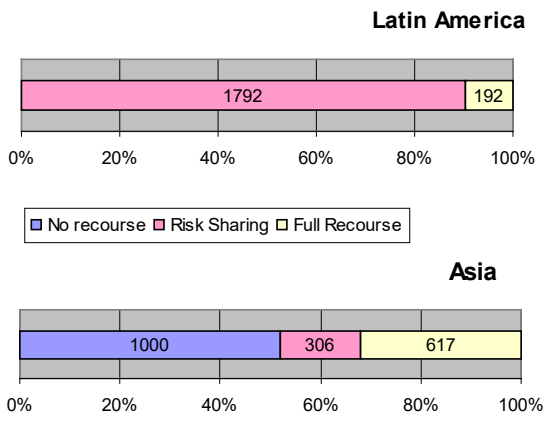
	GDP per capita	Loans per capita
Latin America	between 1000 and 8000	From 5 to 10
Asia	Between 300 and 35000	From 1 to 3

The main observation is the extremely low level of the indicator "loans per capita" when compared to the other regions.

That level remains low in the new timeframe 2007-2013, even when considering that the mandate amount could be largely increased with the use of the Facility for Energy Sustainability. This indicator is therefore not significant for that region, as any increase in volumes, even large, will not change the perception the Bank's presence at a country level.

Therefore the Bank's targets should preferably not be based on countries and geographical scope. Question: is the above objective (expand to more countries including less prosperous) reasonable?

3.3.4 Financial product offer



Until 2007, EIB financing was only possible under the mandates in the ALA region (or under specific article 18 decision, as for China in 2005).
In Latin America, as financing EU-FDI became the main target, being private sector operations in priority, the use of the risk-sharing scheme became predominant throughout the 9 years assessed. For 90% of the financing the recourse to the EU guarantee is limited to the political risk cover.
In Asia, the "EU-FDI" niche market is less accessible. Full recourse to the EU guarantee represents about two-thirds of the financing under the mandates (which also includes the specific actions for recovery after the tsunami). Over the whole period, it represents only one-third of the financing in Asia, with the introduction of (two large - China) operations financed without any recourse to the EU guarantee.

As most countries are below investment grades in the ALA region, the financing under the mandates with partial recourse to the EU guarantee (to cover the political risk) seems to be the most adequate financial product to cover the target "support to EU-FDI". It should remain largely utilised in the years to come.

Risk-sharing and guarantors: in order to keep with its AAA rating, the EIB has established strict rules for the level of risk taken in each operation. Therefore, under the risk-sharing scheme, "commercial risk" has always been covered, in this region, by eligible guarantors: For 80% of the operations, the guarantors are commercial banks – of which 90% are established in the EU - and for only 20% the guarantee is provided by a "Group company". It shows the importance of a strong partnership between the EIB and the EU financial sector for the setting of the commercial risk activity in the region. It also reflects the additionality of this instrument, which is highly appreciated by commercial Banks that have a limited appetite for country risks.

In 2007, the introduction of a new target (environment only for ALA) may change the pattern of the financial products presented in the region:

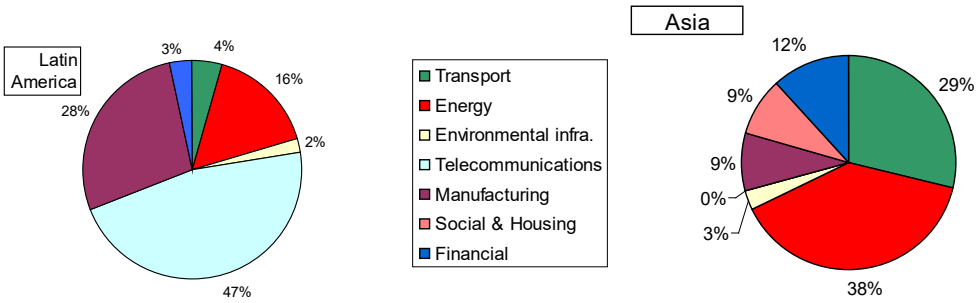
- Operations financed without any recourse to the EU guarantee are now possible; but this will be limited to operations developed in countries normally being investment grade. Today, this represents only seven countries out of 35.
- On the other side, operations could be developed in other countries, mostly with the public sector or with the intermediation of public sector entities. For this market, full recourse to the EU guarantee should be the standard setting. In practice, the Bank does not have access to this market in Latin America (crowding out effect of other resources).

Operations under SFF: these were only authorised at the end of 2008. For ALA, eligible operations must combine both FD Investment and Environmental eligibilities.

Funding in local currency: the Bank has made issuances in various countries during the past years, with large amounts in Brazil and more limited activity in some other ALA countries. This funding programme is meant to serve the Bank's funding requirements. As explained earlier (section 3.2.4), lending in a local currency is disconnected from the borrowing activity, and the attractiveness of the lending conditions may be limited. Therefore lending in (some) local currencies has not taken place, although the demand is there.

Utilisation of Budget funding in association with EIB operations: not authorised until now.
It will be interesting to follow the evolution of the observed pattern in the ALA region.

3.3.5 Sector view



These figures (including mandates and facilities) demonstrate the large variety of clients in the ALA regions. The pattern in Latin America illustrates the sectors predominant for EU Foreign Direct Investment:

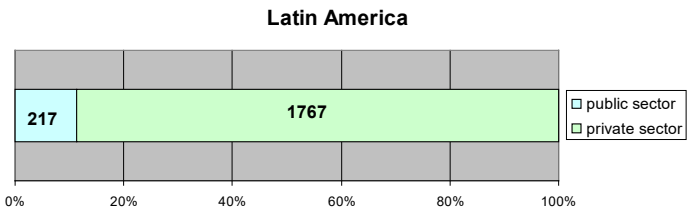
- Telecommunications: a sector with huge first investments in mobile use; the share of this sector should be addressed in future discussions on the EIB strategy in the region.
- Manufacturing and energy: two sectors with a strong presence of EU companies

In Asia, the pattern is largely modified by special actions: only about 750 M out of the 1900 M signed are dealing with similar private sector operators. Otherwise:

- 170 M have been provided for reconstruction after the tsunami (category: other)
- 500 M in transport
- 500 M classified under energy

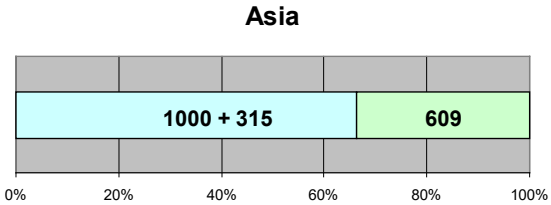
Financing EU-FDI investments allows the financing of a large spread of sectors, but it is more limited if one considers the spread over countries. There can even be a contradiction between the two objectives; as the country strategy never has a significant impact (amounts too limited – see above) it seems preferable to favour EU-FDI support and to stay in this "focus market". The new objectives set up for the Bank also include, for all regions, the protection of the environment. This is a new "focus market" and the first years of the mandate show that the potential number of operations to finance could be significant. It would allow enlarging the clientele spread and is in line with another specific request to "also work with local companies".

Public versus private sector financing



In Latin America, the private sector is predominant given: (i) the focus on support to EU-FDI and (ii) the lack of EIB funding attractiveness to the public sector. This is closely related to the sector analysis of the portfolio.

In Asia, access to the public sector is more important; this is reflected in the graph aside, with the two loans signed in the public sector under the Facilities in China given its high credit rating of A+ (S&P)[11].



[11]The only countries with that rating (or better) are Chile and South Korea, two countries where no Framework Agreement has been signed. In other regions, only Israel is rated at such level.

3.3.6 Additionality between the instruments

Given the relatively low amounts available for the region, when compared to the global demand (see relation to GDP per capita), it seems reasonable and more efficient to focus only on the two "special markets" targeted in the region:

- *continued support to EU presence through FDI, transfer of technology and know-how*
- *focus on environmental sustainability*

The Council Decision also requests the EIB to "*progressively expand its activities across a larger number of countries in those regions, including the less prosperous countries*". This should not be considered as the target as it can only result, possibly, from the development of the above activities.

The financial instruments proposed by the EIB are clearly **additional** more than complementary to each other as they allow the Bank to explore new markets. It should be recalled that the full recourse to the EU guarantee will probably increase in the region.

One instrument could usefully **complement** the above range: financing environmental sustainability can necessitate the approach of a different category of clientele, where strong support for project preparation and supervision is needed; recourse to grant financing (which could take the format of interest subsidies, support to institutional development, i.e. technical assistance ...) is recommended. It is currently not available for the region. This argument is also supported by recommendations included in the EV report on "financing water and sanitation projects outside the European Union".

Targets: "Niche markets" only	Support to EU presence (Mandate)	Environment and energy (Mandate and Facility)
SFF operations		None - authorised
No recourse to EU guarantee	No (only under mandates)	Yes - limited in number of operations
Partial recourse	YES	Low
Full recourse	Yes: limited	Yes – will increase
Grant budget	no	recommended

Latest 2009 trends as observed at the end of June 2009.

	Authorised	Signed end 2008	Signed 1S 2009	Total mid 2009		Approved not signed mid 09	
	M EUR	M EUR	M EUR	M EUR	%	M EUR	%
Mandate 2007 - 2013	**3800**	**774**	**729**	**1503**	**40%**	**854**	**22%**
Asia	1000	150	218	368	37%	297	
Latin America	2800	624	511	1135	41%	557	
Facility EFS	**3000**	**500**	**0**	**500**	**17%**	**0**	**0%**
Asia		500		500		0	
Latin America				0		0	
open to other countries			*no signatures*	0		0	

Mandate signatures in the first semester of 2009 are high and this trend seems to be sustained through the pipeline of approved operations. It should be noticed that signatures include one large operation signed with the risk-sharing formula. The pipeline is more diversified. For Asia, the mandate amount will soon be fully committed, when considering that the ceiling could be reduced to 900 M (100 M reserved for Central Asia countries).
The recourse to the new Facility seems to have a limited potential; some operations are under appraisal.

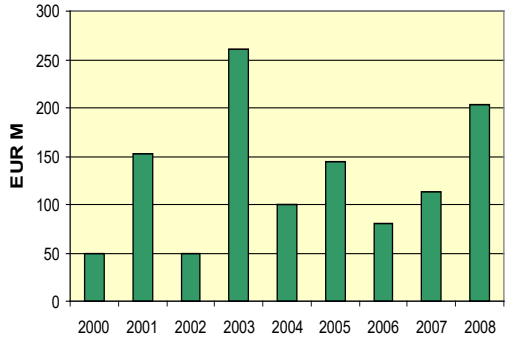
3.4 South Africa[12]

EUR M		Authorised	Signed	Net signed	Disbursed
Mandates	FP 1	825	948	825	618
	FP 2	900	203	203	6
Total		1725	1151	1028	624

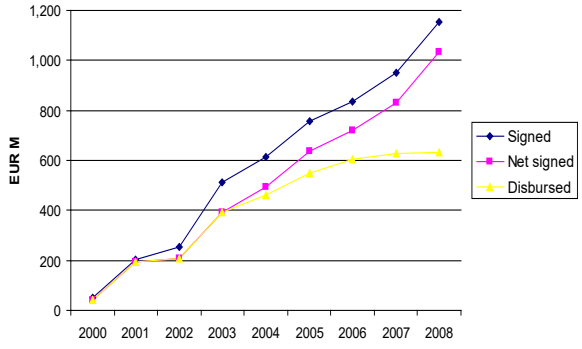
Amounts recorded for the period 2000 – 2008.

In South Africa, the Bank has been able to develop its financing in line with the main EU objective, which is to support the poorest and the historically disadvantaged groups. The most important instrument to achieve this is the possibility to lend, under advantageous conditions, in local currency (Rand). Borrowing and lending are interfaced in a treasury pool set-up with the agreement of the local authorities. This instrument, associated with the expertise of the Bank in some difficult sectors, has allowed to diversify the sectors financed and to target SMEs, municipal infrastructure and other economic infrastructure.

3.4.1 Portfolio Management



Signatures (net signed amounts) follow mandates levels; variations per year reflect the relative levels of maturity of the underlying operations over time. Efforts have been made for compensating cancellations by increased signatures during the period 2000-2006.



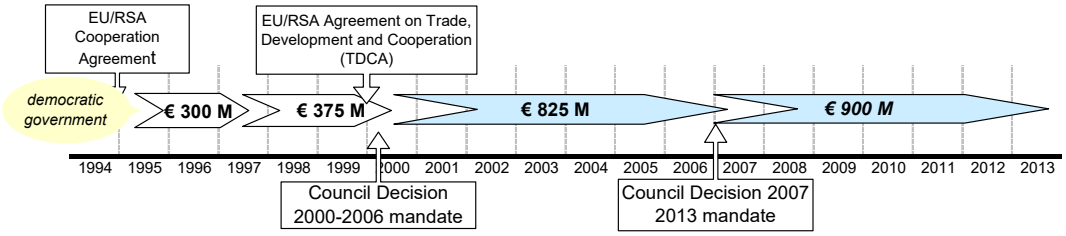
Cancellations have occurred almost exclusively on the Global loan product (29% of the signed amounts in this category). This observation was already highlighted in the previous EV report on "Borrowing and lending in Rand".

Disbursements are satisfactory; pending disbursements (end 2007) relate to two complex water supply projects signed in 2004-05, completed on time but below cost expectations; some components are being added for further financing before cancellations, if any.

For the more recent operations, which include a large one for social and affordable housing (150 M), there are no specific remarks to be made

[12] Please refer also to the evaluation report "Borrowing and Lending in Rand" (September 2007)

3.4.2 Policies and strategies



The EU/RSA agreement on Trade, Development and Cooperation (TDCA) structures the EU policy and therefore also impacts the EIB strategy in South Africa. The TDCA introduced objectives applicable to all parties. As shown in the adjacent box, it calls for cooperation in the whole region and highlights support to historically disadvantaged groups. More specific objectives for the Bank are included for sectors such as SMEs, Energy and Transport, but also related to enhancement of living conditions and delivery of basic social services.

TDCA: Economic Cooperation (art. 50)
The Parties agree to develop and promote cooperation on economic and industrial matters to their mutual advantage and in the interest of the Southern African region as a whole, by diversifying and strengthening their economic links, promoting sustainable development in their economies, supporting patterns of regional economic cooperation, promoting cooperation between small and medium-sized enterprises, protecting and improving the environment, promoting the economic empowerment of historically disadvantaged groups, including women, protecting and promoting worker and trade union rights.

In order to achieve those objectives, one important feature of the Bank's strategy is lending in Rand, the local currency. The relation between Rand financing and the stated social objectives is highlighted in section 3.4.3.
In addition, the strategy of the Bank includes a diversification of the financial instruments with recourse to the risk sharing formula and utilisation of the SFF reserve.

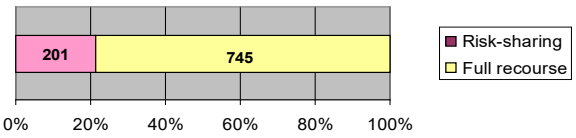
3.4.3 Geographical scope

Bank's activity and GDP/capita:
GDP per capita is within the high range for countries outside the EU (see section 4.2). Using a similar scale for other countries, loans per capita are at about 150 for candidate countries, 50 for Mediterranean countries and 10 for Latin America, compared to South Africa at about 20.
This indicates that the type of support to be provided cannot be extensively broad but rather has to be tailored to specific mandate objectives.
One of the objectives retained for further analysis, which is more specific to RSA, is connected to the enhancement of living conditions and delivery of basic social services.

3.4.4 Financial product offer

Until the launch of the new "Facility for Energy Sustainability and Security of Supply", funding in RSA was only available under the mandates, although the Bank's financial kit has been quite diversified and well tailored to the needs of the country.

Risk-sharing and SFF



Operations under the risk-sharing formula were signed with two private sector promoters (manufacturing) and with two local commercial banks for SME finance before 2007; guarantors are European commercial banks.

A recent project in the housing sector has also been signed with three local banks under the risk sharing formula.

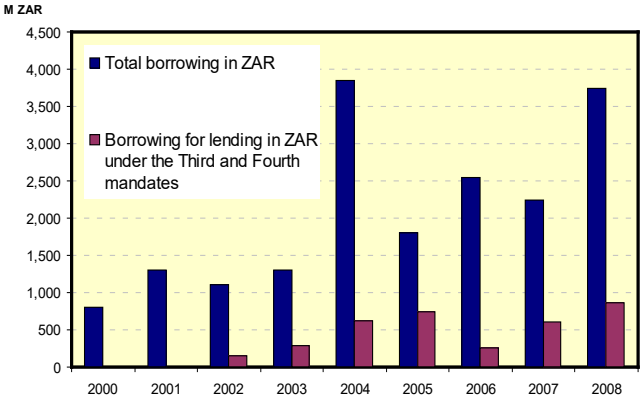
The possibility to call on support from the SFF reserve for projects outside the EU is recent (2008) and is limited to projects under the "energy efficiency" eligibility criterion (including climate change) or, in the case of South Africa, other high value-added local private sector projects. One of the manufacturing projects, with energy efficiency investments, has benefited from Bank support through the SFF reserve (10 M earmarked on the reserve).

Local currency activity

This section has been largely illustrated in the previous evaluation report on "Borrowing and Lending in Rand". The following analysis updates the numbers and highlights some elements particularly relevant to this review.

Borrowing

Rand borrowing started in 1996 in the Euro-Rand market, disbursed initially on a back-to-back basis to clients. This activity was reinforced in 1999 though the establishment of a Rand Treasury in the Bank, which allowed for the structuring of loans in accordance with the usual EIB rules. Following this latest decision, the Bank opened the possibility of disbursing loans in Rand to neighbouring countries in 2001, namely Lesotho, Swaziland, Namibia and Botswana.



Types of borrowers and currencies of disbursements

In order to better assess the additionality of local currency financing, two main categories of borrowers have been defined, considering their capacity to take foreign currency risk and therefore their appetite for Rand (ZAR) financing.

Category A

Borrowers whose revenues are mainly in ZAR and who have limited access to foreign currencies, or necessitate ZAR for on-lending:

- Local banks for SME financing
- All banks for municipal financing
- Energy: distribution and modernisation
- All water sector
- Transport: roads and urban transport
- Housing (through banks)

Category B

Borrowers who have resources in foreign currencies and/or easy access to foreign currency supply:

- International banks for SME financing
- Energy: gas fields and large gas pipelines
- Telecommunications
- Industry largely export-oriented

This table illustrates the relation between the two categories and the currency of the disbursement utilised for EIB loans. It is based on disbursements.

		Disbursements		
	%	Rand	Other	Total
Financing	Category A	49	21	70
	Category B	12	18	30
	Total	61	39	100

During the period 2000-08, there was a clear tendency to increase disbursements in Rand. Some characteristics, already highlighted in the previous evaluation, are confirmed:

- Projects in Category A
  - All of them have a high relevance.
  - They all contribute to the EU policy of supporting sustainable economic development.
  - They support activities which have been defined as common priorities in the TDCA agreement, be it in the water, energy, transport sectors or by financing municipal projects or SME investments.
  - In addition, they all contribute to poverty reduction and all projects are in conformity with article 65/3 of the TDCA: "(…) priority shall be given to supporting operations, which help the fight against poverty".
- Projects in category B also fit the defined priorities, although they show a less direct correlation with the parallel objective of the fight against poverty.

Risk capital Facility: about EUR 107 M available, starting in 2002 and 74 M approved.

The European Commission and the Government of the RSA entered into a Financing Agreement in terms of which the Commission made a grant for an aggregate amount of 55 M for the Risk Capital Facility (RCF) set up by the Government and co-managed by a local development bank (the implementing agent) and the EIB.
The RCF (2002-05) was a component of the Commission's "Private Sector Support Programme and aimed at providing equity and quasi-equity funding to SMEs owned by historically disadvantaged persons (HDPs) in the context of Black Economic Empowerment.

The role of the Bank

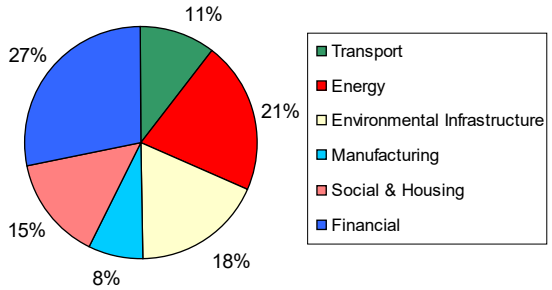
- On behalf of the Commission, evaluate and approve or reject proposals made by the development bank in respect of investments and grants and oversee, review and monitor the management, implementation and performance of the facility.
- Report to the Commission (on annually and quarterly basis) on the management, implementation and performance of the facility.
- Provide financial monitoring services to the Commission with respect to the facility's overall portfolio of investments.

In 2006, once the initial amount was committed, the RCF was increased with EUR 47 M from the EC and EUR 5 M from the South African government. This new envelope was committed by about 40% at the end of 2008. As the operations are managed by a South African development bank they are not part of the recorded activities of the EIB.
Financing is directed at small enterprises and is fully additional to the EIB lines of credit which target somewhat larger enterprises.

Technical assistance

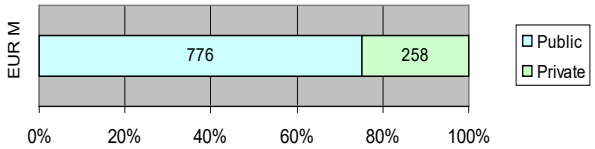
No grant funding is currently available. Nevertheless a large part of the operations financed could justify the call for grant support, as promoters (such as municipalities) and operations (in the social sectors) often deserve institutional improvements, support for the preparation of the projects and even grant financing.
Discussions between the European Commission and the EIB have started, although not yet conclusive.

3.4.5 Sector view



Support to economic infrastructure represents almost half of the EIB activity in South Africa. It includes energy and transport projects, as well as water projects and municipal infrastructure (global loans) both grouped under environmental infrastructure. The support to SME finance is provided through lines of credit signed with local banks (heading financial).

The statistics include the recent project signed in the affordable and social housing sector. During this period, approximately half of the total net amount signed was borrowed by banks or other financial institutions, either for SME finance or for the support to municipal infrastructure.



Given the current mandate priority objective to support priority public sector infrastructure investments and thus to contribute to the "fight against powerty", the share of the public sector is increasing and represents the majority of new commitments. The Bank is on track with its target of providing about two thirds of the current mandate amount for projects in the public sector, as established in its South Africa lending strategy.

"Non-Sovereign Public Sector (NSPS)": The Guarantee Agreement for the Bank's external mandates for the period 2007-2013 stipulates that NSPS operations which do not benefit from an explicit State guarantee and whose expected loss exceeds that of the sovereign (so-called NSPS operations) must not exceed EUR 2 bn in total or EUR 400 M per individual country. In the case of South Africa, almost all public sector operations fall in this category, as a State guarantee is provided only exceptionally. For South Africa, the EUR 400 M limit is thus effectively in contradiction with the objectives of the mandate as described above.

3.4.6 Additionality between the instruments

- In parallel to the Mandate, some additional finance can be mobilised under the "Facility for Energy Sustainability and Security of Supply". Projects must be eligible under the particular heading of "climate change".
- The risk-sharing formula has been used to reduce the full recourse to the Community guarantee
- The use of the SFF reserve is additional to the mandate as it allows the financing of operations which would not be eligible under the mandate from a credit risk point of view. Given the scarcity of the available SFF resources, the use of SFF for operations in South Africa is however limited to high priority/value-added operations.
- The Risk Capital Facility (RCF) is directed to small enterprises owned by HDPs and is fully additional to the EIB lines of credits, which target somewhat larger enterprises.
- Finally, the limit imposed on "non sovereign public sector" borrowers may have a negative impact and limit the relevance of the EIB operations to the global objective of "the fight against poverty".

Latest 2009 trends as observed at the end of June 2009.

	Authorised	Signed end 2008	Signed 1S 2009	Total mid 2009		Approved not signed mid 09	
	M EUR	M EUR	M EUR	M EUR	%	M EUR	%
Mandate 2007 - 2013	**900**	**203**	**120**	**323**	**36%**	**132**	**15%**

Mandate signatures at mid 2009 are in line with the timeframe of the mandate. The situation in June 2009 (including projects signed in 1S 2009 and projects approved by the Board, but not yet signed at 30/06/2009) is stable.

4 Aggregated results

This section provides more information based on the aggregation of findings amongst the various regions. As such it is not necessarily a summary, but more an assessment of the Bank's attitude when working outside the EU.

4.1 Portfolio management

The Bank demonstrates a proactive management of the portfolio of signed operations.
The initial screening between project identification and approval by the Board, and between approval and signature is regularly assessed by EV in its thematic evaluations. All cases demonstrate that the selection process can eliminate a significant portion of the activities identified. This assessment is not reproduced in this report as it focuses on the portfolio of signed operations. The following comments are based on the period 2000/2006, which is more relevant for observations (almost no cancellations for the operations signed in 2007-2008).

Cancellations after signature often happen for 3 main reasons:

- the financial conditions of the Bank's loans are still under discussion and may be unsatisfactory to borrowers: this is the case mainly for private sector operations signed under the Mandates, as is well illustrated in Latin America,
- large portions of global loans have been cancelled in the ALA region (not appropriate for the market) and in RSA (overestimated amounts),
- loans for direct operations which are not fully disbursed; this happens late in the disbursement process and is related to projects either not completed or completed below cost,

Period 2000 - 2006 %	net signed to authorised	cancellations	disbursed to net signed
Mandate own resources			
S-E Neighbours	99.4	0.6	71 cand 53 pot. cand.
Turkey - Special Action	94.4	5.6	85
Turkey - Terra	100.0	0.0	96
Euromed II	98.4	10.6	72
Russia	85.0	0.0	100
Russia and WNIS	46.0	0.0	0
ALA III	86.1	16.1	93
RSA III	100.0	13.0	75
Facilities own resources			
Pre-accession facility	98.8	1.2	86
MED Partnership I	62.0	2.1	63
Article 18: CHINA	100.0	0.0	60
Total	94.4	6.4	73
of which			
Mandates	95.5	7.4	73
Facilities	88.9	1.2	78

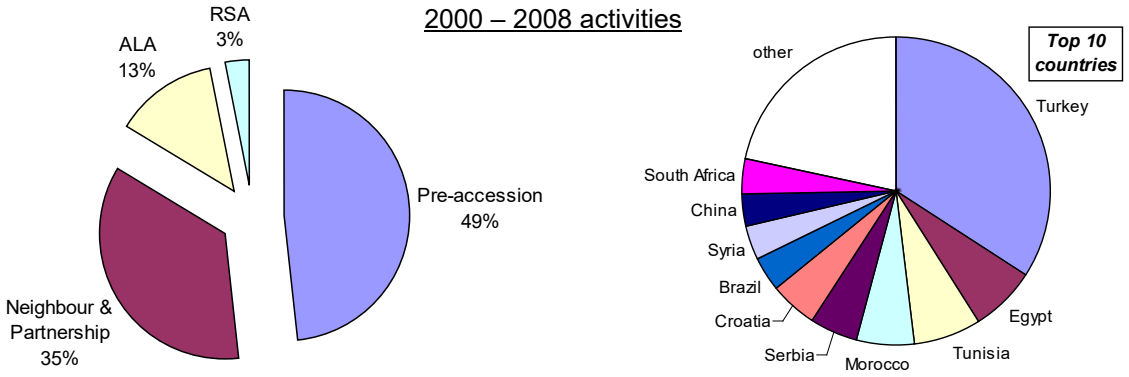
The review also noted large amounts cancelled by Algeria (400 M) due to high foreign liquidities available in the country.
Whenever possible, the Bank has proposed new operations (before the end of the Mandate validity) based on a continued demand for EIB loans. This has allowed a partial although satisfactory compensation for cancelled amounts, as seen with the ratio of net-signed operations to authorised amounts.
Portfolio management is less effective on small Mandates with a small number of operations (see the cases of the Special Action in Turkey or of the Russian and associated mandates).
Low commitment is also observed under the MED Facility where the attractiveness of the product was low and the eligible sectors limited.
The strategy of the Bank for the period 2007-2013 seems to consider the global amounts as targets and has established the conditions in order to achieve these.

The pattern for the disbursements is twofold:

- private sector operations for which the disbursement rate is normally high after 3 years; this is can be seen in the figures for the Facilities and for the ALA region; apparent low level of disbursement (MED and China) is linked to operations signed recently (2005-06).
- public sector operations where the difficulties are concentrated with weak institutional promoters in various infrastructure projects. The weakest region is obviously the Balkan States. Numbers are similar in all other regions (about 71-73 %); it is noticed everywhere that some operations can be very late, either because of an initial long delay for the

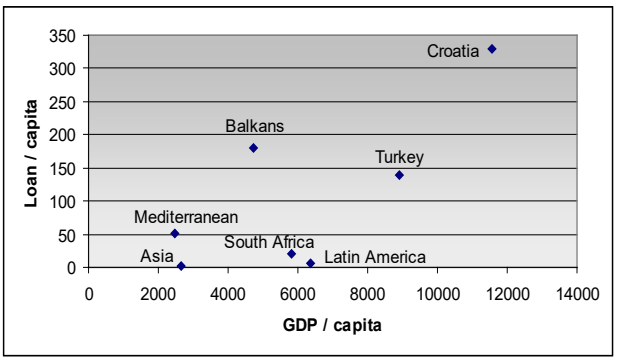
preparation of the project, or because the operation is slow moving. In both cases, this should be more actively managed by the Bank. This remark is highlighted in the various recent evaluation reports where EV suggests a formal review of these projects after 2-4 years.

4.2 Geographical scope



The first graph recalls the distribution of the EIB activities across regions. Overall there is a large spread of Bank activities amongst these countries. Nevertheless, the 10 countries with the highest amount of EIB loans represent 78 % of the volumes lent by the EIB in those regions. Most of these countries are also the largest in terms of population.
Strategies per country were rarely set-up in the past; previous evaluation reports have often requested a more focussed approach on countries. In 2007 the Bank started to develop such strategies, which should be assessed regularly.

Bank's activity and GDP/capita



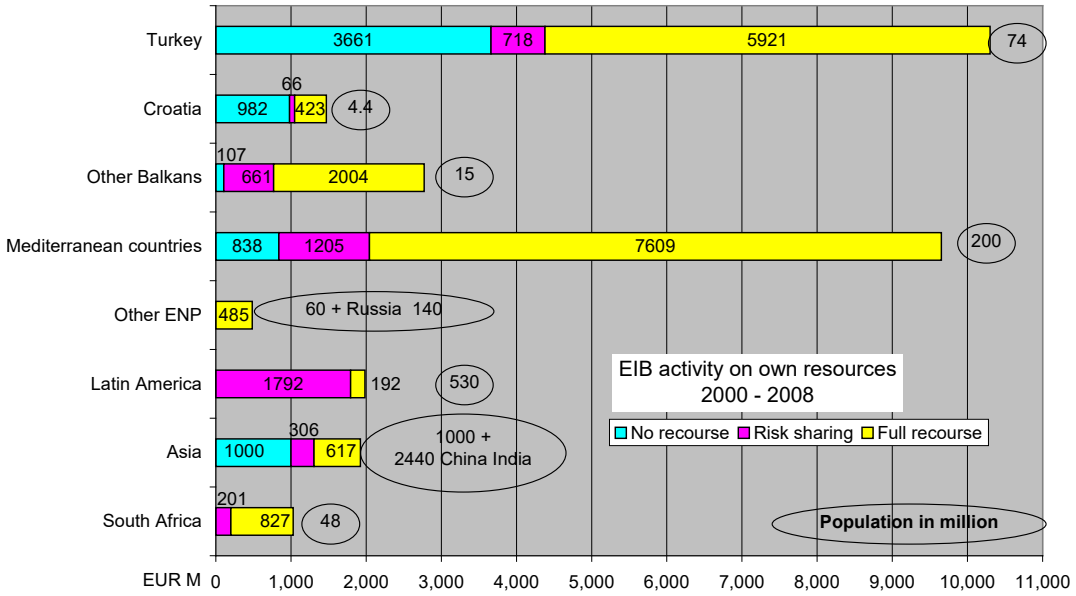
Two factors may influence the level of the activity of the Bank:

- the size of the Mandates and Facilities
- the level of development of the country

As already noticed in previous Evaluation reports, we have seen that the Bank tends to have more activities in countries demonstrating higher levels of development. This factor is reinforced by the objective to lend more to the private sector and to have less recourse to the Community guarantee. This seems to be in contradiction with the aim of supporting the efforts of the many other countries which are less developed or in need of reconstruction. The two objectives may be better combined when large volumes of financing are available, as it can be seen in the first group of countries (called Pre-Accession).
One area is de facto excluded from this analysis, as the Bank's activities have not really started: the new ENP countries, namely Ukraine, Moldova, Russia with low amounts signed compared to the objectives.

4.3 Financial product offer

More or less recourse to the Community guarantee.



The table is another global illustration of the Bank's activity amongst regions and countries. In order to better understand the volumes, the population of each area concerned is given. Additional comments are grouped below while looking at all areas together.

No recourse to the Community Guarantee:
This is achieved through the Facilities, normally for operations financed in countries being investment grade. Individual operations can be financed within the Facilities, as long as their rating is of a standard acceptable to the Bank (e.g. private sector operation with a European security following EIB credit risk guidelines within EU). Therefore the Bank is able to develop these volumes:

- in investment grade countries (see also the comment for Israel and Tunisia § 3.2.2)
- in rather developed countries where private sector operators are investing, and appreciate the financial support of the EIB

Partial recourse to the Community Guarantee: risk-sharing operations:
The development of this instrument is centred on:

- private sector operators
- investing in rather developed partner countries
- but with a significant political risk
- and with some appetite for the EIB financial product, eliminating countries with high local market liquidities

This has been mainly used in Latin America, to a lesser extent in Asia, and more recently in the Balkans. In Mediterranean countries the volume was minimal, mainly due to very liquid local financial markets.

Full recourse to the Community guarantee:
This share is predominant in regions where the Bank is supporting the development of economic infrastructure as a priority, as in South Africa or in the Neighbour and Partnership countries. Borrowers are, in general, public sector entities.
This also includes all EIB lending activities in the poorest countries or in countries with the highest political risk.

Respective shares over the full 2000-2008 period:
Full recourse: 61% Partial recourse: 17 % No recourse: 22%
This global view shows that, with the combination of the 3 formulas, the EIB covers the commercial risk over 39 % of the operations financed.

SFF (Structured Finance Facility) and SFE (Special FEMIP Envelope)
SFE is the share of SFF that is more specifically allocated for FEMIP operations.

The mobilisation of the SFF (and SFE) reserve for operations outside the EU effectively started in 2007 after the decision of the Board of Governors to open it to "countries in which the Bank is authorised to operate". "Guiding principles" decided by the Board of Directors (December 2007) have introduced a link with the general (2007-2013) Mandate objectives for Partner countries (other than Pre-Accession and FEMIP), and somehow limit the eligible operations - in particular in the new ENP countries and in ALA countries.

SFF and SFE - Outside the EU – see annex 5

End June 2009	Signed operations				Operations foreseen		
		M EUR				M EUR	
	Number	Signed	Disbursed	Reserve Allocation	Number	Amount to sign	Reserve Allocation
SFE	9	774	291	165	7	392	97
SFF non EU	7	703	576	114	13	953	192
RSFF - EIB	2	53	26	14	2	200	50
RSFF - EC	1	30	30	0			
Total	**19**	**1,559**	**922**	**293**	**22**	**1,545**	**339**

Operations have been signed in FEMIP countries (SFE – Lebanon, Jordan, Tunisia and Israel), in Turkey and South Africa. One investment has been made in a regional Fund investing in the Balkans.
The rhythm is quite high for operations outside the EU as they represent 18 % of all committed amounts under the Reserve. It has given support to:

- operations signed under the Mandates, associated with the risk sharing formula. This can be observed for all SFE operations in Mediterranean countries and one case in South Africa
- operations signed under the Facilities where the Bank accepts to take more risk under strict credit risk guidelines. It includes all operations signed in Pre-accession countries.

The 1.56 bn of signed operations represent 12% of the total signed portfolio since the start of the new financial period (new mandates + facilities since 01/01/2007). This rhythm is most probably not sustainable. The limitation may now come from the maximum size of the SFF reserve (3750 M) available until 2013 and the share allocated to operations outside the EU.

Borrowing and lending in local currency

This activity can be classified into 3 main categories, which are analysed as:

(i) Back-to-back operations: experience highlighted in the Evaluation report on "Borrowing and Lending in Rand" shows that such operations are not sustainable as the financial characteristics of the loan have to match all borrowing conditions, which is not suitable for borrowers. They have been limited to the starting phase of EIB activity in one local currency and are normally excluded now.

(ii) Borrowing and lending associated within the management of a dedicated pool. This is the (historical) exception of South Africa for the Rand, thanks to a specific agreement with local financial authorities. It has proven to be a successful set-up both for borrowing and lending activities.

(iii) Borrowing for EIB financial resources management; funds raised are swapped by the Bank (in general to EUR) for its own funding requirements. Lending in the same local currency is authorised from the global EIB Treasury. Experience shows that the financial conditions, benefiting from the average financial advantage proposed to all EIB borrowers, are in general not attractive to EIB borrowers.
This formula has had a limited use in Turkey.

In theory, the third formula could be developed in other currencies, but at a high initial administrative cost. Given the limited attractiveness of the lending product, that effort will often not be justified.

Interest rate subsidies

Such funds have been available in FEMIP countries to support operations in the environmental sectors, in practice mainly for the water and sanitation sector, as they reduce the burden on operating costs in a sector where revenues almost never cover the full cost of the service. In addition, it gives the Bank more leverage on the definition and implementation of the project, a position which the Bank could strengthen.
Further development of this instrument will take place under the new facilities still in the start-up or construction phase for the Pre-accession countries and for the Neighbourhood and Partnership countries, as described earlier.
Currently, such funding is not foreseen for the ALA region and South Africa.

Risk capital operations

Funding for risk capital operations is provided by the EC budget. This activity is only fully managed by the Bank in FEMIP countries. In RSA, implementation is carried out by a local agent.
The characteristics of this activity can be summarised in three groups:

- Support to SME development in both regions, additional to the Bank's lending activity with lines of credit to financial intermediaries
- Support to the development of a new financial instrument in the local financial markets; this is mainly true in FEMIP countries, often associated with the provision of technical assistance.
- Support to the development of the private equity market, as EIB participation (in FEMIP countries) helps to attract 5 times that amount from other public or private sector investors in the region.

The highest impact is achieved when the Bank directly manages a specific envelop and uses it for the development of the local financial sectors.

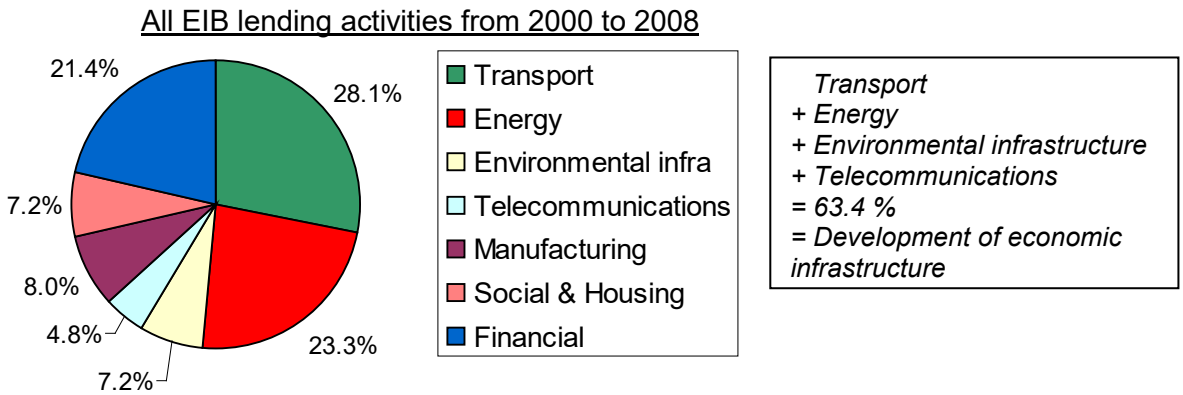
Technical assistance

The main conclusion from the regional analysis is that technical assistance funding is a highly valuable instrument in order to support EIB operations in some of its priority areas as defined in the various mandates.

- Firstly it covers a large proportion of the operations financed in countries with weak institutional set-ups; this is the case for the Balkan countries in the pre-accession mandate, and for the poorer or less developed countries in the other mandates. Almost all public sector operations should benefit from this support, either for project preparation, project monitoring or for institutional enhancement.
- Secondly, operations targeting new objectives such as environmental protection and climate change, which could benefit from the Bank's expertise for their full set-up
- Thirdly, operations identified by the Bank and which include special features such as Public Private Partnership operations, or any other innovative structure.

Facilities offered until 2006 were limited to FEMIP countries. With the new mandates, the European Commission is establishing new instruments open to the EIB and other IFIs under which EC budget funding could be associated to the IFIs' loan funding. This could take various forms, such as technical assistance, interest rate subsidies, or grants. These possibilities will be open to Pre-accession, Neighbourhood and Partnership countries, but are not foreseen for ALA countries and South Africa.
FEMIP Support is successful and will remain open for a few years; while waiting for the new EC supports. The Bank has also put in place a specific technical assistance facility for the Western Balkans (2008 – funded by its own budget).

4.4 Sector view



The EIB's primary overall mission is to support the development of economic infrastructure. This has been the Bank's main competence for more than 50 years, both inside and outside the European Union and can be defined as corresponding to the sum of the first four sectors (transport, energy, environmental infrastructure and telecommunications).
These 4 sectors represent nearly two-thirds (63.4%) of EIB financing under the mandates. Normally, in any country/region, the initial activities of the EIB are within those sectors, based on EIB competences and expertise, as well on the proposed financial package which best fits the client's needs. In such circumstances, the Community Guarantee has a maximum value-added. All these factors allow a quick start.
As already stated, the new EIB Mandate in Eastern Partner countries could not benefit from all these experiences and competences as the Bank was not permitted to create its own pipeline of activities. This is one of the two exceptions. The other exception is the ALA region, where the missions of the EIB have a different focus.
The Bank is equally active in these sectors under the Facilities, which represent marginally more than half (52.7%) of the Bank's financing. The Bank supports innovative schemes (e;g; Public Private Partnership) and develops operations in investment grade countries (see Croatia and Asia).
Support to the development of environmental infrastructure (2.1 bn in 9 years) justifies a special mention. Although the Bank has always been active in this area, it is increasing under the new Mandates as it has become a global objective, in particular in relation to climate change. This activity can (almost) only be developed under the Mandates and deserves significant grant support, as already pointed out.

The second main mission of the EIB is the support to the development of SMEs (6.3 bn between 2000 and 2008). This has been one of the Bank's main priorities for many years. Initially, outside the EU, this target is the main component of the actions supporting the development of the private sector. It has now become an independent objective, which has been further emphasized since the financial crisis has hit all sectors of activity and commercial lending towards SMEs has decreased (Financing SMEs in Eastern ENP was only authorised in August 2009).
21.4% of the Bank's funding has targeted this sector, under both Mandates (19% of its financing) and Facilities (30%).
In the latter case, the Bank intermediates its support through private financial institutions and, for the time being, this activity is only developed under the Pre-Accession Facility where it represents 42 % of EIB funding.
The share of SMEs should further increase in 2009 for the Pre-Accession region, both under the Facility and the Mandate (see section 3.1.5 latest trends).
As already pointed out, the activities with risk capital resources aim at the same objective. Given the high leverage of this domain, it has a significant impact on SME development (support to about 1.4 bn of private equity financing in the FEMIP area).

To support the development of the private sector and, more specifically, EU Foreign Direct Investment, the Bank is particularly active in the manufacturing sector: 7.2 % of its overall financing, or 2.4 bn. Pre-accession countries (mainly Turkey) represent about 45% of that amount, projects in the ALA region 30%, Mediterranean countries 22% and South Africa 3%.

The latest area of activity analysed – Social and Housing - is the combination of 2 types of activities, fully financed under the Mandates:

(i) Support to reconstruction efforts after natural disasters, which has an obvious social component; this includes the TERRA mandate in Turkey, as well as supports to Algeria (also after an earthquake) and Asia after the tsunami. It represents 39% of this sector.

(ii) Support to social programmes, including education, health and social housing. This segment of activity started in the middle of the 2000-2006 mandate and is regularly increasing in all regions. This represents 1.3 bn of lending.

4.5 Additionality between the instruments

Mandates and Facilities:

- As Mandate amounts are normally fully committed at the end of the period of validity, signatures under the Facilities are additional to the Mandates.
- The Facilities allow the financing of private sector operations without requesting any guarantee from the local authorities, except those coming from the application of the Framework agreements. Therefore, this financial instrument is additional to the financial kit of the EIB for operations outside the EU.
- In volume terms, the Facilities have a large impact for Pre-Accession countries; this impact is lower for Mediterranean countries. The Bank should further develop its commitments under the second Mediterranean Partnership Facility. In parallel a similar Facility could be additional to the Bank's activities in the other ENP countries.
- Commitments under the new "Energy Sustainability Facility" will be additional in ALA countries and South Africa.

- Risk sharing decreases recourse to the Community Guarantee as the "commercial" risk is born by the EIB. Some countries are willing to "reserve" the mandate amounts to public sector and the risk-sharing formula is not utilised. Where local authorities accept the principle, risk-sharing operations are signed with the private sector and are additional to operations signed with full recourse to the Community guarantee. It is particularly obvious in ALA countries and to some extent in Mediterranean and Balkan countries.

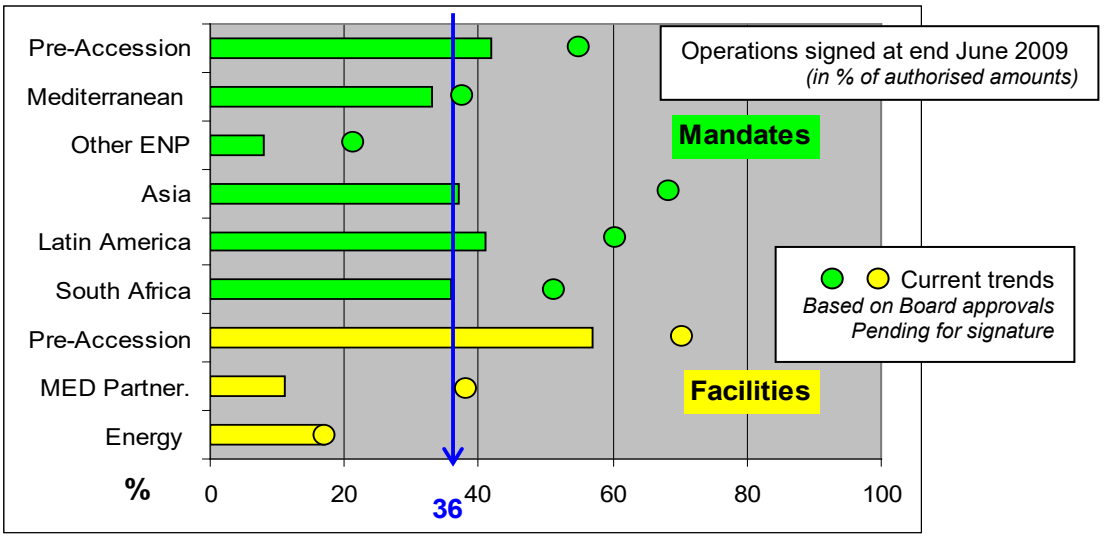
- Recourse to the SFF reserve allows the funding of "riskier" operations, which otherwise would not be financed by the Bank. It finances more private sector operations under the Mandates (and here the risk sharing formula makes a lot of sense) and under the Facilities. It is additional to the other instruments.

- Local currency lending allows access to an enlarged clientele only in South Africa.

- EC budget funding: cooperation with the EC is one of the main components of the EIB strategy outside the EU.
  The additionality of the instruments financed by the EC budget has been demonstrated. The limitation came only from the limited range of instruments available and the limited geographical scope for their application.
  Technical assistance funding complements EIB loan products and enlarges the EIB clientele; the Bank is then able to add:
  - operations necessitating institutional (or equivalent) support, in sectors such as education, health, water and sanitation
  - operations in countries with a weak institutional set-up, such as in post-war areas or in poorer regions

  Risk capital is additional to the EIB financial kit and supports the development of SMEs as well as the development of the local financial sectors.
  Other contributions (such as interest rate subsidies) are additional but had a marginal impact.

4.6 Latest trends at 30 June 2009.



36 % = period elapsed in % of 7 years

Mandates: in all regions except Neighbourhood and Partnership, the trend is advanced in comparison to regular annual commitments.
In Pre-Accession countries, commitments are high in Turkey following recent requests to increase financing to SMEs. Therefore the share of the mandate allocated to the Balkan countries is decreasing.
In ALA countries, the demand is growing above the expected standard in close correlation to the financial crisis. The problem may be more acute in Asia when considering that 10% of this mandate is to be reserved for Central Asian countries.
Demand is equally increasing in South Africa where the Bank still gives high priority to the fight against poverty.
While in Mediterranean countries the pattern is regular and trends are still very low in the Eastern Neighbours.

Facilities: the pattern is less regular.
As expected, an increase in the Pre-Accession Facility should be foreseen, probably at the beginning of 2011.
The commitments under the Mediterranean Partnership Facility (MPF) are variable and future outlook is not well sustained.
The new Facility for "Energy Sustainability and Security of Supply" may have a low potential; its geographical scope overlaps with that of the MPF and therefore it is de facto reserved for ALA countries and South Africa, with a more limited scope.

Annex 1 - EV reports available for the Mid-Term Review

	New reports proposed by EV		Other reports available
All operations			
	➢ Review of the EIB Portfolio and Strategy for the period 2000 - 2008		
EIB own resources			
Activities in the Pre-accession countries			
	➢ In-depth evaluation of a selection of individual operations financed after 2000 under the 2000/2008 mandates and facilities.		➢ Evaluation of the EIB financing in the New Member States during Pre-accession (published on EV/EIB website) ➢ Evaluation of the St Petersburg wastewater project (Russia) – joint evaluation with EBRD (published)
Activities in the Neighbourhood and Partnership countries			
	➢ In-depth evaluation of a selection of individual operations financed after 2000 under the 2000/2008 mandates and facilities.		➢ Evaluation of the EIB financing of water and sanitation projects outside the EU (available September 2009)
Activities in Other countries			
	➢ ALA region: in-depth evaluation of a selection of individual operations financed after 2000 under the 2000/2008 mandates and facilities.		➢ Evaluation of Borrowing and Lending in Rand (published) – including activities in South Africa
Other sources of Finance			
EC budget funding			
			➢ Evaluation of the EIB financing of Investment Funds in MED and ACP (available November 2009).
Femip Trust Fund (FTF)			
			➢ Evaluation of FTF activities as at 30/09/06 ➢ Evaluation of FTF activities as at 30/09/07 (published)

Annex 2 - 2007 Partner countries

(Council decision 2006/1016/EC of 19 December 2006)

1. **Pre-accession Countries**

Candidate countries

Croatia, Turkey, the Former Yugoslav Republic of Macedonia

Potential candidate countries

Albania, Bosnia and Herzegovina, Montenegro, Serbia, Kosovo under United Nations Security Council Resolution 1244 (1999)

2. **Neighbourhood and Partnership Countries**

Mediterranean

Algeria, Egypt, the West bank and the Gaza Strip, Israel, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia

Eastern Europe, Southern Caucasus and Russia

Eastern Europe: Moldova, Ukraine, Belarus (no political go ahead for the latter)

Southern Caucasus: Armenia, Azerbaijan, Georgia

Russia: Russia

3. **Asia and Latin America**

Latin America

Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela

Asia

Asia (without Central Asia): Afghanistan, Bangladesh, Bhutan, Brunei, Cambodia, China, India, Indonesia, Iraq, South Korea, Laos, Malaysia, Maldives, Mongolia, Nepal, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam, Yemen

Central Asia (political go ahead in late 2008): Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan

4. **South Africa**

South Africa

Annex 3 - EIB external activities - Mapping of the 2000-2008 Portfolio assessment

Period 2000 – 2006/7					Period 2007 - 2013			
Activities on EIB own resources								
Mandates With EU guarantee	EUR m	Facilities At EIB own risk	EUR m		Mandates With EU guarantee	EUR m	Facilities At EIB own risk	EUR m
South-eastern Neighbours (1)	9185	Pre-Accession facility up to 2007	14000		"Pre-accession countries" (1)	8700	Pre-Accession facility up to 2010	19500
Turkey – Special Action	450							
Turkey – TERRA	600							
					Neighbourhood & Partnership			
Mediterranean	6520	Med Partnership Facility	1000		Mediterranean	8700	Med Partnership F. II	2000
Russia	100				Eastern Europe, etc ..	3700		
Russia / WNIS	500							
ALA	2480	Beijing airport project	500		ALA	3800		
RSA	825				RSA	900		
							Facility for Energy .. (2)	3000
Activities with other sources of finance								
EC budget	Mediterranean countries and Turkey		496		Mediterranean countries (direct)			150
	South Africa		55		South Africa			50
					Other resources may be available from various facilities (NIF, …)			
Some EU MS	Femip Trust Fund		34		*Commitment period extended up to 2010*			
EIB own funds	SFE for Mediterranean countries - committed		9		SFE for Mediterranean countries - committed until mid 2009			156
	SFF for other countries - committed		7		SFF for other countries - committed until mid 2009			107
					RSFF all regions - committed until mid 2009			14

Groups of countries are defined according to the 2007-2013 EIB external mandates.
(1) include amounts available for the 12 New Member States until their Accession
(2) for Neighbourhood & Partnership countries (excluding Russia), ALA countries, RSA and ACP countries

Mandates and Facilities excluded from the review: ACP and OCT mandates; EFTA facility.

Annex 4 - Amounts per region for 2000 – 2008

Statistics 2000 - 2008 **EIB activities in "2007 Partner Countries"**

Own resources		Years	Authorisations EUR M FP 1	Authorisations EUR M FP 2	Signed EUR M FP 1	Signed EUR M FP 2	Net signed EUR M FP 1	Net signed EUR M FP 2	Disbursed EUR M FP 1	Disbursed EUR M FP 2
Mandate	South-East Neighbours	2000 - 2007	6409 **		6409		6370		4138	
Mandate	Turkey - Special Action	2001 - 2005	450		450		425		362	
Mandate	Turkey - Terra	1999 - 2002	600		600		600		575	
Mandate	Pre-accession	2007 - 2013		8700		2397		2397		332
Facility	Pre-accession facility	2000 - 2013	2156 **	6200	2156	2620	2131	2620	1843	1749
			9615	***14900***	***9615***	***5017***	***9526***	***5017***	***6918***	***2081***
Mandate	Euromed II	2000 - 2007	6520		7174		6413		4642	
Mandate	Russia	2001 - 2005	100		85		85		85	
Mandate	Russia and WNIS	2004 - 2007	500		230		230		1	
Mandate	ENP MED			8700		2400		2400		281
Mandate	ENP other countries	2007 - 2013		3700		170		170		0
Facility	MED Partnership I	2000 - 2006	1000		633		620		389	
Facility	MED Partnership II	2007 - 2013		2000		218		218		215
			8120	***14400***	***8122***	***2788***	***7348***	***2788***	***5117***	***496***
Mandate	ALA III	2000 - 2007	2480		2545		2135		1990	
Mandate	ALA IV	2007 - 2013		3800		774		774		303
Mandate	RSA III	2000 - 2007	825		948		825		618	
Mandate	RSA IV	2007 - 2013		900		203		203		6
Facility	Article 18: CHINA	2005	500		500		500		301	
Facility	Energy Sustainability …	2007 - 2013		3000		500		500		0
			3805	***7700***	***3993***	***1477***	***3460***	***1477***	***2909***	***309***
	Total		**21540**	**37000**	**21730**	**9282**	**20334**	**9282**	**14944**	**2886**
	of which									
Mandates			*17884*	*25800*	*18441*	*5944*	*17083*	*5944*	*12411*	*922*
Facilities			*3656*	*11200*	*3289*	*3338*	*3251*	*3338*	*2533*	*1964*
EC Budget										
	Risk capital	MED	230.0	118.0	177.2	108.5	166.0	108.5	89.1	8.3
		Turkey			6.0		6.0		4.8	
	Interest rate subsidies	MED	113.7	41.5	113.7	41.5	101.1	41.5	27.1	
		Turkey	47.0		47.0		47.0		36.4	
	TA Femip support fund	MED	93.0		37.3	34.4	37.3	34.4	20.3	0.5
		Turkey	12.0		10.9		10.9		3.5	
	RSA risk capital		55.0	50.0			55.0	20.0		
	other instrument: NIF : recent not recorded here									
Other resources										
EIB	SFE reserve allocation	MED			9.2	95	9.2	95	9.2	95
	SFF reserve allocation	Other			7.3	106.3	7.3	106.3	7.3	106.3
						of which RSA 10				
EU States	Femip Trust Fund		34		4.2	5.4	2.7	5.4	2.7	1.4

* FP 1 : 2000-2006 Financial Perspectives; operations under mandates may be signed until 07/07
Authorisations as modified in december 2004
FP 2 : 2007-2013 Financial Perspectives

** Authorisations are adjusted to the amounts signed in countries eligible for this report
Mandate: the complement to 9185 EUR M has been signed in New Member States before 2007.
Facility: The amount available at the end of 2006 is about 700 M on the authorisation of 14 000 M
(considering signatures in New Member States and in Turkey/Croatia)
New amount available for 2007-2013 = 700 + 5500 = 6200 EUR M

Annex 5 - Structured Finance Facility (SFF) and Special FEMIP Envelope (SFE)

1. Definition

The Structured Finance Facility (SFF) established in 2001 is designed to generate a significant added-value by the provision of additional support to priority projects through instruments with a risk profile that is higher than the standard normally assumed by the Bank. Capital is allocated against the "SFF Reserve" for each SFF operation at a level determined by its loan grading[13].

Operation Grading	Capital Allocation	General Provisioning
D-	10%	3%
E1+	15%	10%
E2+		
E3+		
E-	20%	25%
ETP	50%	None
ETI	100%	

For the SFF Reserve an initial envelope of EUR 750m was approved by the Board of Governors in 2001 and fully allocated between 2001 and 2006. In 2006, the Board of Governors decided to consider a gradual increase of the SFF Reserve by an overall amount of EUR 3,000m to a maximum ceiling of EUR 3,750m, available for the support of operations on the Bank's own resources in countries in which the Bank is authorized to operate. Such increase would be funded by appropriations from the Bank's annual surplus or from the additional reserves, after statutory reserve requirements, over an eight-year period from 2006 until 2013.

According to the Board of Governors' decision, within the overall ceiling of EUR 3 750m[14]:

SFF Reserve – EUR m 2006-2013		
EUR 3,750 m	RSFF	1000
	LGTT	500
2006-2010 EUR 2,750m	SFE	500
2011-2013 EUR 1,000m	SFF Reserve for i2i, TENs and Energy	1750

1) up to EUR 1,000m could be dedicated to the Risk Sharing Finance Facility (RSFF), an instrument co-financed by the EIB and the European Commission for operations in the field of Research, Development,
2) up to EUR 500m to the Loan Guarantee for TENs Transport (LGTT), similarly co-financed with the European Commission,
3) up to EUR 500m per annum to the Special FEMIP Envelope (SFE), which is aimed at reinforcing the EIB's support to the private sector in the Mediterranean Partner Countries,
4) the balance (minimum EUR 1,750m) being available for the Bank's other approved objectives.

An additional amount of EUR 1000 M has been recently allocated to the SFF Reserve for operations under the Mezzanine Growth Facility or Marguerite Fund or similar.

2. SFF activities: an overview

SFF Sectors

Following the endorsement by the Board of Governors in 2005 of the EIB's new strategic orientations involving a controlled increase in the Bank's tolerance of risk, there has been a strengthened focus on developing projects under SFF, resulting in accelerating growth in signatures under the Facility and the generation of a substantial project pipeline. SFF supported lending has also diversified into other lending objectives extending the scope of financing into other areas such as energy and environment, across wider geographic regions and to new beneficiary groups, notably mid-cap sub-investment grade companies which has been the principal application of RSFF to date. Indeed, the Risk Sharing Finance Facility has further widened the sector range of SFF activities to industrial RDI activities (including notably renewable energy technologies, engineering/automotive sectors, life science, and ICT) and to

[13] SFF operations are governed by individual operation size limits, sector limits, and a ceiling on the aggregate volume of SFF operations – determined by the amount available under the SFF Reserve. The pricing of SFF operations reflects their higher risks and complexity.

[14] In 2003 the EU Council requested the allocation of a specific amount of up to EUR 200 million to the Special FEMIP Envelope (SFE). Concerning the RSFF, the European Commission contributes additional funds from the 7th Research Framework Programme to the credit risk provisioning. As regards the LGTT, the European Commission has reserved EUR 500 million of budgetary funds for the period 2007-2013.

research infrastructures. SFF has also been used to target other priority activities including SMEs.

SFF Geographic activity

During the first years of the SFF, the projects were identified in EU 15 countries. However, as the Bank implemented its 2005 strategy and sought to bring more value through the controlled taking of risk in a wider range of markets, projects in all (27) Member States and in Pre-accession countries became eligible, as well as in Mediterranean countries (after the launch of SFE in 2004). In its 2006 decision, the Board of Governors authorised the use of the SFF to support operations on own resources "*in countries in which the Bank is authorised to operate*".

Following the approval of the new (2007-2013) external Mandates, **guidelines for the use of SFF outside the EU** were edited.

In Pre-accession countries as in FEMIP countries, there is no specific sector limitation to the use of SFF resp. SFE.

In non-FEMIP Partner countries, the SFF would be used mainly to support financing operations that contribute to support:

(1) Climate change mitigation and energy security of the Member States; or
(2) Projects of significant interest to the EU in transport, energy, telecommunications and environmental infrastructure, with, in Eastern Neighbours and Russia, priority to the extension of Trans European Networks (TENs).
(3) EU Foreign Direct Investment in Partner countries is also eligible only provided that such operations also meet one of the two other priority objectives, a particular statement valid for ALA.

The use of SFF may also be required to enable the Bank to support effectively other categories of projects that contribute to the achievement of other priority objectives of the EU in Partner countries.

SFF statistics

At the end of June 2009, the Bank's cumulative exposure on signed SFF operations reaches EUR 8.4 bn (compared to EUR 2.7 bn at the end of 2007), with a corresponding provisioning of EUR 1.5 bn (or 18% of the signed exposure). For the operations signed outside of EU the Bank provisioned EUR 293m (see table below), or 18% of the Reserve allocation.

3. SFF operations outside the EU

As at June 2009, the Bank had identified 41 SFF operations outside the EU (including SFE and RSFF) for an amount of EUR 3.1 bn. Out of them, 19 have been signed, amounting to EUR 1,559m, of which 60% is already disbursed.

SFF and SFE - Outside the EU

End June 2009	Signed operations				Operations foreseen		
		M EUR				M EUR	
	Number	Signed	Disbursed	Reserve Allocation	Number	Amount to sign	Reserve Allocation
SFE	9	774	291	165	7	392	97
SFF non EU	7	703	576	114	13	953	192
RSFF - EIB	2	53	26	14	2	200	50
RSFF - EC	1	30	30	0			
Total	**19**	**1,559**	**922**	**293**	**22**	**1,545**	**339**

Annex 6 - Glossary of Terms and Abbreviations

ACP	Africa, Caribbean and Pacific
AFD	African Development Bank
ALA	Asia and Latin America
CEB	Council of Europe Development Bank
COP	Corporate Operational Plan
CR	Council Regulation
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECOFIN	Economic and Financial Committee of the European Council
EFTA	European Free Trade Agreement
EIB	European Investment Bank
ENP	European Neighbourhood and Partnership
ENPI	European Neighbourhood and Partnership Instrument
ESF	Facility for Energy Sustainability and Security of Supply
EU	European Union
EV	Operations Evaluation of the EIB
FDI	Foreign Direct Investment
FEMIP	Facility for Euro-Mediterranean Investment and Partnership
FP	Financial Perspectives
FSF	FEMIP Support Fund
FTF	FEMIP Trust Fund
FYROM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
GEFSA	Growth and Employment Facility for South Africa
GL	Global loan
HDP	Historically disadvantage person
ICT	Information and Communication Technology
IFI	International Financing Institutions
KfW	Kreditanstalt für Wiederaufbau
LGTT	Loan guarantee instrument for TENs transport
MDB	Multilateral Development Bank
MEDA	EU programme to implement the cooperation measures designed to help Mediterranean non-member countries reform their economic and social structures and mitigate the social and environmental consequences of economic development. Acronym for “mesures d’ajustement” (i.e. adjustment measures)
METAP	Mediterranean Environmental Technical Assistance Programme
MoU	Memorandum of Understanding
MPF	Mediterranean Partnership Facility
MTR	Mid Term Review of EIB External Mandates
Net Signed amounts	Equal signed amounts minus cancellations
NIF	Neighbourhood Investment Facility
NMS	New Member States
NSPS	Non sovereign public sector
OCT	Overseas Colonies and Territories
OR	(EIB) Own Resources
PDCC	Policy Dialogue and Coordination Committee
PPP	Public Private Partnership
RCF	Risk Capital Facility
RDI	Research, Development and Innovation
RSA	Republic of South Africa
RSFF	Risk-Sharing Finance Facility
SFE	Special FEMIP Envelope
SFF	Structured Finance Facility
SME	Small and medium sized enterprise
TA	Technical Assistance
TDCA	Trade, Development and Cooperation Agreement
TEN	Trans-European Network
WBIF	Western Balkan Investment Framework
ZAR	South African rand

Annex 7 - Evaluation Process and Criteria

In accordance with EV's Terms of Reference, the objectives of evaluation are:

- To assess the quality of the operations financed, which is assessed using generally accepted evaluation criteria, in particular those developed by the Evaluation Cooperation Group, which brings together the evaluation offices of the multilateral development banks. The criteria are:

  a) Relevance corresponding to the first pillar of value added*:* is the extent to which the objectives of a project are consistent with EU policies, as defined by the Treaty, Directives, Council Decisions, Mandates, etc., the decisions of the EIB Governors, as well as the beneficiaries' requirements, country needs, global priorities and partners' policies. In the EU, reference is made to the relevant EU and EIB policies and specifically to the EU Treaty that defines the mission of the Bank. Outside the Union, the main references are the policy objectives considered in the relevant mandates.

  b) Project performance, measured through **Effectiveness (efficacy), Efficiency** and **Sustainability** and second pillar of value added*.*

  Effectiveness relates to the extent to which the objectives of the project have been achieved, or are expected to be achieved, taking into account their relative importance, while recognising any change introduced in the project since loan approval.

  Efficiency concerns the extent to which project benefits/outputs are commensurate with resources/inputs. At ex-ante appraisal, project efficiency is normally measured through the economic and financial rates of return. In public sector projects a financial rate of return is often not calculated ex-ante, in which case the efficiency of the project is estimated by a cost effectiveness analysis.

  Sustainability is the likelihood of continued long-term benefits and the resilience to risk over the intended life of the project. The assessment of project sustainability varies substantially from case to case depending on circumstances, and takes into account the issues identified in the ex-ante due-diligence carried out by the Bank.

  Environmental and Social Impact of the projects evaluated and specifically considers two categories: (a) compliance with guidelines, including EU and/or national as well as Bank guidelines, and (b) environmental performance, including the relationship between ex ante expectations and ex post findings, and the extent to which residual impacts are broadly similar, worse or even better than anticipated.
  Evaluations take due account of the analytical criteria used in the ex-ante project appraisal and the strategy, policies and procedures that relate to the operations evaluated. Changes in EIB policies or procedures following project appraisal, which are relevant to the assessment of the project, will also be taken into account.

- to assess the EIB contribution *(Third Pillar)* and management of the project cycle:

  EIB Financial contribution *identifies the financial contribution provided in relation to the alternatives available, including improvements on financial aspects as facilitating co-financing from other sources (catalytic effect).*

  Other EIB contribution (optional) relates to any significant non-financial contribution to the operation provided by the EIB; it may take the form of improvements of the technical, economic or other aspects of the project.

  EIB Management of the project cycle rates the Bank's handling of the operation, from project identification and selection to post completion monitoring.

EUROPEAN INVESTMENT BANK
OPERATIONS EVALUATION (EV)

In 1995, Operations Evaluation (EV) was established with the aim of undertaking ex-post evaluations both inside and outside the Union.

Within EV, evaluation is carried out according to established international practice, and takes account of the generally accepted criteria of relevance, efficacy, efficiency and sustainability. EV makes recommendations based on its findings from ex-post evaluation. The lessons learned should improve operational performance, accountability and transparency.

Each evaluation involves an in-depth evaluation of selected investments, the findings of which are then summarized in a synthesis report.
The following thematic ex-post evaluations are published on the EIB Website:

1. Performance of a Sample of Nine Sewage Treatment Plants in European Union Member Countries (1996 - available in English, French and German)
2. Evaluation of 10 Operations in the Telecommunications Sector in EU Member States (1998 - available in English, French and German)
3. Contribution of Large Rail and Road Infrastructure to Regional Development (1998 - available in English, French and German)
4. Evaluation of Industrial Projects Financed by the European Investment Bank under the Objective of Regional Development (1998 - available in English, French and German)
5. An Evaluation Study of 17 Water Projects located around the Mediterranean (1999 - available in English, French, German, Italian and Spanish).
6. The impact of EIB Borrowing Operations on the Integration of New Capital Markets. (1999 – available in English, French and German).
7. EIB Contribution to Regional Development: A synthesis report on the regional development impact of EIB funding on 17 projects in Portugal and Italy (2001 – available in English (original version), French, German, Italian and Portuguese (translations from the original version)).
8. Evaluation of the risk capital operations carried out by the EIB in four ACP countries 1989-1999 (2001 - available in English (original version), French and German (translations from the original version)).
9. EIB financing of energy projects in the European Union and Central and Eastern Europe (2001- available in English (original version), French and German (translations from the original version))
10. Review of the Current Portfolio Approach for SME Global Loans (2002 – available in English (original version), French and German (translations from the original version)).
11. EIB Financing of Solid Waste Management Projects (2002 – available in English (original version), French and German (translations from the original version)).
12. Evaluation of the impact of EIB financing on Regional Development in Greece (2003 – available in English (original version) and French (translation from the original version)).
13. Evaluation of Transport Projects in Central and Eastern Europe (2003 – available in English (original version)).
14. EIB Financing of Urban Development Projects in the EU (2003 – available in English (original version), French and German (translations from the original version)).
15. Evaluation of the Projects Financed by the EIB under the Asia and Latin America Mandates (2004 – available in English (original version), French, German and Spanish).
16. Evaluation of EIB Financing of Airlines (2004 – available in English (original version) French and German)
17. Evaluation of EIB Financing of Air Infrastructure (2005 - available in English (original version) German and French)
18. EIB financing with own resources through global loans under Mediterranean mandates (2005 - available in English (original version) German and French.)
19. Evaluation of EIB Financing of Railway Projects in the European Union (2005 - available in English (original version) German and French.)
20. Evaluation of PPP projects financed by the EIB (2005 - available in English (original version) German and French).

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21. Evaluation of SME Global Loans in the Enlarged Union (2005 - available in English (original version) and German and French.)
22. EIB financing with own resources through individual loans under Mediterranean mandates (2005 - available in English (original version) and German and French.)
23. Evaluation of EIB financing through individual loans under the Lomé IV Convention (2006 - available in English (original version) German and French.)
24. Evaluation of EIB financing through global loans under the Lomé IV Convention (2006 - available in English (original version) German and French.)
25. Evaluation of EIB Investments in Education and Training (2006 - available in English (original version) German and French.)
26. Evaluation of Cross-border TEN projects (2006 - available in English (original version) German and French).
27. FEMIP Trust Fund (2006 - available in English.)
28. Evaluation of Borrowing and Lending in Rand (2007 - available in English (original version) German and French).
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