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THE EUROPEAN INVESTMENT BANK: AN OVERLOOKED (F)ACTOR IN EU EXTERNAL ACTION?

BALAZS UJVARI

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About the author

Balazs Ujvari is a Research Fellow jointly contributing to the Europe in the World programme at the Egmont – Royal Institute for International Relations and the European Policy Centre (EPC) since January 2016. His position is enabled by the generous financial support of the King Baudouin Foundation.

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ABBREVIATIONS

AA – Association Agreement
ACP – African, Caribbean and Pacific countries
ACP IF – African, Caribbean and Pacific Investment Facility
AFD – Agence Française de Développement
AfDB – African Development Bank
ALA – Asia and Latin America
CFSP – Common Foreign and Security Policy
CPA – Cotonou Partnership Agreement
CPIFF – Caribbean and Pacific Impact Finance Facility
DCFTA – Deep and Comprehensive Free Trade Area
DG ECFIN – Directorate-General for Economic and Financial Affairs
DFI – Development finance institution
EaP – Eastern Partnership
EBRD – European Bank for Reconstruction and Development
EEAS – European External Action Service
EDF – European Development Fund
EIB – European Investment Bank
EIF – European Investment Fund
ELM – External Lending Mandate
ENP – European Neighbourhood Policy
EPTATF – Eastern Partnership Technical Assistance Trust Fund
ERI – Economic Resilience Initiative
ESF – Energy Sustainability and Security of Supply Facility
EU – European Union
EUGS – European Union Global Strategy
FDI – Foreign Direct Investment
FEMIP – Facility for Euro-Mediterranean Investment and Partnership
FTF – FEMIP Trust Fund
HR/VP – High Representative/Vice-President for Foreign Affairs and Security Policy
IADB – Inter-American Development Bank
IDBG – Islamic Development Bank Group
IFI – International Financial Institution
IMF – International Monetary Fund
IPA – Instrument for Pre-accession Assistance
KFW – KfW Entwicklungsbank – KFW
MCMI – Marseille Centre for Mediterranean Integration
MDB – Multilateral Development Bank
MoU – Memorandum of understanding
NFF – Neighbourhood Finance Facility

NIF – Neighbourhood Investment Facility
ORF – Own Risk Facilities
ReM – Results Measurement
SMEs – Small and medium-sized enterprises
SDGs – Sustainable Development Goals
TEU – Treaty on European Union
UfM – Union for the Mediterranean
UN – United Nations
WB EDIF – Western Balkans Enterprise Development and Innovation Facility
WBG – World Bank Group
WBIF – Western Balkans Investment Framework

Executive summary

This paper focuses on the contribution of the European Investment Bank (EIB) – the largest non-sovereign lender and borrower in the world – to the external action and objectives of the European Union (EU). While the Bank has recently gained some recognition in this field in the EU Global Strategy (EUGS) of 2016, the fact remains that the institution's potential to act as a multiplier of EU external action continues to be largely unexploited. This paper demonstrates that there are three main ways in which the EIB already acts as a key instrument for the implementation of external EU policies and objectives, and argues that there is scope to further maximise this potential.

First, in line with its Treaty based role, EIB operations outside the Union – which represent around 10% of total annual lending (EUR 8.04 billion in 2016) – are embedded in EU regional policy frameworks:

- **Neighbourhood.** EIB operations in this region are implemented in support of the European Neighbourhood Policy (ENP), taking into account the specificities of its eastern and southern dimensions, while also pursuing the core objectives of the Bank's External Lending Mandate (ELM): private sector support, infrastructure development and climate action. In addition to financing energy, transport and municipal infrastructure, the EIB is co-financing and/or implementing several EU schemes in the eastern neighbourhood, including the 'DCFTA Initiative East', 'InnovFin' and 'EU4Business Initiative', in order to assist local small and medium-sized enterprises (SMEs) and mid-caps in exploiting the benefits resulting from recently signed Association Agreements (AA), as well as from their trade component. In furthering ELM objectives in the southern neighbourhood, the Bank has, amongst other things, managed the FEMIP Trust Fund and co-established the Risk Capital Facility (for equity and debt-financing) with the European Commission, as well as provided financial support for projects promoted by the Union for the Mediterranean (UfM). The bulk of the EIB's new Economic Resilience Initiative (ERI), devised in response to a European Council request to rapidly mobilise additional financing in support of sustainable growth, vital infrastructure and social cohesion in southern neighbourhood and Western Balkans countries in the context of the migration crisis, will also focus on this region and work towards addressing critical infrastructure needs and creating job opportunities. At the same time, it is yet to be clarified by the EIB how the addition of the fourth objective ('addressing the root causes of migration') to the ELM, entailed by ERI, will enable in practice the institution to better tackle the migration crisis. Between 2006 and 2016, EIB financing to the EU neighbourhood had reached almost EUR 23.5bn.

- **Pre-accession countries.** EIB activities here contribute to the implementation of the EU's enlargement policy through the pursuance of ELM objectives. The EIB is one of the actors implementing the Western Balkans Investment Framework (WBIF) a strategic blending facility that supports investments in infrastructure and private sector development and is also a co-founder of the Western Balkans Enterprise Development and Innovation Facility (WB EDIF) which focuses on private equity and venture capital. Candidate and potential candidate countries in the Western Balkans also benefit from the above-mentioned ERI, whereas Turkey is the largest beneficiary of EIB financing outside the EU, accounting for more than a quarter of EIB external lending in 2016. EIB investments in enlargement countries totalled the amount of EUR 31.56bn between 2006 and 2016.
- **African, Caribbean and Pacific Group of States (ACP).** EIB activities in ACP countries take place under the Cotonou Partnership Agreement (CPA), which mandates the EIB to further the objectives of the agreement. The Bank supports investments both by private (through the ACP Investment Facility) and public entities (through own resources guaranteed by EU member states) and has established dedicated impact financing envelopes to undertake greater risks and create larger development impact in both African and Caribbean ACP countries. The recently launched EUR 800 million (m) 'Migration Package', in turn, serves to tackle root causes of migration. Total EIB financing in the region between 2006 and 2016 amounted to EUR 8.5bn.
- **Asia and Latin America (ALA).** Carried out mainly under the ELM but also at the Bank's own risk, EIB financing towards these regions have acted in support of the plethora of policy frameworks governing EU relations with Asia and Latin America (e.g. strategic partnership between the EU, Latin America and the Caribbean; development co-operation policies towards Asian countries etc.). Of the three core ELM objectives, climate action has dominated recent EIB lending in both Asia and Latin America, as well as under the Energy Sustainability and Security of Supply Facility (ESF). Between 2006 and 2016, nearly EUR 11bn worth of financing was lent by the EIB to the ALA region.

Through its operations across the above regions, the EIB has, already, long been making significant direct and indirect contributions to the sustainable development goals (SDGs) adopted in 2015. The contribution of EIB Group operations signed in 2016 (amounting to EUR 83.75bn in 2016) to the SDGs can be quantified, for instance, in terms of 6.7m people benefitting from improved water supply and sanitation and nearly 700 000 sustained jobs in SMEs, microenterprises and mid-caps. To articulate this, the Bank would be well advised to make direct references to the SDGs in the mandates and facilities governing its external lending.

Second, in addition to overarching regional policy frameworks, the EIB is also well-placed to back specific EU policies and policy packages towards third countries, in which case its financial and technical support can act as an additional lever of influence for the EU. EIB responsibilities have been highlighted in recent EU policy shifts in response to abrupt political developments in several third countries:

- **Ukraine and Russia**. As an integral part of the EU support package to Ukraine, the Bank successfully delivered on its commitment of scaling up its project pipeline to EUR 3bn between 2014 and 2016, while simultaneously suspending the signature of new operations in Russia at the request of the European Council.
- **Argentina and Iran**. The EIB has featured in the EU policy packages assembled in the context of the Union's recent rapprochement with both countries, attributable mainly to its potential to act as a financial arm in support of jointly-defined objectives and, thus, also serves as an external diplomacy instrument.
- **Southern neighbourhood and Western Balkans**. As mentioned above, in the context of the external migration challenges facing the EU, the EIB devised and launched the ERI in response to a European Council request to "rapidly mobilise additional financing in support of sustainable growth, vital infrastructure and social cohesion in southern neighbourhood and Western Balkans countries."

Third, as the EU's only international financial institution, the EIB also adheres to the EU's environmental, social, procurement (and, possibly soon, also taxation) standards internationally along with its best practices in various technical domains. This remains true despite the challenges the close observation of these standards occasionally poses to the Bank on the ground in terms of competitiveness vis-à-vis other development actors. By the same token, the Bank can also act as a promoter of EU development policy standards vis-à-vis the increasing number of development finance donors, including through its membership in the group of the largest multilateral development banks – an area where other EU actors would be well advised to give a greater recognition to the EIB.

Finally, while already significant, there appears to be several other ways for other EU actors to maximise the EIB's potential as a multiplier of EU external action, including by means of a strong EIB involvement in the evolving European economic diplomacy (which would necessitate that the Bank reorient its related activities mainly towards Asia to be in tune with the EUGS); a closer association of the Bank to the bloc's external representation (through a strategic utilisation of the EIB card in the context of bilateral and multilateral encounters including through granting a seat at the table to the Bank) as well as to the joint programming of EU external financial instruments (by formalising further EIB involvement); and a greater recognition of the visibility EIB financing operations in third countries represent to the EU (by maintaining a sense of presence for the Union when political processes stall and providing continuity with EU financial support in case of 'graduation').

Introduction

The external action of the European Union (EU) is a multifaceted field, markedly different from the foreign policy of nation states. It comprises a number of different policy areas where the relationship of the EU and its member states is governed by varying legal arrangements. The general guiding principles of EU external action are set out in Article 21 of the Treaty on European Union (TEU), which instructs the Union to, amongst others, safeguard its values and fundamental interests, encourage the integration of all countries into the world economy and foster the sustainable economic, social and environmental development of developing countries.[1] In addition to these fundamental principles, the EU has also developed a range of specific policy frameworks which govern its relations with third countries and regions such as the enlargement policy towards pre-accession countries or the European Neighbourhood Policy (ENP) in relation to neighbouring countries.[2] Occasionally, assembled strategic documents such as the European Security Strategy of 2003 or the EU Global Strategy (EUGS) of 2016 provide an opportunity to prioritise among these regions and select priority objectives that should also inform the periodically conducted review of the above regional policy frameworks.

When it comes to implementing the principles of EU external action or the objectives laid down in EU regional policy frameworks, most academic attention has focused on the role of the European Commission, which plays a key role in shaping and carrying out the Union's assistance policies, programmes and instruments in different regions, and the EU's High Representative/Vice-President for Foreign Affairs and Security Policy (HR/VP)[3] which is responsible primarily for conducting and contributing to the development of the Common Foreign and Security Policy (CFSP).[4]

An entity that almost invariably escapes analytical attention in the context of EU external action is the European Investment Bank (EIB). Founded in 1958 under the Treaty of Rome, the EIB is the Bank of the EU[5] and the largest non-sovereign borrower and lender in the world. It operates in the 28 EU member states and some 160 countries worldwide. During 2016, the total value of operations signed by the EIB group – which also includes the European Investment Fund (EIF) –

1 European Union, « Consolidated version of the Treaty on European Union and the Treaty ont he fonctioning of the European Union of 13 December 2007 », Official Journal of the European Union, C115/13, 9 May 2008, art. 21 TEU.

2 One country is often addressed by more than one policy frameworks. Brazil is, for example, part of the EU's strategic partnership with Latin America and the Caribbean, of the negotiations between the EU and Mercosur on a bi-regional association agreement and has also a separate bilateral strategic partnership with the EU.

3 In implementing their duties, the HR/VP is assisted by European External Action Service.

4 S. Keukeleire and T. Delreux, The Foreign Policy of the European Union, Palgrave Macmillan, pp. 77-78.

5 The EIB is owned jointly by the 28 current EU member states.

reached EUR 83.75 billion (bn), of which EUR 8.04bn concerned countries outside the EU.[6]

Through its activities outside the Union, the EIB contributes to EU external action by supporting the major regional policy frameworks, including enlargement, neighbourhood and development cooperation policies with the following main objectives: local private sector development and economic and social infrastructure, with climate action and regional integration as a cross-cutting objective. While lending is by far the EIB's principal activity, the Bank also provides financing via equity investments and other instruments, subject to the availability of appropriate budget funds. Technical assistance and advisory services are also provided in order to enhance the preparation and quality of the projects funded.[7]

When operating outside the EU, the EIB relies on three main instruments: the External Lending Mandate (ELM), the ACP-EU Cotonou Mandate, and its Own Risk Facilities (ORF).

1. Figure: Main instruments for EIB operations outside the EU

With regards to shifting global priorities and the adoption of the 2030 Sustainable Development Agenda, the global climate deal struck at the 21st Conference of Parties in Paris and the persisting migration crisis in particular, there is increasing interest in, and demand for, the types of products and core expertise that the EIB can offer. This seems to present more of an opportunity, than in the past, for the Bank to be recog-

6 Eib.org, 'A strong contribution for European growth and investment from the EIB Group in 2016', 24 January 2017.

7 This most often comes in the form of expertise to project promoters through senior engineers, economists and sector specialists employed by the EIB.

nised as a relevant (f)actor in EU external action. The aim of this Egmont paper is therefore to 1) explore the extent to which the EIB already delivers, through its operations outside the Union, on the priorities guiding EU external action and 2) to identify ways in which the potential of the EIB as a multiplier of EU external action could be exploited in a better manner. The paper concludes with recommendations aimed at maximising the potential contribution of the EIB as an integral part of the overall EU toolbox for external action.

1. EIB – a powerful multiplier of EU external action?

As the EU Bank, the EIB is the only international financial institution (IFI) politically accountable to EU policy-makers and institutions: it is owned jointly by all EU member states (see Annex 1) and has a Treaty-based obligation to align with and support EU policy priorities and action including outside the EU.[8] A number of tools are in place to ensure this accountability and alignment. For instance, in accordance with Article 19 of the EIB Statue, each of the Bank's financing projects is subject to a review procedure whereby the Commission screens their alignment with EU policies before approval. In countries covered by the ELM, co-operation between the EIB and the Commission is also governed by a memorandum of understanding (MoU), last revised in 2013. Accordingly, the EIB is to provide an updated list of planned projects to the Directorate-General for Economic and Financial Affairs (DG ECFIN) to be disseminated to pertinent staff members of the Commission and the European External Action Service (EEAS) for their feedback. Likewise, the Commission, with the EEAS, is to involve the EIB in the preparation of programming documents so as to maximise synergies.

The EIB has a permanent seat at the Economic and Financial Affairs Council and participates, upon invitation, in sectoral Council meetings of relevance, as well as the Foreign Affairs and Development Council. Upon specific request, the Bank regularly appears in front of the European Parliament or, more systematically, in the context of the EIB Annual Report or the European Development Fund (EDF) discharge procedure. Coordination also regularly takes place between the EIB, the EEAS and EU delegations around the world and this has been strengthened in recent years with the co-location of EIB external offices with EU representations in several third countries and with the instigation of regular consultations on the different geographical regions.

The EIB's contribution to a project's cost is limited to 50% of the overall amount established during appraisal. As a result, the EIB often co-finances projects with other multilateral development Banks (MDBs) and bilateral financing institutions,

8 European Union, «Consolidated version of the Treaty on European Union and the Treaty on the Functioning of the European Union of 13 December 2007 », Official Journal of the European Union, C115/13, 9 May 2008, art. 309 TFEU.

including the European Bank for Reconstruction and Development (EBRD), Agence Française de Développement (AFD) and KfW Entwicklungsbank (KfW).

1.1. EU Neighbourhood

In the recent years, the EU's southern[9] and eastern neighbours[10] have, together, been the country grouping which receives the largest share of EIB loans outside the Union (e.g. EUR 2.9bn in 2015 and 3.2bn in 2016), reflecting also the intensification of EU policy towards these regions attributable to developments with significant geopolitical implications such as the Ukraine crisis or the Arab Spring.[11] While the Bank has been operating in Mediterranean countries since 1978, its involvement in the eastern neighbourhood is relatively more recent, dating back to 2003.[12] When operating in the neighbourhood, the EIB primarily relies on the ELM which currently provides the Bank with a guarantee, worth EUR 27bn (along with an optional additional amount of EUR 3bn) of the EU budget. The current ELM, which has a mid-term review currently on-going at the time of writing, is led by four overarching objectives agreed by the Council of the EU and the European Parliament: local private sector support and development of social and economic infrastructure; with climate change mitigation and adaptation (supported by a dedicated EIB climate strategy) and promotion of regional integration as an underlying objective.[13] The EU budget guarantee provided by the ELM is one of the most efficient of all EU financial instruments, allowing EIB loans to support investment of around 40 times the EU budgetary provisions, while also mobilising significant financial resources from other international donors and private financiers.

According to the mandate, "the practical measures for linking the general objectives of the EU guarantee and their implementation are to be set out in regional technical operational guidelines",[14] which must also be consistent with the wider Union regional policy framework towards the region in question.[15] When it comes to the EU

9 Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Libya*, Morocco, Syria* and Tunisia. Currently no EIB is undertaken in Libya and Syria. This latter is due to EU sanctions adopted in November 2011, as a result of which the EIB has suspended all loan disbursements and technical advisory contracts for projects in Syria.

10 Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia and Ukraine.

11 Looking at the past ten years, however, pre-accession countries are the primary beneficiaries among country groupings outside the EU with EUR 31.56bn, followed by neighbouring countries' 23.5bn.

12 Eib.org, Database of signed projects, last accessed on 28 March 2016.

13 Official Journal of the European Union, DECISION No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (henceforth the 'Decision'), 8 May 2014.

14 The guidelines are drafted by the Commission (the EIB and the EEAS are also consulted) at the outset as well as during the mid-term review of the respective ELM.

15 Official Journal of the European Union, DECISION No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (henceforth the 'ELM Decision'), 8 May 2014.

neighbourhood, the ENP has been the Union's main policy framework since 2004. Under this policy, which has an eastern and a southern dimension, partner countries agree with the EU on an ENP action plan or an association agenda demonstrating their commitment to democracy, human rights, rule of law, good governance, market economy principles and, inter alia, sustainable development. In order to support these objectives, the EU has sought to achieve the closest possible political association and the greatest possible degree of economic integration with its neighbours. This is to be ensured through bilaterally negotiated Association Agreements (AA), including a Deep and Comprehensive Free Trade Area (DCFTA) accord and visa facilitation regimes. Furthermore, ENP partners also receive financial support from the EU budget through the European Neighbourhood Instrument (ENI) along with the provision of technical and policy support.

1.1.1. Eastern neighbours

Over the past decade, the EIB has supported the implementation of policy objectives underlying the ENP in several ways. As for the eastern neighbourhood (which received EUR 1.61bn from the Bank in 2016), the Bank supports the EU's Eastern Partnership (EaP) Initiative which governs the EU's relations with its Eastern partners[16]. In line with this, EIB has diversified its product offer to help the implementation of the recently signed AAs and DCFTAs with Ukraine, Georgia and Moldova. Most notably, the institution has joined forces with the European Commission under the schemes of **'DCFTA Initiative East'** and **'InnovFin'** to provide financial and technical support to small and medium-sized enterprises (SMEs) and mid-caps in the above three countries. The EIB – along with the EBRD and other development finance institutions (DFI) such as KFW and AFD – is also part of the **EU4Business Initiative** which combines financing from DFIs with EU grants in order to support SME development, particularly with a view to exploiting the benefits contained in the DCFTAs. In addition to access to finance, the initiative also provides support in the form of policy dialogue and technical assistance.[17]

With the aim of enhancing the development impact of its operations in the EaP region in general, the Bank also established the **Eastern Partnership Technical Assistance Trust Fund (EPTATF)** in 2010. The EIB-managed fund responds to the need for specific technical advisory support to the institution's lending activities in the countries concerned. Other than direct project related support, the EPTATF also provides institutional support and capacity building through the Eastern Partnership Internship Programme and the Eastern Partnership Secondment Programme.

[16] Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine
[17] Interview with an EIB official, Neighbouring Countries Department, Luxembourg, 14 December 2016

Furthermore, the EIB also makes financing available to EaP countries based on a special **Energy Sustainability Facility** mandate (from its own resources) to fund investments in the field of energy sustainability and security of supply. Eastern neighbours (which also formerly included Russia) additionally receive funding under the **Neighbourhood Finance Facility (NFF)** launched by the EIB in 2014 for the whole neighbourhood. Under this EUR 3bn facility for the 2014-2020 period, financing is provided at the EIB's own risk (e.g. without the EU Guarantee). The facility is used to finance infrastructure projects such as transport, telecommunications and energy in the region but, also, to engage in operations that are forbidden under the ELM such as support for EU foreign direct investments (FDI).[18]

To mobilise additional funding in both the eastern and southern neighbourhood, the EIB also regularly applies for investment grants, risk capital, guarantees and technical assistance support under the EU's **Neighbourhood Investment Facility** (NIF), with which it has signed a Framework Agreement, and the **NIF Trust Fund**.[19]

1.1.2. Southern neighbours

As regards the southern neighbourhood (where the EIB lent 1,58bn in 2016), the Bank also contributed to the implementation of the ENP's objectives in a number of ways, focusing mainly on core ELM goals (which also feature strongly in ENP action plans) but also increasingly on migration. To begin with, the EIB created the **Facility for Euro-Mediterranean Investment and Partnership** (**FEMIP**) in 2002 with the aim of fostering private sector development, bolstering socioeconomic infrastructure and addressing environmental and climate issues in Mediterranean countries. Furthermore, the Bank also manages the **FEMIP Trust Fund (FTF),** through which it provides financial support for the preparation and development of projects.[20] Most climate-related operations have been carried out through **CAMENA** (Climate Action in the Middle East and North Africa) – a dedicated climate action envelope within the FTF managed by the EIB. The FTF also has a separate **impact financing envelope** which focuses on risk capital operations, through which the Bank has, for example, invested EUR 2m in CoopMed – a debt fund which supports microfinance and social economy in the Mediterranean region.[21]

Early 2016, the EIB, in conjunction with the European Commission also launched a dedicated **Risk Capital Facility** for countries in the southern neighbourhood. Initially provided with a total amount of EUR 142.5m – of which the EIB contributes EUR 92.5m –, the facility aims to provide access to equity and debt financing to SMEs with

18 Eib.org, EIB financing in the Eastern Partnership, last accessed on 4 April 2017.
19 Eib.org, A partner for the Eastern Neighbourhood and Central Asia, last accessed on 4 April 2017.
20 Investors currently include the European Commission and 16 EU member states.
21 Eib.org, The FEMIP Trust Fund (FTF), last accessed on 30 March.

the aim of supporting private sector development, inclusive growth and job creation in the region.[22]

In addition to bilateral co-operation with Mediterranean countries, the EIB has, since 2008, also supported the **Union for the Mediterranean** (UfM), which promotes economic integration across 15 neighbours to the EU's south (13 EU member states are also involved), as a successor to the Barcelona process. On top of the EU's substantial support to the UfM secretariat and the provision of over 50% of its budget, the EIB also finances UfM priority projects as set out in the MoU which was signed by the two parties in 2010. Together with the World Bank Group (WBG), the Governments of Egypt, France, Jordan, Lebanon, Morocco and Tunisia and the City of Marseille, the EIB is also a founding member of the **Marseille Centre for Mediterranean Integration (MCMI)**. Created in 2009, the partnership platform aims to help development actors, present in the region, to work together in order to modernise public policy in priority development sectors in the Mediterranean partner countries. The EIB is managing three of MCMI's 14 technical assistance programmes: urban renewal, financing of innovation, and support for the science parks development policy. In 2015, the EIB also chaired the **Deauville Partnership** established in May 2011 to co-ordinate the work of DFIs working in support of the democratic transition of the countries affected by the Arab Spring.[23]

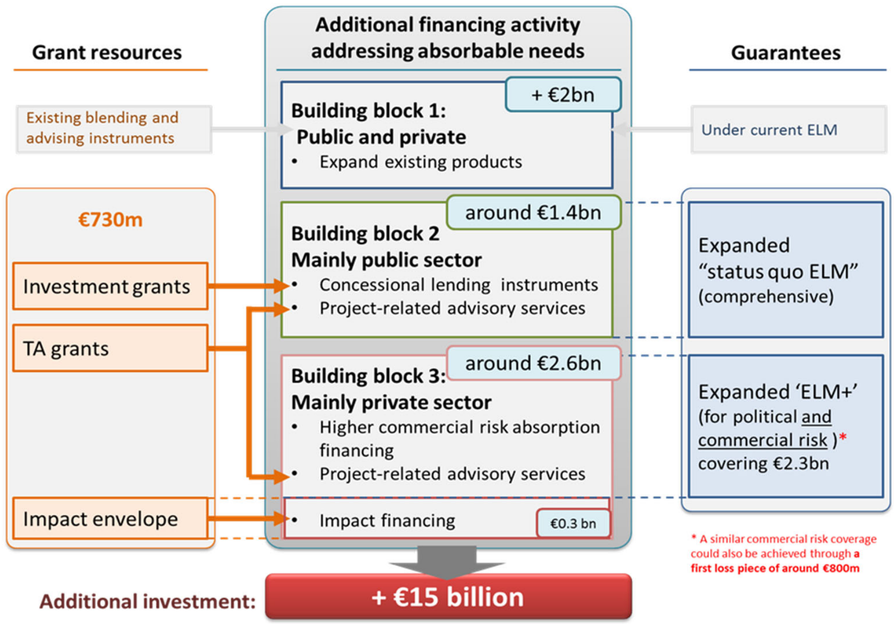
More concretely, some of the key recent EIB projects in the southern neighbourhood include the provision of financing to female micro-entrepreneurs in Jordan. The Bank, in conjunction with the Jordanian Women's Development Society set up a **Microfund for Women** (the first EIB-backed microfinance operation in Jordan) which helps low-income women engage in economic activity with small loans and technical assistance. Between 2014 and 2016, the Bank also signed off on **credit lines** with three Tunisian Banks: Banque tuniso-koweïtienne (EUR 20m), Amen Bank (EUR 50m) and Banque de Tunisie (EUR 50m). These have committed to devoting 10% of these credit lines to Tunisian microenterprises, which will also benefit from a preferential interest rate. Given the involvement of Réseau Entreprendre as a coach and mentor for beneficiaries, the credit line projects also imply a strong civil society dimension and are, further, the primary contact for the three Banks concerned when it comes to facilitating access to finance for micro-enterprises and SMEs.[24]

Finally, in response to the request of the European Council of March 2016 for a greater EIB role in managing the external dimensions of the migration crisis facing the EU, the institution has developed the **Economic Resilience Initiative (ERI)** which was subsequently endorsed by the European Council in June 2016. The ERI targets investments in the southern neighbourhood along with the Western Balkans. While

[22] Eib.org, Risk Capital Facility for the Southern Neighbourhood, last accessed 4 April 2017.
[23] Eib.org, EIB activity in the Mediterranean, last accessed on 4 April 2017.
[24] Ibid.

the EIB had already financed projects aimed at supporting transit and host countries (e.g. Wadi Al Arab Water System II project in Jordan in 2015),[25] the Bank envisages to lend an additional EUR 6bn in the two regions concerned over the next five years (on top of the EUR 7.5bn already planned), and aims to catalyse up to EUR 15bn of additional investments. The objective is to build economic resilience by supporting growth, including the creation of more job opportunities in the two regions through enhanced support for social and economic infrastructure as well as private sector development.[26]

2. Figure: Economic Resilience Initiative and its Building Blocks



In view of the ERI, the Commission proposed several amendments to the ELM in September 2016. Accordingly 'addressing the root causes of migration' would become the fourth high-level objective under the mandate,[27] reflecting also the emergence of this goal in the EUGS as a cross-cutting objective in EU external action. While there are important operational reasons for which the addition of this fourth objective would make a difference for the EIB (e.g. setting the ground for the provi-

[25] The fund is dedicated to supporting start-ups and SMEs in the southern neighbourhood.

[26] Eib.org, New EIB initiative to help Europe's Southern Neighbourhood and Western Balkans gets warm welcome from EU leaders, last accessed on 2 April 2017.

[27] European Commission, Proposal for a decision of the European Parliament and of the Council amending Decision No 466/2014/EU granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (henceforth the 'ELM Amendment'), 14 September 2016, pp. 3-4.

sion of guarantee for commercial as well as political risks in the context of ERI-financed projects), the value added of fixing this additional objective may be unclear for external observers. It is for this very reason that the original three goals all contribute to addressing the root causes of migration. The lack of clarity as to what a migration-specific MDB operation may imply is also related to the larger issue that mass migration and refugee problems tend to escape MDBs' core mandates.[28] Through ERI, the EIB can be seen as a frontrunner in trying to embrace this new type of challenge and it clearly recognises the scale of the investment needs. A similar, complementary initiative has recently been put in place by the United Nations (UN), WBG and the Islamic Development Bank Group (IDBG) in the form of the Global Concessional Financing Facility for the Middle East and North Africa.[29] The EIB has also indicated its intention to support and utilise this Facility as appropriate.

1.2. Pre-accession countries

Candidate countries (Albania, former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey) and potential candidates (Bosnia-Herzegovina and Kosovo) together have attracted the second largest amount of EIB financing outside the Union in the recent past (e.g. EUR 2.52bn in 2015; 2.65bn in 2016) with Turkey, unsurprisingly, absorbing the lion's share (e.g. EUR 2.3 bn in 2016). The Bank has been active in the Western Balkans since 1977 where it is currently the largest international financier. As for Turkey, the Bank has an even longer track record of operation dating back to 1965. Taking all of the current candidate and potential candidate countries together, the EIB's total investment surpasses EUR 38.76bn.[30] Similarly to the neighbourhood, the EIB relies on the ELM for many of its operations in pre-accession countries. The majority of EIB financing (more than 60% in 2015), however, takes place under the ORF (e.g. Pre-Accession Facility) at the Bank's own risk.[31] EU policy towards these countries consists of "the Accession and European Partnerships which set out the priorities for candidates and potential candidates with a view to making progress in moving closer to the Union."[32] A number of cross-cutting policy issues are of concern to most countries aspiring to join the EU, including public administration reform, rule of law, sustainable economy, growth and competitiveness. Further country-specific objectives are formulated in country strategy papers. To spur reform, the Union provides trade concessions, economic assistance and contractual relationships

[28] Center for Global Development, Multilateral Development Banking for This Century's Development Challenges, 2016, pp. X-XI.

[29] Endowed with USD 140m in initial pledges by seven countries and the European Commission, the facility aims to raise USD 1bn in contributions over the next five years to help Jordan and Lebanon deal with the impact of Syrian refugees.

[30] Eib.org, Database of signed projects, last accessed on 4 April 2017.

[31] Eur-lex.europa.eu, Report from the Commission to the European Parliament and the Council on 2015 EIB External Activity with EU Budgetary Guarantee, COM(2016) 585 final, Brussels, 14.9.2016

[32] 'ELM Decision'.

through Stabilisation and Association Agreements. Direct financial support is also provided through the Instrument for Pre-accession Assistance (IPA), endowed with a budget of EUR 11.7bn for the period 2014-2020.[33]

EIB activities in pre-accession countries contribute to EU enlargement policy in multiple ways. These include direct project loans to public and private sector bodies, intermediated loans and microfinance by local EIB partner Banks, equity and debt funding for SMEs via the EIF as well as guarantees and technical assistance. The Bank also supports the accession aspirations of various countries by ensuring that the projects comply with the relevant EU body of law ("acquis communautaire") namely in environmental, social and procurement standards. In 2016, the total value of project contracts signed by the EIB k in candidate and potential candidate countries surpassed EUR 2.65bn.[34]

The EIB is one of the actors implementing the **Western Balkans Investment Framework (WBIF)**.[35] Launched in 2009 with the aim of facilitating the preparation and financing of priority investment projects in the framework of the EU enlargement process, the WBIF serves as a framework for blending grants and loans with a particular emphasis on economic and social infrastructure projects.[36] One of the notable EIB-financed projects with a contribution from the WBIF includes, for example, the modernisation of 149 km of track in Kosovo. In addition to a EUR 42m loan from the EIB signed in 2015 (being the first EIB loan ever to the public sector in Kosovo), the project has also benefited from a EUR 40m EU grant for project preparation and implementation. Other than encouraging a modal shift from road transport to rail, the project is also fully compatible with climate objectives, given the electrification of the railway line concerned. It also contributes to the EU's wider agenda to promote connectivity in the region and forms part of the investment package approved at the Western Balkans summit in Vienna in August 2015 as part of the 'Berlin process'.[37] The project will integrate Kosovo's rail network into the Orient/East-Mediterranean Core Network Corridor, connecting the Western Balkans to Austria, Greece and Bulgaria and forming part of the Trans-European Transport network.[38]

The EIB Group was, together with the EBRD, also co-initiator of the **Western Balkans Enterprise Development and Innovation Facility (WB EDIF)**. Launched in December 2012 under the WBIF, the facility promotes the emergence and growth of innovative

33 ec.europa.eu, Overview – Instrument for Pre-accession Assistance, last accessed on 2 April 2017.
34 Eib.org, Database of signed projects, last accessed on 28 March 2017.
35 Other implementing agents include the Council of Europe Development Bank, the European Commission and the EBRD.
36 Eib.org, The Western Balkans, last accessed on 2 April 2017.
37 The process consists of yearly high-level meetings between the six Western Balkan governments and several EU Member States between 2014 and 2018 with the aim of reaffirming the region's EU perspective by improving cooperation and economic stability within it.
38 Eib.org, Kosovo: EIB and European Commission support railway modernisation with EUR 82 million of initial funding, last accessed on 3 April 2017

and high-potential SMEs as well as the creation of a regional venture capital market.[39] Given its focus on private equity and venture capital, the WB EDIF acts as a complementary framework to the traditional loan-oriented activities of DFIs operating in the region.[40] In providing finance and technical assistance for strategic investments, the framework mainly concentrates on infrastructure, energy efficiency and private sector development. It is expected that the capital of EUR 130m, pulled together under the facility, will represent EUR 250m of financing for SMEs in the region.[41]

Furthermore, given that hundreds of thousands of refugees have arrived in the EU through South-eastern Europe in the context of the persisting migration crisis, the Western Balkans is also one of two regions where the EIB's above-described **ERI** will be carried out. As discussed, the Bank will primarily focus on key infrastructure projects (schools, healthcare and basic services like water and energy) but also on additional support to private sector and entrepreneurship to enhance jobs creation through this initiative.

With regards to Turkey, the latter is the largest recipient of EIB funds outside the Union (e.g. EUR 2.3bn in 2015; 2.23bn in 2016). It has received more than EUR 28bn from the Bank since 2000, with EIB activities gradually intensifying since the start of the accession talks between the Union and Ankara. Over the recent years, more than half of EIB financing in the country has been devoted to supporting local SMEs, whereas other priority sectors included transport, the environment and agriculture.[42]

1.3. African, Caribbean and Pacific Group of States

The EIB has been operating in ACP countries in support of successive EU development policy frameworks since 1963. To date, the Bank has invested more than 17.4bn in these regions, with more than 8.5bn in the past ten years.[43] Since the conclusion of the Cotonou Partnership Agreement (CPA) between the EU and ACP countries in June 2000, which has a duration of 20 years, EIB activities in ACP countries have taken place under this framework.[44] As per its second revision in 2010, the CPA now serves as a framework for, amongst others, advancing regional integration and food security in ACP countries as well as addressing climate change

[39] There are four pillars in the EDIF: a venture capital fund (ENIF), managed by a fund manager selected by the EIF, an expansion fund (ENEF), managed by EBRD, a guarantee facility, managed by the EIF, and an Advisory and Support Services pillar, managed by the EIB Group.
[40] Eib.org, The EIB in the Western Balkans, last accessed on 2 April 2017.
[41] Eif.org, Western Balkans Enterprise Development & Innovation Facility, last accessed on 3 April 2017.
[42] Eib.org, Turkey, last accessed on 2 April 2017
[43] Eib.org, Database of signed projects, last accessed on 5 April 2017.
[44] European Union Institute for Security Studies, A handbook – The EU and the world: players and policies post-Lisbon (ed. Antonio Missiroli),Paris, 25 January 2017, p.131.

and state fragility while also enhancing aid effectiveness.[45] The agreement also provides the EIB with a mandate, negotiated by all signatories including ACP countries. As per Article 61(5) of the CPA, EIB resources in ACP countries must be used "to finance projects, programmes and other forms of operations contributing to the achievement of the objectives" of the framework.[46]

So how does the EIB support the achievement of the objectives laid down in the CPA? A significant part of EIB activities in ACP countries are carried out through the **ACP Investment Facility (ACP IF)** created under the CPA.[47] Endowed with a total capital of EUR 3.637bn,[48] the ACP IF is a revolving fund (where loan amortisations are reinvested in new operations) supporting investments by private and commercially run public entities in all economic sectors. For the 2014-2020 period, the EIB-administered facility has also been complemented with a non-revolving grant envelope of EUR 634m for interest rate subsidies and technical standards. The EIB's other way of lending to ACP countries is to use specifically designated **own resources** guaranteed by the EU member states, mainly for public sector projects.[49] Between 2014 and 2020, the Bank can lend up to 2.5bn in this way.

As of 2013, part of the ACP IF is a **EUR 500m worth impact financing envelope**. Administered by the EIB, this envelope targets private sector projects in Sub-Saharan Africa with higher risks but also higher developmental impact than the traditional activities of DFIs, focusing on social (unemployment, food security, social and financial inclusion etc.) and environmental challenges (renewable energy, energy efficiency, waste management etc.).[50] The creation of this envelope is also part of the Bank's efforts to increase its involvement in less developed ACP countries and to strike a better balance between financial sustainability and development impact considerations.

In September 2016, the envelope was expanded further through an additional sum of EUR 300m (dedicated to dealing with migration directly by supporting private sector initiatives) as part of the EIB's EUR 800m **'Migration Package'** for ACP countries, while also becoming a revolving fund. The 'Migration Package' is the Bank's follow-up initiative to ERI in a bid to contribute to EU efforts aimed at addressing the root causes of the migration crisis as articulated also in the EUGS. The

45 ec.europe.eu, ACP – The Cotonou Agreement, last accessed on 5 April 2017.
46 ec.europa.eu, Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June 2000, last accessed on 5 April 2017.
47 Given its independence from EIB resources, it also features a high risk-bearing capacity. Its main instruments are loans (quasi-) equity funding, and guarantees.
48 It receives its capital from the European Development Funds, which is the main instrument to finance the implementation of the CPA.
49 The guarantee covers all risks for loans to ACP public borrowers and political risks for loans to ACP private borrowers.
50 Under this envelope, four main instruments are available: investment in private equity funds; local currency loans through financial intermediaries; risk-sharing facilitating instruments (e.g. first-loss guarantee); direct financing through debt or equity instruments.

other component of Migration Package is a sum of EUR 500m that the EIB set out to make available under the ACP IF to target public sector projects with a migration focus.

In 2015, the Bank also launched the **Caribbean and Pacific Impact Financing Facility (CPIFF)** which pursues similar goals as the above-mentioned impact financing envelope but focuses exclusively on the Caribbean and Pacific ACP countries.

The EIB has, with the African Development Bank (AFDB), also co-run the **Boost Africa Initiative** since November 2016 – a dedicated partnership in support of innovation and entrepreneurship across Africa (the Commission is also a partner to the initiative). Covering the entirety of Africa, the initiative consists of three main pillars: Investment Programme (comprising equity investments in seed funds, business angels co-investment funds, accelerators' follow-on funds and venture capital funds whose objective is to invest in innovative start-ups and high-growth SMEs), Technical Assistance Facility and an Innovation and Information lab (a platform for supporting the entrepreneurship ecosystem).[51]

The EIB's resource management under the CPA is overseen by the Investment Facility Committee which, amongst others, gives an opinion on all financing proposals under the ACP IF and its own resources.[52] In addition, the EIB's Board of Directors provides a second layer of screening as it also needs to approve every single operation.[53]

In 2016, the EIB signed EUR 765m worth of lending volume in ACP countries.[54] Some of the crucial projects include the Senegal River Valley Rice project promoted by the Compagnie Agricole de Saint Louis. The project aims to reduce Senegal's dependence on rice import through the upgrade of irrigation networks. The EUR 52m project, to which the EIB has contributed EUR 16m through its impact financing envelope under ACP IF, will allow the production of 52 000 tons of rice a year – sufficient enough to nourish 163 000 people –, while also creating 300 permanent jobs and providing 5600 people with clean water, improved roads and electricity supply.[55,56] The year before, the Bank had used the very same envelope to make an equity investment of EUR 40 million (m) in the Currency Exchange Fund (TCX), which has allowed the institution to enhance its long-term lending in local currencies in ACP countries.[57]

[51] Eib.org, Launch of Boost Africa Initiative, a new integrated approach to boost young innovative entrepreneurs across Africa, last accessed on 6 April 2017.

[52] It comprises one representative from each member state, one from the Commission, and two EIB representatives as well as an observer from the Council and the EEAS.

[53] S. Bilal and S. Große-Puppendahl, The EIB's innovative role in ACP countries under the Cotonou Agreement, European Centre for Development Policy Mangement, Discussion paper no. 196, July 2016, p. 9.

[54] South Africa is also included under the ACP.

[55] Under the ACP IFE, 8 new projects were signed in 2016, representing EUR 98m approved EIB finance that will support around EUR 310m of investment.

[56] EIB, The EIB Outside the EU, Annual Report, 2016.

[57] Eib.org, Database of signed projects, last accessed on 5 April 2017.

In 2015, the EIB – as the only MDB involved in the fund – also provided EUR 5m in risk-absorbing equity financing to Luxembourg Microfinance Development Fund. The fund will finance 7-10 emerging microfinance institutions with a strong social mission in ACP countries. As 65% of the final beneficiaries are due to be women, the EIB also delivers on its new Gender Strategy (developed in 2016), which promotes gender equality in EIB activities inside and outside the EU, while also contributing to Sustainable Development Goal (SDG) 5 – gender equality.[58]

As Bilal observes, a broad agreement exists with regards to the fact that EIB activities further EU external and development policies towards ACP countries. While some arguments remain that the Bank privileges financial sustainability considerations to the detriment of development impact, this can only be reflective of the will of the EIB stakeholders and the European Commission as they keep EIB management under a two-layered supervision for ACP operations, as discussed above. The preference for financial sustainability and return considerations may relate, instead, to the fact that EIB oversight bodies are composed of finance specialists rather than development experts, which is also attributable to member states' initial concerns about the financial sustainability of the ACP IF.[59]

1.4. Asia and Latin America

EIB operations in Asia and Latin America (ALA) started in 1993 and have, thus far, resulted in a lending volume of 16.2bn, of which 11bn having been lent between 2006 and 2016.[60] The preponderance of EIB financing towards these regions takes place under the ELM, while the ORF is also used for certain operations.[61] The Bank's activities in ALA contribute to multiple EU foreign policy frameworks. As for Latin America, the EU's main policy framework has been constituted, since 1999, by the Union, Latin America and the Caribbean Strategic Partnership, which focuses on the promotion of regional integration and the eradication of poverty, as well as social inequality in order to promote sustainable economic and social development. As regards Asia, the Union still looks at the majority of the continent from a development policy angle, aiming to eradicate poverty by supporting broad-based sustainable economic growth, promoting a conducive environment and conditions for trade and integration within the region, enhancing governance and increasing political and social stability. With some of the more advanced Asian nations (e.g. Japan, China and India), the EU has also clinched bilateral strategic partnerships, entailing a wide range of policy dialogues on global issues, regional security questions as well as regulatory policy matters. A separate framework for EU relations with Central Asia has also been

58 It must be added that most EIB-supported microfinance institutions make a specific effort to reach out to women.

59 S. Bilal and S. Große-Puppendahl, Ibid., pp. 20-21.

60 Eib.org, Database of signed projects, last accessed on 5 April 2017.

61 Eib.org, EIB Financing in Asia, last accessed on 5 April 2017, p.1.

developed in the form of 'The EU and Central Asia: Strategy for a New Partnership', which incites co-operation in areas such as transport, environment, water management and education, to name but a few.[62]

In line with the ELM and EU policies towards ALA countries, EIB financing in these regions mainly focuses on climate change mitigation and adaptation but also local private sector support, development of social and economic infrastructure. Projects are also required to be designed in such a way that they can also contribute to the economic development of beneficiary countries. During the former ELM (2007-2014), the EIB financed 28 projects with EUR 3.6bn in Asia. The primary emphasis was on climate change mitigation (and more specifically on the energy sector), which absorbed nearly 60% of EIB financing. Main beneficiaries included China, India and Vietnam, where the EIB supported a series of projects especially in the renewable energy and energy efficiency, as well as forestry sectors.[63] Climate action also dominated EIB lending in Latin America during the former ELM where the Bank provided finance of about EUR 4bn for 36 projects. Significant parts of climate financing were provided under the EIB-run **EUR 4.5b Energy Sustainability and Security of Supply Facility (ESF)** designed to promote renewable energy and energy efficiency in non-EU countries, including those of ALA.[64] It is worth noting that given the Bank's commitment to devoting at least 35% of lending in developing countries to climate action by 2020, it is not unlikely that climate projects will retain the main point of focus for EIB operations in ALA.

Under the current mandate, covering the period between 2014-2020, the EIB is authorised to lend up to EUR 3.4bn for operations supporting EU policies in ALA. This regional ceiling is broken down into indicative sub-ceilings of EUR 2.3bn for Latin America, and EUR 1.1bn for Asia (including EUR 182m for Central Asia). In addition, the EIB can lend an additional amount of up to 2bn from its own resources under the Climate Action and Environment Facility or the Strategic Projects Facility in the two regions combined.[65]

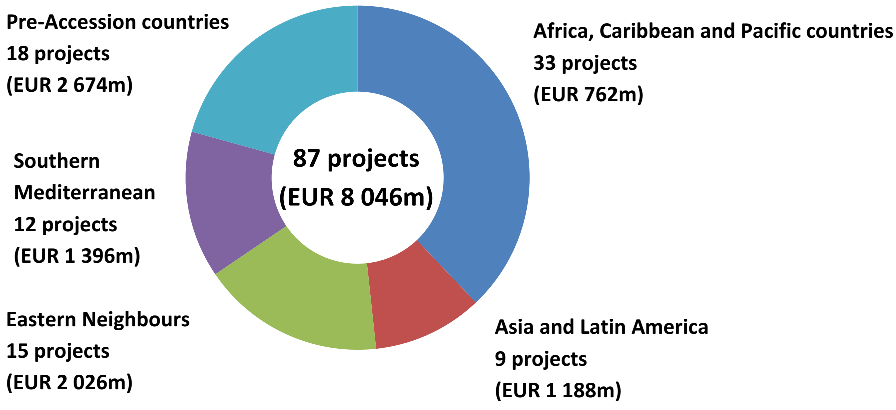
In 2016, the collective value of signed EIB projects in ALA reached EUR 984m.[66] Additionally, the EIB lent EUR 45m to the Maldives so as to allow the latter to help the archipelago to reduce its diesel dependence in relation to power generation. The project involves the installation of at least 50 MW of solar-diesel hybrid energy systems which will allow the phasing-out of 37 MW of diesel generator capacity. As a result, around 110 000 households' energy needs will be met and 14 500 additional households will be able to join the network. The project is also expected to save the country EUR 14m a year due to reduced fuel import while also lowering CO_2

62 Decision.
63 Eib.org, EIB Financing in Asia, last accessed on 5 April 2017, pp.1-2.
64 Eib.org, EIB Financing in Latin America, last accessed on 5 April 2017, pp.1-2.
65 Ibid., p.1
66 Eib.org, Database of signed projects, last accessed on 5 April 2017.

emissions. Furthermore, the EIB also provided a EUR 162m loan (in USD) to earthquake-struck Ecuador for the reconstruction and upgrade of basic infrastructure including water and sewerage systems, roads, social and administrative facilities. Once completed, these projects are expected to directly benefit 1.5m people in the project areas. In order to finance technical assistance which will reinforce the institutional and technical capacities of the local authorities during the implementation of these projects, this EIB loan will be blended with a grant from the EU Latin America Investment Facility. Such grants often prove to be a decisive factor when it comes to lending to the public authorities of crisis-stricken countries, which would otherwise be reluctant to take a loan due to unfavourable financing and economic circumstances. Thus, this operation in Ecuador goes to show the importance of the EU blending framework – a mechanism that allows the EIB (and other European DFIs) to complement their non-grant resources (e.g. such as loans, equity and guarantees) with EU grants which may serve various purposes, such as improving the concessionality and, most commonly, the financing of technical assistance, feasibility studies and interest rate subsidies.[67]

An important consideration for future EIB activities in Asia and Latin America, with a particular emphasis on strategic partners such as China and India, is the EUGS's emphasis on economic diplomacy in EU relations with these countries. One of the key objectives of the EU's emerging economic diplomacy is to promote the internationalisation of EU businesses, including by means of financial support for outgoing FDI – which is not a priority in the current ELM – and export/investments activities of EU SMEs and mid-caps. Albeit solely in rare occasions, the Bank has engaged in such operations in the recent past, but most of these have focused on the southern neighbourhood, as will be elaborated on further in chapter 4.1.

3. Figure: New EIB projects signed in 2016 outside the EU by region

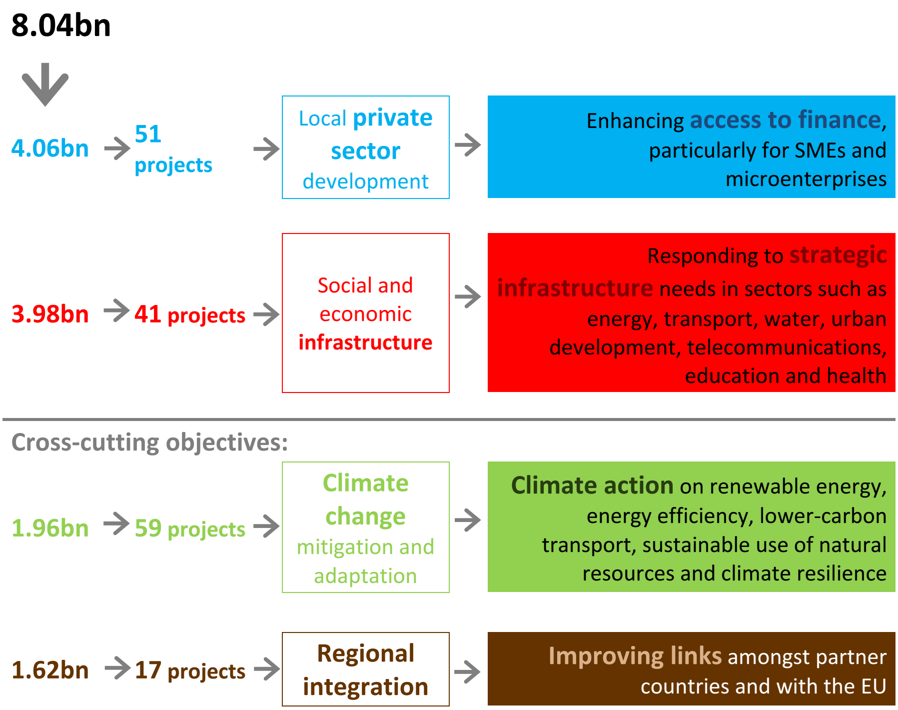


[67] Interview with an EIB official, Brussels office, 29 March 2016.

1.5. Sustainable development goals – a cross-cutting issue

As the above discussion shows, the overwhelming majority of EU operations outside the EU have, recently, focused on climate change mitigation and adaptation; social and economic infrastructure development; private sector support and regional. In 2016 alone, the EIB signed financing contracts for 87 new projects outside the EU, with a total approved financing of EUR 8.04bn. Figure 4 below indicates how these projects have been distributed according to the four ELM objectives, with the caveat being that many of the projects support more than one objective.[68]

4. Figure: EIB lending outside the EU for new projects by EU policy objectives in 2016



In view of the dominance of these objectives, it is reasonable to argue that EIB activities outside the EU have long been contributing directly or indirectly to some of the SDGs. Based on its Results Measurement (ReM) framework (see Annex 2), which is used by the EIB to track project results and their contribution to EU and country objectives, ex-ante assessments can be made with regard to the results of EIB operations signed in 2016. This also makes it possible to quantify the expected contribution of these operations to particular SDGs as indicated by figure 5.[69]

68 EIB, The EIB Outside the EU, Annual Report, 2016.
69 Ibid.

5. Figure: EIB projects and the SDGs – selected expected results to illustrate connections

37 100 more students enrolled in higher education

Women equal **51% of microfinance beneficiaries**

6.7 million people benefitting from improved water supply and sanitation

1.2 million households connected to electricity networks

696 000 jobs sustained in supported SMEs, microenterprises and mid-cap companies

1.2 million passengers per day benefitting from improved urban public transport

Energy production from renewables sufficient for **250 000 households**

In light of the EIB's strong potential to contribute to several of the SDGs, it is no surprise that the EUGS notes the importance of "leveraging the experience of the EIB in providing technical assistance and building capacities in developing and middle income countries" as a crucial factor in implementing the SDGs.[70] Nonetheless, owing to the recent adoption of these goals, there is yet to be a direct or explicit reference to the SDGs in any of the Bank's mandates pertinent to external lending (such references are also absent from most EU regional policy frameworks), nor has the institution produced any dedicated strategy on how it intends to contribute to the goals. The fact, however, that the Bank's 2017-2019 Operational Plan singles out the pursuit of SDGs as one of the main priorities underlying EIB external lending and that the 2017 edition of 'The EIB Outside the EU' report measures EIB operations' contributions to the goals may be seen as a first step in this regard.[71]

70 EUGS, p. 40.
71 Eib.org, The EIB Group Operational Plan 2017-2019, December 2016, pp. 8.

2. EIB as part of the EU toolbox of support to third countries

In addition to delivering on regional EU policy frameworks, the EIB also has the potential to underpin the EU's specific – often rapidly changing – country policies. When it comes to a policy of rapprochement or disengagement with a third country, the EU has several *carrots* and *sticks* at its disposal. For instance, the Union may offer or deny access to its internal market through a free trade agreement, relax or stiffen visa procedures, and provide or suspend funding through its regional or thematic financial instruments. Towards certain countries, the authorisation or suspension of EIB operations may also represent an extra *carrot* or *stick*.

EIB financing operations also greatly contribute to the EU's visibility outside the bloc and magnify the Union's – financial – offer in the eyes of third countries. The Bank is a major source of finance (and qualitative support) in several countries of key EU partner countries (e.g. EUR 2.2bn signed in Turkey in 2016, EUR 895m in Egypt, EUR 801m in Ukraine), which is the underlying reason explaining why it can provide the 28-country bloc with an important additional lever of influence when dealing with them. In addition, EIB involvement can also be seen as offering an alternative avenue for engagement when political processes yield limited results, as has lately been the case with Turkey, for example. Finally, EIB involvement can also ensure continuity with EU financial 'support' when countries are phasing out from traditional EU bilateral aid. So, to what extent has the EIB formed part of recent EU policy packages towards third countries? And, how effective has the Bank been in delivering on these policies? This chapter briefly looks at four countries towards which EU policy has recently taken significant turns: Ukraine, Russia, Argentina and Iran.

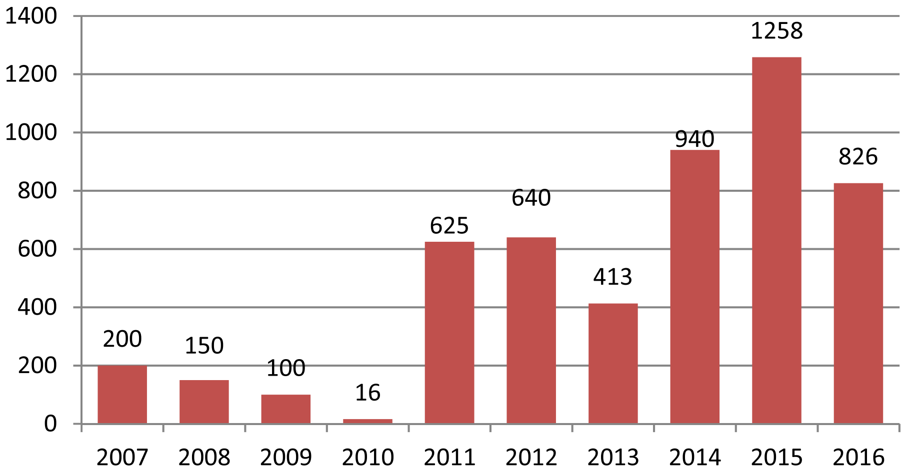
2.1. Ukraine

For over a decade, the EU has co-operated with Ukraine in the framework of the ENP and the EaP. However, the removal of then President Viktor Yanukovych from power in February 2014, the illegal annexation of Crimea by Russia, and the ensuing state of unrest and political and economic crisis required the EU to go beyond these frameworks in its policy response. The bloc responded by assembling a support package worth EUR 11bn to help stabilise the economic and financial situation of the country. As part of the measures, the EIB committed to scale up its planned project pipeline of up to EUR 1.5bn for 2014-2016 to EUR 3bn (specifically in support of the local private sector and economic and social infrastructure) in the form of a Special Action Plan for Ukraine.[72] By the end of 2016, the EIB had lived up to this commitment through the signature of 26 operations worth over EUR 3bn. The bank also created a dedicated Task Force, with a team of experts in the Kiev EIB office, to deliver accel-

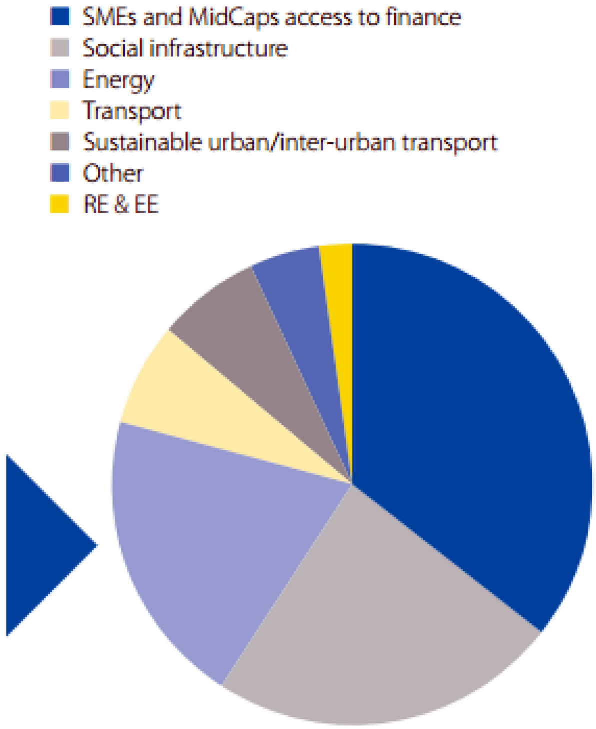
[72] EIB, 'EIB Contribution to the External Lending Mandate 2014-2020 Mid-Term Review (henceforth 'Board report'),' 15 September 2016.

erated project preparation and implementation in close collaboration with its Ukrainian partners.

6. Figure: Value of EIB loans signed recently in Ukraine (EURm)



7. Figure: Distribution of EIB loans under the Special Action Plan for Ukraine



Of the operations signed, two directly address the issue of gas supplies, identified by the EU as a primordial priority within the energy and transport sector.[73] The EIB also developed a EUR 200m Early Recovery Programme in conjunction with the European Commission so as to provide humanitarian help to the conflict-affected areas, enabling them to cope with the impact of a heavy influx of internally displaced people. Until March 2017, a first batch of about 70 small-sized projects (hospitals and medical facilities, schools and kindergartens, housing and public buildings) had been selected, providing some 240,000 people with improved shelter and living conditions. In recognition of the significant contribution of the agri-food sector to Ukraine's gross domestic product, employment and exports, the EIB also signed a EUR 400m loan to finance the upgrading of cereals, oil seeds, aquaculture and fisheries value chains in the country in line with the liberalisation and standards harmonisation commitments made by both sides through the EU-Ukraine DCFTA. Furthermore, the EIB also provided a direct investment loan of EUR 71m to finance the investment plan of Nibulon, a major privately-owned grain producer and exporter. The project will result in reduced congestion and traffic on the country's roads by moving up to 700,000 tonnes of grain annually from trucks onto barges. Nibulon has also committed to building 15 additional ships in the city of Mykolaiv, which will boost employment in the local shipbuilding industry.[74]

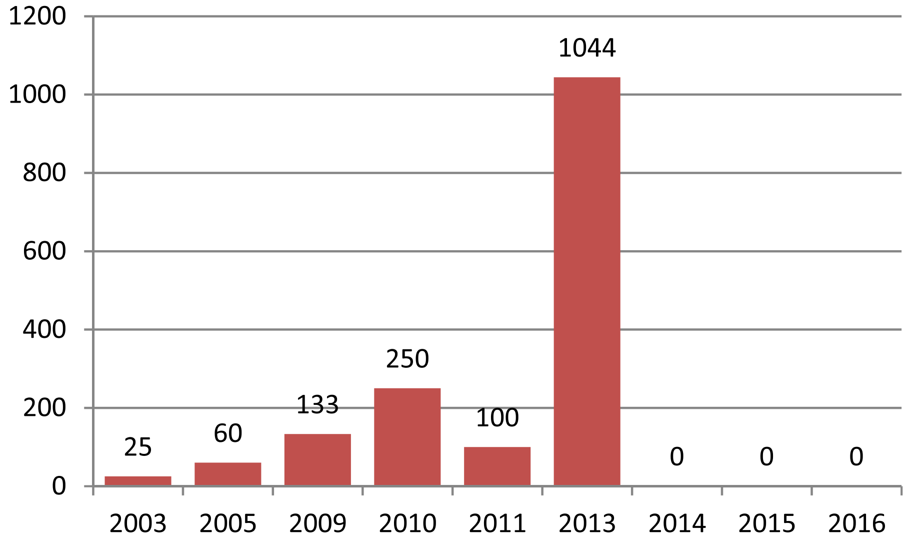
Overall, the largest chunk of EIB loans during the 2014-2016 period concerned support for private sector development (36%) followed by social infrastructure (24%) and the energy sector (20%) as shown by figure 7.[75]

2.2. Russia

In parallel, and as part of the EU's response to the annexation of Crimea by Russia in March 2014, the European Council requested the EIB to suspend the signature of new financing operations in Russia in July 2014.[76] The Bank acted immediately, thus shelving the planned lending volume of EUR 600m for 2014 together with the expected EUR 1bn per annum for the following years. Since the peak year of 2013, when the Bank contracted most loans (EUR 1,04m) in the country, a new EIB operation has not been signed.[77] The EIB's close alignment with EU policy is particularly noteworthy in light of the planned large lending volumes in the country and their expected contribution to bringing the proportion of EIB external lending to around 10% of the total in the coming years. These considerations point to the implications of sudden EU policy shifts for the EIB which the Bank must balance with expectations

73 The first one concerns the reparation of the Ukrainian part of the Urengoy – Pomary – Uzhgorod natural gas pipeline. The second one is a guarantee for EUR 458m of selected WBG loans.
74 Eib.org, Investing in Ukraine's future, last accessed on 15 May 2017, p.1.
75 Ibid.
76 European Council, Conclusions, 16 July 2014.
77 Eib.org, Database of signed projects, last accessed on 29 December 2016.

8. Figure: Value of EIB loans signed recently in Russia (EURm)



from stakeholders of attaining planned year-end lending volume targets, maintaining good relations with clientele base and remaining competitive vis-à-vis other IFIs who are not accountable to EU policy-makers.

2.3. *Argentina*

In contrast to the EU's policy in Russia, the EIB may also be solicited to be part of the EU policy package in the context of a policy of rapprochement. A case in point is Argentina with which EU relations had been under strain for over a decade, resulting also in limited EIB activities in the country during this period. It was not until the arrival into power of President Muricio Marci in December 2015 and his subsequent visit to the Brussels-based EU Institutions in July 2016 that the sides could herald in a new chapter in their bilateral relations. On this occasion, the EU and Argentina agreed to strengthen their co-operation on a range of issues including sanitary matters, environment and sustainable development, climate change, energy efficiency and biotechnology applied to agriculture. As these are sectors where the EIB has significant experience and expertise, the role of the Bank – which was also represented in the receiving delegation at a Vice President level – in financing investments in Argentina was also underlined during the encounter.[78] The importance of the country in EU external action was also further highlighted in the letter sent by the

[78] European External Action Service, Joint Press Release on Visit of the President of the Argentine Republic to the EU Institutions, Brussels, 04 July 2016.

HR/VP Mogherini to the EIB's President Hoyer in June 2016, soliciting the Bank to do more in Latin America and to focus on four priority countries, including Argentina. Accordingly, the EIB is currently negotiating the financing of several projects with the Argentinian authorities, starting with a credit line for SMEs through a local public intermediary which is to be signed in 2017.[79]

Nonetheless, it is worth noting that the feasibility of the Bank's future ambitions in Argentina is highly interwoven with the ongoing debate regarding the expansion of the EU Guarantee. If not appropriately strengthened beyond its initial scope, the EIB's present annual lending volume in ALA would have to be halved in the coming years.[80] This would, however, be at odds with the expected role of the EIB in Latin America, as expressed by partner countries and various EU institutional actors. The picture is further clouded by the fact that some member states hold a rather conservative position on the EIB's external lending, judging that the Bank should continue to focus its activities on pre-accession countries and the EU neighbourhood, opposing lending volume increases in ALA.[81]

2.4. Iran

As opposed to the above cases, the EIB may also be called upon to accompany EU policy towards a country in which it has no track record of operation. This is notably the case with Iran. In view of the verification, in January 2016, by the International Atomic Energy Agency that Tehran had implemented the agreed nuclear-related measures as set out in the Joint Plan of Action of July 2015, the EU has lifted all nuclear-related economic and financial sanctions against the country.[82] The Union's new policy agenda towards Iran, set out in Tehran in April 2016, prioritises co-operation on private sector development, climate change mitigation and adaptation, energy and water resources management.[83] While the EIB was not part of the Mogherini-led EU delegation to the April meeting, the EU side offered to explore the prospect of extending the ELM to Iran, thus recognising the Bank's expertise in the above areas. In the context of the ELM mid-term review, the Commission is currently proposing to add Iran to the list of regions and countries potentially eligible for financing under the EU Guarantee. Once the country becomes eligible to the ELM, the EIB still needs to negotiate a bilateral Framework Agreement with the Iranian authorities – a process that usually lasts between nine to ten months. Furthermore, EIB operations can still be complicated by the remaining US sanctions on the country,

[79] Interview with an EIB official, Global Partners (ALA & Africa), Luxembourg, 14 December 2016

[80] Interview with an EIB official, Brussels office, 20 January 2017.

[81] Interview with a Brussels-based Swedish diplomat, Brussels, 16 January 2017.

[82] The Joint Plan of Action represents an agreement between Iran, the P5+1 (China, France, Germany Russia, United Kingdom, United States) and the EU on the nuclear programme of Iran.

[83] European Commission, Joint statement by the High Representative/Vice-President of the European Union, Federica Mogherini and the Minister of Foreign Affairs of the Islamic Republic of Iran, Javad Zarif, Brussels, 16 April 2016.

which may make it more difficult for the Bank to borrow USD on the international financial and capital markets.

3. EIB – promoting EU standards globally

In addition to delivering on regional EU policy frameworks and sudden shifts in specific bilateral EU policies towards third countries, the EIB also plays an important role in promoting the EU's environmental, social, procurement (and possibly soon also taxation) standards as well as best practices in technical areas globally. First, the receipt of financing from the Bank is strictly conditional upon project promoters' adherence to the above standards which is stipulated in EIB-financed project contracts. As asserted above, the EIB is the only MDB held to a strict set of requirements related to EU standards. Second, as a member of the group of the ten largest MDBs, the EIB also serves to further the EU's position on environmental, social, procurement but, also, technical standards and regulatory approaches vis-à-vis other DFIs.[84] At a time when development actors – with often largely different standards – are increasingly being called upon to collaborate in the context of the SDGs as well as climate or infrastructure finance, the importance of whose standards underline collaborative development ventures will increasingly come to the forefront and the EIB is well-placed to promote the EU approach in this regard. Thus, how, exactly, does the Bank embrace EU standards in its operations outside the Union?

3.1. Environmental and social standards

In terms of environmental and social standards (e.g. labour rights, occupational and public health, safety and security) for example, the EU boasts one of the most stringent regulatory frameworks in the world, several aspects of which are also incorporated in the Union's external relations. The Union's environmental and social standards are also largely integrated in the EIB's lending strategy and objectives. The EIB Statement on Environmental and Social Principles and Standards guides the Bank's operations as far as the protection of the environment and human well-being are concerned. What is referred to as the Environmental and Social Handbook, provides an operational translation of those standards across ten thematic areas. Project promoters seeking EIB funding, for example, are to manage environmental and social impacts and risks throughout the whole EIB project through the application of the precautionary principle. Furthermore, they also need to ensure that all projects are in line with appropriate national and, where applicable, EU legal requirements, including multilateral agreements related to climate change. EIB-financed projects must also comply with core labour standards of the International Labour Organisa-

[84] The group includes the AfDB, EBRD, IADB, WBG, IDBG, EIB, Asian Development Bank, Asian Infrastructure Investment Bank, New Development Bank.

tion and with national labour and employment laws.[85] Fighting against child labour through EIB operations, for example, can be an effective complement to the insertion of such clauses into EU-negotiated trade agreements since only a small fragment of the worst forms of child labour is associated with international trade.

3.2. Procurement

For tenders with a monetary value exceeding a certain amount or which are considered to be of cross-border interest, the EU law sets minimum harmonised rules. For tenders below the threshold, national rules apply, with the caveat that they also have to reflect the general principles of EU law.[86] The EIB's procurement policy is set out in the 'Guide to Procurement for Projects Financed by the EIB' last updated in June 2011. As the guide states, "the cooperation agreements and financial protocols agreed upon between the European Union and countries outside the EU lay down the conditions under which the Bank can mount operations."[87] In practice, this usually means that the EIB requires non-EU countries to follow EU Directives on procurement with the necessary procedural adaptations, thus facilitating improvements in the business climate and the transfer of knowledge, as well as increasing transparency.

3.3. Taxation

Finally, the body of EU law is also gradually expanding on tax governance. In January 2016, the Commission presented a new Anti-Tax Avoidance Package. Some of the key elements of the proposal include legally-binding measures to block the most common methods used by companies to avoid paying tax; a proposal for member states to share tax-related information on multinationals operating in the EU; and actions to promote tax good governance internationally.[88] On the 25th of May, the Economic and Financial Affairs Council formally adopted the directive on the exchange of tax-related information on multinational companies, which was followed by the adoption of the anti-tax avoidance directive on the 12th of July.[89] The external taxation strategy and measures against tax treaty abuse remain to be adopted in the coming months. Given the EIB's significant potential to promote best practices on tax transparency and effective taxation through its external lending, the Commission and the Bank are currently trying to explore the manner in which the

85 Eib.org, Environmental and Social Standards Overview, last accessed on 26 February 2017.
86 ec.europa.eu, Legal rules and implementation, last accessed on 28 December 2016.
87 EIB, Guide to Procurement, June 2011, p. 9.
88 ec.europa.eu, Communication on an Anti-Tax Avoidance Package, 28 January 2016.
89 On EU taxation laws, taking decisions is the sole responsibility of the Council, voting unanimously, whereas the European Parliament issues its opinion.

latter's non-compliant jurisdiction policy could be adapted to reflect the new anti-tax avoidance measures of the EU.

At a fundamental level, the promotion of EU standards by the EIB in the environmental, social and procurement field makes a contribution to inciting policy change in third countries in these areas thereby allowing the EU to project its 'own rules of the game' internationally and consequently preserve the competitiveness of its economy. As Alyson Bailes put it, the EU's "deepest interest lies in making others – and eventually the world – more like itself."[90]

3.4. Technical standards

In addition to the above standards, the EIB also promulgates the EU's technical regulations. Since EU-wide technical standards remain rare, this means that, in practice, the Bank promotes certain best practices used when financing projects inside the EU. In a bid to reduce road fatalities and casualties in developing countries, the EIB places significant emphasis on road safety, for example. As a result, a part of the total cost of EIB-financed road projects tends to be dedicated to road safety measures, including both 'hard' infrastructure measures (signs, marking, pedestrian crossings etc.) and 'soft' approaches relating to information systems, education, capacity-building and enforcement.[91]

As for the 'hard' aspects, the EIB promotes the EU directives on road management (Directive 2008/96/EC on Road Infrastructure Safety) and tunnel safety (Directive 2004/54/EC on Minimum Safety Requirements for Tunnels) as good practice in road projects outside the EU. In the recent years, it has also become standard practice for the Bank to include road safety audits in line with the principles of the above directives in such operations. During the project-monitoring phase, the EIB also puts a great emphasis on verifying the implementation of the recommendations made by these audits.[92]

Concerning the 'soft' dimension, the Bank works with other members of the group of the largest MDBs to develop a shared approach to road safety with the aim of jointly delivering on the UN Decade of Action for Road Safety. The MDBs' co-operation, in this regard, rests on a set of jointly agreed principles (e.g. development of national capacity, data management, procedures and design standards etc.) that each would implement in order to improve the safety of road infrastructure, vehicles, road user behaviour and post-crash services. The EIB also has a Road Safety Action Plan which reconciles both the hard and soft dimensions of road safety.[93]

[90] A. Bailes, External Security Policies and the European Model, in L. Tsoukalis (ed.), The EU in a World in Transition: Fit for what purpose?, Policy Network 2009, p. 34.
[91] Interview with an EIB official, Mobility Department – Roads Division, Luxembourg, 28 March 2017.
[92] Ibid.
[93] Ibid.

3.5. Towards a modular approach?

The EIB's strong adherence to EU standards may occasionally present challenges to the Bank's competitiveness vis-à-vis other development actors on the ground with less stringent requirements. In terms of procurement standards, for example, the EU's local content principle set at the maximum 10% has repeatedly made it difficult for the Bank to undertake projects, notably in Africa. This is due to the very fact that, in an effort to promote local businesses, sovereign borrowers in several developing countries tend to demand that a greater part (up to 30 or even 40% in terms of value) of the tenders launched during project implementation are to be excluded from open international competition. Faced with this issue, the EIB has obtained derogations from the Commission, in relation to EU procurement rules, on a few occasions. This has mainly been the case regarding projects with a significant climate component. In this area, relaxing procurement standards may have been weighed against the opportunities that internationally open tenders, relating to the very same climate projects, represented to EU companies with competitive edges in the green industry.[94] The EUGS's call for a more flexible and modular approach in EU external action may now provide a new context for a renewed reflection on whether increased flexibilities in EIB operations under certain standards would be justified.

4. Enhancing the EU footprint: better leveraging the EIB as an investment arm of EU External Action

The foregoing chapters have shown how EIB operations have, over the recent years, contributed to EU regional policy frameworks (and the SDGs in a cross-cutting fashion) and how the Bank has delivered on its part of the EU policy package in the event of sudden shifts in the Union's bilateral relations with third countries. Nonetheless, there remains room for improvement in order to allow for better leveraging of the EIB's role as the investment arm of EU external action. This chapter raises the question of how the EIB factor, as a multiplier of EU external action, could be better exploited.

4.1. EIB and EU economic diplomacy

To begin with, the Bank has a considerable potential to play a key role in supporting the EU's emerging economic diplomacy. The EUGS identifies economic diplomacy as a crucial tool to promote the EU's prosperity, which it describes as hinging on an open and rules-based economic system with a true level-playing field.[95] Led by the EEAS and Commission services, the EU's nascent economic diplomacy is essentially

94 Interview with an EIB official, Pretoria office, Brussels, 13 November 2017.
95 EUGS, p. 41.

aimed at creating a set of mechanisms allowing for structured exchanges and co-ordination among various EU actors (including the EIB) and the member states in order to make the best possible use of the instruments and levers of influence that the EU has at its disposal vis-à-vis third countries and regions. Responding to these expectations, the EIB's 2017-2019 operational plan underlines that the Bank seeks to make a contribution to the EU's economic diplomacy, particularly by means of increased use of its ORFs.[96] However, in what way are EIB operations pertinent to EU economic diplomacy?

Amongst the key objectives of EU economic diplomacy is to support EU businesses who want to do business abroad. In its ELM mid-term evaluation report to the Council and the EP, the Commission notes that the EIB is expected to be a key player in this respect.[97] Arguably, the Bank is well-equipped to support the internationalisation of EU businesses in multiple ways. Firstly, the EIB finances innovation and skills within the EU. In addition to ensuring sustainable growth and creating high-value jobs, this also contributes to improving the long-term competitiveness of EU enterprises in a global context which can facilitate their entry into, and position on, foreign markets.[98]

Secondly, the institution also provides direct financing in support of the outward and cross-border investments of EU companies. Recently, the majority of such EIB activities have focused on the Mediterranean region (e.g. EUR 10m for Spanish EUROPAC Group in 2015 to support its growth on the Moroccan market).[99] More notable, however, is the lack of FDI support operations towards Asia in the last years. Yet, as per the EUGS, Asia is the very region towards which the EU most crucially needs to build up a robust economic diplomacy. With regards to China, in particular, the strategy emphasises the need for a level playing field, allowing EU investors to gain a greater presence on the Chinese market and to be treated on equal terms with domestic actors.[100] The fact that the EIB mainly operates through ORFs in the country may come in handy in this respect, given that this is currently the only channel of EIB external lending that allows for direct FDI support. Nevertheless, in line with the growing expectations towards the Bank in terms of FDI financing, the question also arises as to whether or not the EIB should be (re)authorised to specifically support cross-border and outward investments under the ELM, as was the case with former mandates.

Thirdly, the EIB also enhances opportunities for EU companies to participate in projects outside the EU as suppliers or contractors, while also supporting working capital facilities in favour of SMEs and Mid-Caps active in commerce inside and outside the EU. Lastly, despite the short-term repayment conditions relating to such

96 Eib.org, The EIB Group Operational Plan 2017-2019, p. 8.
97 European Commission, Report from the Commission to the European Parliament and the Council, COM(2016) 584 final, Brussels, 14 September 2017, p. 8.
98 Eib.org, Innovation and skills, last accessed on 28 February 2017.
99 Eib.org, Database of signed projects, last accessed on 28 December 2016.
100 EUGS, pp. 37-38.

activities, the institution has also developed tools to promote foreign trade by European SMEs, including through dedicated trade finance[101] (e.g. EIB Trade Finance Facility for Greece created in 2013) and export credit facilities[102] (e.g. €50mn facility with Northstar Luxembourg for buyer credit financing signed in late 2015) in recent years. The EIB also partners with other institutions on similar schemes: an example of which being the EIB-Inter-American Development Bank (IADB) Joint Initiative to support investments from Latin American SMEs and mid-caps in the EU and vice-versa.[103]

4.2. Joint programming

Another aspect of better leveraging the EIB in support of EU external action relates to the joint programming of geographical and thematic financial instruments listed under 'Heading 4: Global Europe' of the Multi-annual Financial Framework. In fact, all of these financial instruments, with the exception of the CFSP budget, are aimed at supporting the EU's development, trade, humanitarian or enlargement policies, which the EIB also furthers through its activities outside the EU.[104] The primary responsibility for the programming of these instruments is shared between the EEAS and the European Commission. Taking the EUR 17.3bn (2014-2020) worth Development Co-operation Instrument (DCI) as an example, the EEAS takes the lead on the geographic component, whereas the Commission does so on the thematic part.[105] Although the MoU signed by the EIB and the Commission (referred to above) highlights the importance of an early exchange of views between the Commission, the EEAS and the EIB in the preparation of EU programming documents, the current situation falls short of a formally defined role in the programming processes of any of these instruments for the EIB. This feeds potential concerns of incoherence and/or duplication between EU and EIB activities. While the MoU expresses a need for "enhanced cooperation and early mutual exchange of information", it is only the early notification of planned activities by EIB to DG Ecfin (albeit only for operations under the ELM, not the ORF) that takes place systematically.[106] This only allows for exchanges at the operational phase of the project cycle. Opportunities for the two institutions to undertake similar exercises at earlier stages of the project preparation, however, remain constrained.

101 The objective is to cover risks for letters of credit and other trade finance instruments to mitigate the risks of non-payment and default.

102 These facilities offer loans and insurance to exporting SMEs to help remove the risk of uncertainty of exporting to other countries and underwrite political risks and commercial risks of overseas investments.

103 Eib.org, IDB and EIB establish facilities to support internationalization of SMEs, last accessed on 28 February 2017.

104 S. Keukeleire and T. Delreux, Ibid., pp. 108-109.

105 S. Görtz and N. Keijzer, Reprogramming EU development cooperation for 2014-2020, European Centre for Development Policy Mangement, Discussion paper no. 129, April 2012, pp. 3-4.

106 Eib.org, Memorandum of Understanding between the European Commission and the European Investment Bank in respect of cooperation and coordination in the regions covered by the External Mandate, last accessed on 11 May 2017.

4.3. EIB and EU external representation

Another question arises as to the involvement of the EIB in EU external representation, including third party negotiations as well as multilateral summits and institutions. According to the Treaty of Lisbon, the responsibility for the external representation of the Union follows the traditional division between the CFSP and the rest of the external action of the EU. Article 17(1) of TEU bestows upon the Commission the duty to “ensure the Union’s external representation”, with the exception of the CFSP, an area which belongs to the responsibility of the President of the European Council (at the level of heads of state and government) as per Article 15 TEU. The same provision empowers the HR/VP to conduct the external representation of the Union as far as the CFSP is concerned (at a ministerial level). [107]

In view of the EIB’s potential to reinforce what the EU can offer – and demand in return – notably vis-à-vis key beneficiaries of EIB financing, it is not surprising that the institution has been, on a few occasions, solicited to form part of the delegation representing the EU in the context of bilateral encounters or summit meetings with key partner countries. Most recently, this was the case at the time of the visit of the Argentinian President Macri to the EU in July 2016 where the Bank was represented at Vice President level, as discussed above. Nonetheless, the Bank’s involvement in such arrangements remains the exception rather than the rule. In addition, the EIB has, so far, not been systematically involved in the annual dialogue of heads of EU delegations in Brussels either, which also shows that its recognition as a factor in EU third country relations is yet to evolve.

When it comes to EU representation in multilateral institutions, processes or summits, the above EU actors retain their central role. In the G20 or G7, for example, the EU is represented jointly by the President of the European Commission and that of the European Council. Yet, depending on the subject matter at hand, other actors can also be involved in EU external representation in multilateral fora. While neither the Treaty of Lisbon nor its current lean personnel allow the EIB to be a central actor in EU representation at multilateral summits or at the boards of IFIs, the fact that it is the world’s largest non-sovereign lender which is also accountable to the EU institutions provides a strong rationale for a form of involvement for the Bank – not necessarily in the form of physical appearance on behalf of the EU but in terms of feeding into the EU’s position during preparatory phases. In certain cases, the EIB has indeed been granted a seat around the table with EU representatives. A notable example includes the Investment and Infrastructure Working Group of the G20 process, which has nonetheless been replaced by the International Financial Archi-

[107] European Union, « Consolidated version of the Treaty on European Union and the Treaty ont he fonctioning of the European Union of 13 December 2007 », Official Journal of the European Union, C115/13, 9 May 2008, art. 15 and 17(1) TEU.

tecture Working Group (by the reigning German presidency) to which the EIB – as opposed to the WBG – has not been invited. [108]

4.4. Towards a greater presence on the ground

Compared to other DFIs, one of the distinguishing characteristics of the EIB is its modest number of field offices and personnel outside the EU. The EIB currently has 22 field offices outside the EU.[109] This is dwarfed, for example, by KfW's network of 60 offices or the WBG's presence in over 100 countries.

In light of its gradually growing external lending volume, the EIB has recently come under pressure to boost its presence on the ground. Doing so however is somewhat at odds with the Bank's traditional insistence upon being a lean institution as far as the size of its personnel is concerned. In this regard, the EIB's current approach is to embed its field offices within EU delegations around the world. In addition to the apparent financial considerations, this model is also thought to be conducive to ensuring coherence between EU policies and EIB operations in a given third country. However, as the Bank's local bureaus are typically staffed with only one or two officials, a question also arises as to whether such a limited presence can make a real difference on the ground.

4.5. Visibility of the overall EU assistance package

Despite the substantial technical and financial assistance provided by the EU to its partner countries, the impact of such assistance is often invisible to local citizens. Moreover, in some cases, such as Ukraine, EU efforts are also being undermined by propaganda efforts. The Union is seeking to counteract this and is doing so, for example, through the recent establishment of the 'Strategic Communications Team' within the EEAS. The Commission is also seeking to boost its communications and visibility actions by virtue of an ever broader range of tools and services. In light of the scale of EIB financing provided to partner countries, the highly tangible benefits of new infrastructure or access to finance for SMEs, and the fact that in many cases EIB investments are complemented by EC grants, there apparently remain unexploited opportunities when it comes to performing joint actions in the field of visibility and communications. This could lead to greater awareness of the EU's role, and specifically the EIB's role within it, in relation to supporting the socio-economic development of the partner countries.

[108] Interview with an EIB official, Institutional Strategy Department, Luxembourg, 4 April 2016.
[109] Eib.org, Our offices, last accessed on 5 April 2017.

CONCLUDING REMARKS

At a time of multiple geopolitical challenges in the EU's neighbourhood and beyond, combined with an unfolding geo-economic competition spurred by the emergence of new actors on the global economic and political scene, it is of paramount importance that the Union takes stock of the instruments, capabilities and levers of influence that it has at its disposal in order to better shape developments outside of its borders. While around a mere 10% of its annual lending volume concerns operations outside the EU, this paper has identified several ways in which the EIB acts as a powerful multiplier of EU external action around the world. Yet, the Bank's recognition as a strategic (f)actor in EU external action among other EU institutions and policy-makers remains to be consolidated. The recently completed EUGS, nonetheless, does show some signs of being more cognisant of the benefits resulting from a closer association of the EIB to EU external action.

Arguably, the EIB has a significant potential to act as a *carrot* and can reinforce what close relations with the EU can offer, notably by making investments in priority areas imbuing the Union's regional (e.g. ENP, Enlargement policy, CPA etc.) and bilateral policy frameworks (e.g. EU-China strategic partnership) with third parties. Furthermore, the Bank can also serve to continue channelling EU funding to countries 'graduating' from the list of countries eligible for official development assistance from the EU. The EIB has also recently demonstrated its aptness (through ERI and the ACP migration package) to back EU policy in novel areas, such as migration, by building on its experience in working towards economic resilience both within and outside the EU. The core sectors of EIB activities outside the EU (climate action, infrastructure development, private sector support and regional integration) also make significant contributions to a number of SDGs. Projects signed in these areas in 2016 are, amongst others, expected to connect 1.2 households to electricity networks, enable 6.7m people to benefit from improved water supply and sanitation, while sustaining nearly 700 000 jobs in SMEs, microenterprises and mid-cap companies. The challenge for the institution now lies in rendering the goals as an integral part of the mandates underlying its external lending, while also clearly articulating the strong link between its activities and the SDGs to other EU actors and external observers.

The case of Ukraine or Argentina suggests that the EIB is also well-placed to feature in specific EU country policies and represents an additional lever of influence in the Union's policy package, thereby helping to increase EU visibility and impact in partner countries. Therefore, in addition to an overwhelming focus on financial instruments, sanctions and political dialogues, it is not unreasonable to expect a growing space for EIB involvement in specific EU policies towards third countries in the future, whether it be about a rapprochement or a dis-engagement.

Moreover, the fact that the Luxembourg-based institution also holds project promoters accountable to the EU's social, environmental and procurement standards (possibly also tax in the near future) also has strategic implications. As member of the group of the 10 largest MDBs, which tend to operate based on different standards often complicating co-financing operations, the EIB acts to champion the EU approach to development policy. Conversely, being bound by EU's robust standards can, at times, also impede the Bank's competitiveness on the ground. The EUGS's call for a more modular approach in EU external action may provide new impetus for an assessment of whether and where it would be justified to grant the Bank greater flexibilities under EU standards.

While the EIB already makes demonstrable contribution to EU external action, it is reasonable to argue that there remains several ways in which its potential as a multiplier of EU influence could be further exploited. These may include a strong EIB involvement in the EU's evolving economic diplomacy; a closer association of the Bank to the bloc's external representation as well as to the joint programming of EU external financial instruments; and, finally, the expansion of the institution's external field offices following the current model of co-location with EU delegations, given the conducive nature of this arrangement to collaborative action.

Recommendations

To the EIB to better align its external operations with EU external action priorities

1. **Enshrine the SDGs in the mandates and facilities governing EIB external lending.** While the Bank contributes to several SDGs through the core objectives (e.g. climate action, infrastructure development, private sector support) of its operations outside the EU, this strong link is yet to be articulated on paper. The SDGs could be mainstreamed across all channels of EIB external lending supported by a dedicated SDG strategy, as has been the case with climate action.

2. **Clarify how the fourth objective ('addressing the root causes of migration') to be added to the ELM will allow the EIB to better address the issue of migration flows.** The original three objectives already allow for multiple activities that contribute to addressing root causes. As the larger EU neighbourhood is likely to remain imbued with dynamics (e.g. inter- or intra-state conflicts or climate change) prone to generating mass migratory flows towards Europe in the coming years and decades, EIB contribution to EU migration policies may continue to be solicited in the medium to long term. In order to enable the Bank to build on its initial responses, it will be paramount to further develop the necessary mandates, instruments and expertise within the institution.

3. **Enhance and reorient economic diplomacy-related activities towards Asia, with a particular emphasis on China and India.** While the EIB has several tools to support the internationalisation of EU business, operations serving this objective have only constituted a minor portion of the Bank's lending portfolio in the recent years. In addition, most such operations of the Bank have focused on the southern neighbourhood of late, whereas the EUGS champions economic diplomacy considerations primarily in the context of EU-Asia relations.

To other EU institutions to make a better use of the EIB as a multiplier of EU external action

4. **Build on the additional visibility and impact EIB financing operations in third countries represent to the EU, including through greater emphasis on the EIB's functioning as the EU's Bank.** EIB involvement outside the Union can allow the EU to maintain a sense of presence in the eyes of third country citizens even when political processes are bogged down. EIB operations can also serve to provide continuity with EU financial support when certain countries become ineligible to receive bilateral development aid from the Union.

5. **Recognise the EIB's role as the sole IFI upholding EU standards for development policy despite the fact that this may occasionally impede the Bank's competitiveness on the ground.** At a time when the international development scene is being reshaped by the emergence of new development actors often with largely differing standards, the EIB as a member of the group of the largest MDBs has also great potential to promote the EU's development policy vis-à-vis other donors of development finance

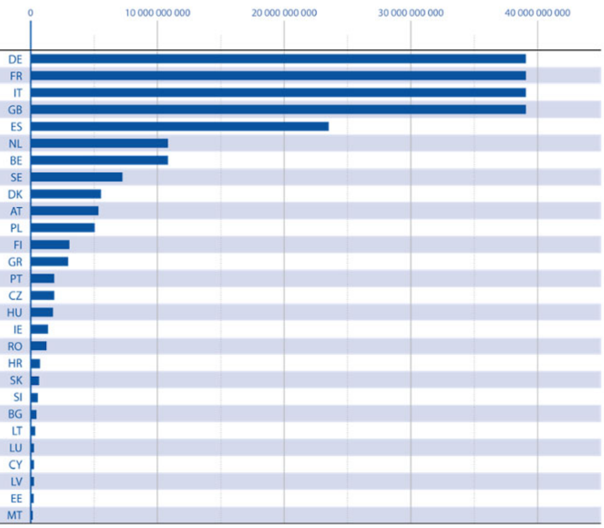
6. **Enhance upstream co-ordination between the Commission, EEAS and EIB through formalising the Bank's involvement in the joint programming of the EU's external regional and thematic financial instruments.** By working together on this exercise, the European Commission, the EEAS and the EIB could better ensure that operations of the Bank help boosting the impact of EU policy by exploiting synergies and avoiding duplication.

7. **Better integrate the EIB in EU external representation.** Especially when it comes to bilateral summits and meetings with third countries benefiting majorly from EIB financing, a strategic utilisation of the EIB card, including through granting a seat at the table to the Bank, could substantially strengthen the EU's bargaining position. A closer association of the EIB to the preparation of EU positions for multilateral summits (e.g. G7 or G20) and institutions (e.g. WBG) could also be considered, while also capitalising on the Bank's involvement in various MDB working groups to promulgate the EU's position on the matter at hand.

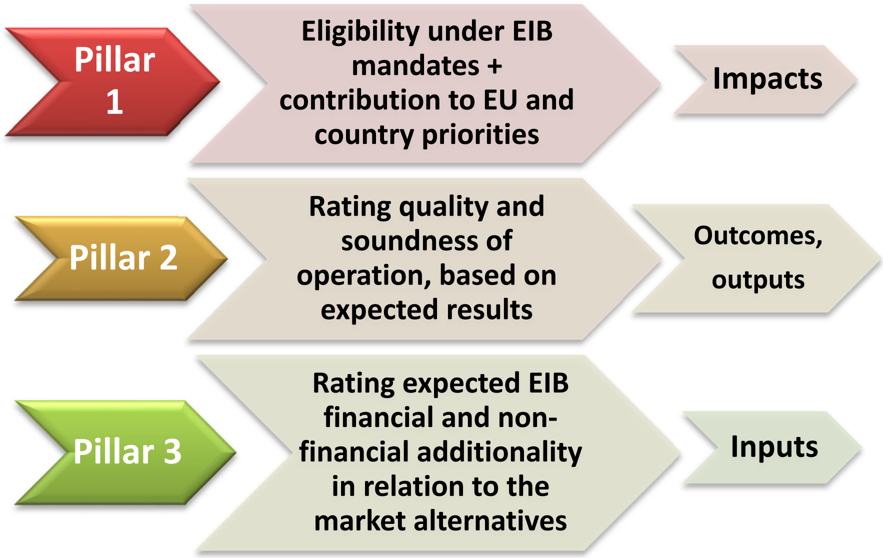
Appendices

Annex 1: Breakdown of the EIB's capital since 1 July 2013

	Amount (EUR)	
Germany	39 195 022 000	DE
France	39 195 022 000	FR
Italy	39 195 022 000	IT
United Kingdom	39 195 022 000	GB
Spain	23 517 013 500	ES
Netherlands	10 864 587 500	NL
Belgium	10 864 587 500	BE
Sweden	7 207 577 000	SE
Denmark	5 501 052 500	DK
Austria	5 393 232 000	AT
Poland	5 017 144 500	PL
Finland	3 098 617 500	FI
Greece	2 946 995 500	GR
Portugal	1 899 171 000	PT
Czech Republic	1 851 369 500	CZ
Hungary	1 751 480 000	HU
Ireland	1 375 262 000	IE
Romania	1 270 021 000	RO
Croatia	891 165 500	HR
Slovak Republic	630 206 000	SK
Slovenia	585 089 500	SI
Bulgaria	427 869 500	BG
Lithuania	367 127 000	LT
Luxembourg	275 054 500	LU
Cyprus	269 710 500	CY
Latvia	224 048 000	LV
Estonia	173 020 000	EE
Malta	102 665 000	MT
Total	**243 284 154 500**	



Annex 2: EIB Results Measurement Framework



Egmont – Royal Institute for International Relations
Rue des Petits Carmes 15, 1000 Brussels, Belgium
www.egmontinstitute.be

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