



## 'Results financing' EIB operations outside the EU



The European Investment Bank (EIB) is the EU bank. We support the EU's external priorities in some 160 partner countries worldwide, applying EU standards and policies to the projects financed. The Bank, which is owned by the 28 Member States, provides finance and technical assistance for sound projects that stimulate growth and jobs to help put an end to poverty. We apply our knowledge and experience from European operations to the benefit of our partner countries.

# Promoting sustainable growth beyond the EU's borders



The mandate for the EIB to provide loans outside the EU is agreed for a seven-year period between the European Commission, Parliament and Council. With this mandate comes an EU guarantee enabling the Bank to lend up to 25-30 times the amount provisioned; a considerable multiplier effect in direct support of the European external action and development effort. All our projects are appraised on their economic and technical soundness and compliance with high environmental and social standards and are approved by the 28 Member States and the European Commission.

To monitor the results and development outcomes of the projects we support more systematically, in 2012 the EIB launched the **Results Measurement framework (ReM)**. The first report on the expected impact of our operations outside the EU has been issued.

The EIB finances projects with the support of the EU guarantee from the external lending mandate in pre-accession countries, in our Southern neighbours (FEMIP region), in our Eastern neighbours and Central Asia (ENCA region) and in Asia and Latin America.

Our operations in African, Caribbean and Pacific countries are carried out under the Cotonou Agree-

ment with funds and guarantees from EU Member States. Finally, the Bank also has dedicated cross-regional facilities for lending at the EIB's own risk. Projects outside the EU account for around 10% of the Bank's total lending activities – EUR 7.4bn in 2012.

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## Our strategic objectives outside the EU

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■ **Local private sector development:** Developing a **dynamic private sector** is of critical importance for achieving more inclusive growth. However, success in doing so crucially depends on the ability of entrepreneurs to obtain financing to implement sound business plans. Promoting access to finance for micro and smaller businesses forms an integral part of our efforts to support growth and job creation in neighbouring and partner countries.

■ **Development of social and economic infrastructure:** No country can grow at its full potential without well-developed **infrastructure**, be that economic infrastructure such as roads and power plants or social infrastructure such as access to health, education and housing. The EIB's

long-term finance and expertise is key to supporting national infrastructure but also to connecting regional and intra-regional infrastructure.

- **Climate change mitigation and adaptation:** For economic growth to be sustainable, adverse impacts on our **environment or climate** must be limited. 90% of carbon dioxide emissions originate outside the EU, with a globally harmful impact. By investing in environmentally sustainable technologies both within and outside the EU, the EIB helps preserve our common environment to global benefit.

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### Additionality of EIB operations

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The EIB seeks to make a difference by offering financing conditions that cannot be provided by the market alone, and by supporting project preparation and implementation. This difference between the EIB contribution and market alternatives is defined as additionality.

Lending is by far the EIB's principal activity, but the Bank's role goes beyond **lending** to include **blending**, for example combining EIB loans with EU grants, and **advising**. EIB loans extend the typical tenor available to projects and reduce the gap between asset life and loan maturity. The Bank can help clients mitigate foreign exchange risk by financing in local currency.

The three main areas in which the EIB contribution stands apart from the market alternatives are:

- **Long-term resources adapted to project needs:** Five indicators are used: extension of typical maturity, match with asset life, local currency funding, grant element and innovative products.
- **Technical contribution:** The EIB not only provides financing but also often contributes to improving the project characteristics in business, developmental, social, environmental or corporate governance terms.
- **Standards and resource mobilisation:** The EIB's presence in the transaction adds value by providing demonstration effects, raising standards, or mobilising other financial resources.

### SME Support

#### Supporting small businesses in Uganda

A EUR 40m credit line to the 'Private Enterprise Finance Facility II' (PEFF) helped six local banks in Uganda to on-lend to small and medium-sized enterprises. Ugandan banks were able to supply long-term financing, with tenors up to 10 years, which would otherwise not have been possible. As the EIB assumes the foreign exchange risk, the loans can be denominated in Ugandan shillings and still carry affordable interest rates.

Fabian Kasi, Managing Director of Centenary Rural Development Bank PEFF, confirmed the importance of the credit line in creating employment in Uganda: "SMEs sit at the heart of the economic development of this country." The credit lines supported businesses such as a guest house near Lake Victoria employing 20 people during construction and creating 15 new jobs once opened.



## 2012 results

# of EIB operations outside the EU

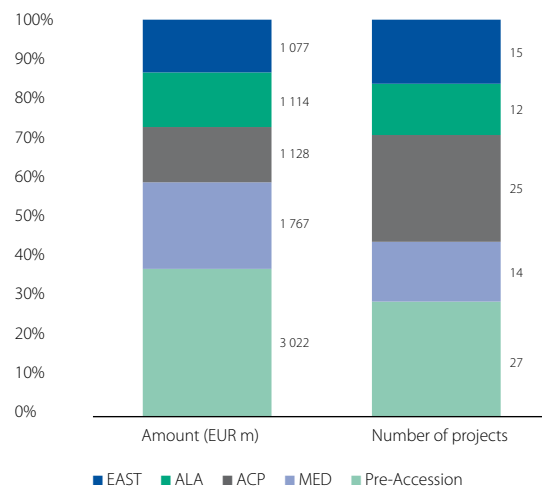


The Results Measurement (ReM) framework further improves the ex-ante assessment of expected project results and enhances the Bank's ability to monitor and report on actual results achieved. It provides an assessment of results throughout the project cycle; indicators with baselines and targets are defined at appraisal and monitored at project completion and again three years after project completion. Projects are rated according to three pillars:

<b>Pillar 1</b>	Expected contribution to lending objectives
<b>Pillar 2</b>	Quality and soundness of the operation, based on expected results
<b>Pillar 3</b>	Expected financial and non-financial additionality

In 2012, the EIB approved 90 operations totalling EUR 8.1bn outside the EU. Together, infrastructure (mainly energy and transport) and support for smaller businesses (micro, small and medium-sized enterprises) accounted for 81% of this lending.

### Approvals by region (amounts and number)



2012 operations approved received largely good or excellent ratings and, more importantly, are expected to yield significant concrete results that will contribute to the improvement of people's living standards.

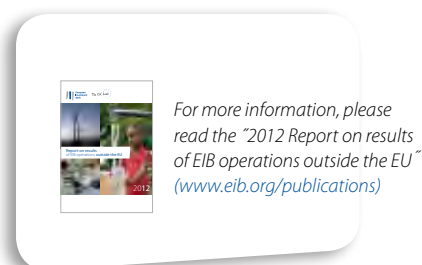


**The projects we finance contribute to creating a large number of both permanent and temporary jobs.** By applying environmental and social standards, the Bank promotes the creation of “decent” jobs, which respect the International Labour Organisation’s core labour standards and are associated with better living standards.

- Of the 90 operations approved in 2012, 27 are expected to create 9 000 new permanent jobs and 45 are expected to create some 300 000 new temporary jobs during construction.
- Moreover, the 34 intermediated operations are expected to contribute to sustaining roughly 3.3 million existing jobs in micro, small and medium-sized enterprises.

### Working for better results for EU and partner countries

The EIB will use the ReM framework to further improve the relevance and quality of its portfolio, whilst maintaining our objective of contributing to European external and development policy and serving the needs of the partner countries in which the Bank operates.



## Renewable Energy

### Bringing large-scale wind power to Cape Verde

A EUR 30m loan for a wind farm enabled the small island state to move towards a reliable source of non-polluting energy. Cape Verde had been dependent on expensive, imported, fuel-based energy sources, and suffered increasingly from electricity shortages. Today, approximately 70% of the population benefit from the cheaper, sustainable and renewable electricity supplied by wind turbines, increasing the country's use of renewable sources of energy from 2-25%. Annually, the cost of electricity generation has been cut by 16% – EUR 1.6m per year - and reductions in fuel oil imports result in savings of EUR 10m in foreign exchange expenditures. Moreover, greenhouse gas (GHG) emissions will be reduced by 67 400 tonnes per year when the wind farm is generating at full capacity.

Through its participation, the EIB was also able to attract private sector support from other IFIs, which resulted in the first successful public-private partnership in Sub-Saharan Africa. Fabio Borba, Vice-President of InfraCo, which is managing the wind farm, said "Its novel public-private partnership structure will set an example for the whole region."

## Infrastructure

### Helping to connect rural areas and foster economic growth in Tunisia

A EUR 40m loan helped to further improve Tunisia's urban road infrastructure, which is overwhelmed by congestion resulting from regional transit traffic passing through Tunis and other major cities. The upgrading of the urban road network has led to improved traffic conditions and has reduced numbers of accidents and road fatalities. Moreover, the link to Tunis' main port makes international trade more efficient and the urban bypasses have improved links with neighbouring Algeria and Libya.

According to the Head of the General Directorate for Roads and Bridges, without the EIB contribution many road construction projects would have been postponed for years. Above and beyond the Bank's financial additionality, EIB participation ensured enhanced environmental and social standards by incorporating a public consultation process in the project preparation.