



The EIB Group Operational Plan 2017-2019



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Important notices:

The Operational Plan 2017-2019 was discussed and approved by the Board of Directors of the European Investment Bank at its meeting of 13 December 2016.

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

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

Foreword

Luxembourg, 13 December 2016

When the EIB became responsible for delivering the financing aspect of the Investment Plan for Europe in 2015 by mobilising EUR 315bn of investment by mid-2018 over and above its impressive levels of more traditional core activities, the operational challenges posed were considered to be on an unprecedented scale. The Operational Plan for 2016-2018 hence reframed the way in which the EIB would contribute and fulfil its role as a major component of the EU response to create growth, employment and competitiveness against a backdrop of economic, financial, social and climate challenges.

Yet 2016 became a year of further profound issues arising on an EU, and indeed global level, which have challenged the European integration model to the extreme. The mounting migration crisis and social challenges across the EU has put a significant strain on EU economies. Inevitably, as the EU Bank, the immediate impact has already been felt hard.

To the credit of management and staff, the EIB has delivered a pro-active response to emerging challenges and adapted focus without detracting from core objectives. As such, EIB has continued to ensure a wide geographical balance and a regional distribution of its financing and other activities concentrated on where the perceived need was greatest. Despite the enormous scale of volatility in market demand, and a low and negative interest rate environment testing the market attractiveness of the EIB, an even more comprehensive range of products and expertise has been developed and deployed. This has resulted in more risk being assumed in an effort to reduce investment gaps, to seek maximum impact and to increase the overall additionality of EIB's activities.

At the same time, the Bank is working closely with the European Commission to strengthen the medium-term impact of key strategic instruments. For instance, the EIB has engaged with the Commission in the mid-term reviews of the Multi-Annual Financial Framework (MFF) 2014-2020 and the External Lending Mandate (ELM) 2014-2020. In the context of the latter, the Commission has proposed an increase in ELM guarantee levels to help the EIB implement the Economic Resilience Initiative for the Western Balkans and the Southern Neighbourhood. Moreover, the Commission has put forward a proposal for an External Investment Plan, and it is foreseen that the Economic Resilience Initiative will contribute strongly to the objectives of this plan.

Following the positive evaluation by the Commission of the use of the EU guarantee and the functioning of the guarantee fund the Commission prepared a legislative proposal in September 2016 concerning the extension of the European Fund for Strategic Investment (EFSI). The legislative process will now foresee adoption of the Council's negotiating position at the December 2016 ECOFIN, and of the European Parliament's report by end-March 2017. Furthermore, in accordance with EFSI Regulation (Article 18.1), the EIB Group prepared an evaluation of the functioning of the EFSI. The latter has been made public on 6 October 2016 and sent to the European Parliament, Council and Commission.

The EIB Group developed various new products allowing for higher risk taking to efficiently implement EFSI at a fast pace. While the ramp-up phase of the EFSI is ongoing, the EIB Group remains on track towards the EUR 315bn target of additional investment expected to be mobilized. The importance of having an EIB Group approach in EFSI has been endorsed in the new strategy for the EFSI equity window which is designed to allow both the Bank and the EIF to scale-up with confidence products that will be essential to EFSI's overall success addressing specific market gaps.

The EIB Group approach is also evidenced in the EIF activities under mandate from the EIB in the form of the Risk Capital Resources (RCR) and the EIB Group Risk Enhancement Mandate (EREM). The deployment of the RCR mandate essentially through the EFSI SME Window has been rapid hence an extension of the mandate is being considered. As the first tranche of EREM is expiring at end-2016, EIF and EIB are working on its continuation to further mobilise maximum resources to the benefit of SMEs.

There is obviously no room for complacency in the years ahead as the consequences of the issues arising recently will only unfold over time. To build on the EIB's successes to date, the Operational Plan for 2017-2019 is presented with the on-going pledge that EIB will anticipate, flex and respond with its full capacity to support the achievement of EU policy goals, acting as the EU's catalyst for change in the drive to become a yet more dynamic inclusive green knowledge-based economy.

For 2017 in particular, the market will no doubt be unpredictable and further complexities in the Bank's operating environment will arise for many years to come. The risk-bearing capacity of the Bank will continue to play a constraining role on overall volumes and the risk-mix in new signatures. This will continue to be mitigated via development and use of innovative EIB own-resources products and services with high value-added and low impact on regulatory capital requirements which are complemented in particular by the EU budget guarantees under the EFSI, the MFF and ELM. The mutual benefits of such co-operation with the Commission and other third parties are thus once again underlined.

The risk metrics of the Bank will also be impacted by emerging regulatory requirements. In addition, the funding capacity of the Bank needs to be observed. Nevertheless, the EIB is confident it can deliver its ambitious plans and is optimistic to maintain the all-important investor confidence. In the past, the support of 28 Member States was assured which contributed to this investor confidence. Whilst to date the UK Referendum result has not weakened the Bank's business profile, it indicates a clear need for better information on the workings and benefits of the EU. EIB, as the EU Bank, is a pro-active and responsible institution which continually reviews 'what it does, why it does it and how it works' to make sure its intervention are optimised where most needed. It operates on the basis of financial sustainability, and seeks continual improvement in the environmental/diversity impact of its actions.

At the same time, the EIB places emphasis on transparency and takes note of the need to ensure effective communications in order to generate wider and better awareness about the EIB's objectives and activities and how they affect the everyday life of EU citizens.

With huge volatility in market demand, there will be a continued need to work with new customers, with other public financial institutions and other EU bodies in a mutually constructive manner. It is particularly important that the vocabulary used to explain the 'what, why and how' is relevant to suit a range of audiences. It must be substantiated with clear definitions of measurements so that terminology such as impact, value-added, catalysation, mobilisation and additionality are used consistently within the EIB and, where possible, by other parties, notably other public financial institutions and EU bodies and

external stakeholders. The use of aligned measures and reports will help to improve market and public perception of the role of EU and public financial institutions per se and the EIB is active in related cross-institutional working groups.

At this sensitive time in EU history, the need for 'EU Cohesion' is paramount. EIB's activities are aligned to two over-arching EU policy goals related to EU social and economic cohesion and climate action plus the four primary public policy goals of innovation, SMEs and Mid-cap financing, infrastructure and environment. These goals have been followed for some years and are considered to remain relevant for the current Operational Plan as they support growth, employment and competitiveness. Particular emphasis will be placed on projects supporting migration, youth employment, the digital economy and other innovation. However, within an overall lending programme effectively constrained by risk and funding metrics, the various public policy goals also create potential conflicts in lending priorities which have to be managed both when deriving optimal targets for each public policy goal when considering viable projects for financing.

In demonstrating EIB's contribution to 'EU Cohesion', a large proportion of future lending activity in the EU will necessarily continue to derive from predominantly large, long-term loans at EIB own risk. However, the addition of cohesion is a useful extension of eligibility for EFSI and will enable the use of related higher-risk structured products which benefit from the EU guarantee to add to EIB's overall contribution to 'EU Cohesion'.

As a global issue of huge and growing magnitude, supporting climate action also remains a top priority for the EIB's financing activities inside the EU, and importantly also outside the EU where the potential for effective climate change mitigation and the urgent need for increased adaptation investment are greatest. The EIB's early engagement in Climate Action and its pioneering role in developing instruments to blend public and private finance for climate action clearly position the Bank as a leader among the IFIs contributing to the fight against climate change; a position it fully intends to maintain.

Indeed, what the Bank achieves outside the EU is now under as much scrutiny as what it does within the EU. Whether it is combatting climate change or meeting the Sustainable Development Goals or helping to support projects which aim to address the key roots of the migration situation, the EIB has a key role to play and we share the vision of maximising use of limited EU and Member State budgetary funds. In the course of the next planning period, the Bank is ready to be even more instrumental in supporting EU external policies with its Economic Resilience Initiative and will engage fully in the legislative discussions on the proposals related to the ELM and External Investment Plan in order to be ready to deliver quickly and effectively where need is perceived greatest.

The Bank's determination to succeed in delivering this operational plan is without question. However, expectations need to be managed as there are certain external factors beyond those mentioned above which will also influence the degree to which the Bank's interventions create growth and employment at an EU level. Most notably, the need to safeguard financial stability and to reinforce the capacity to absorb economic and financial shocks at the level of the EU requires the credible implementation of the different components of the Banking Union in parallel with the creation of Capital Market Union.

Against this background, and as already anticipated in the Operational Plan 2016-2018, questions surrounding pricing, geographical focus, product type, regulatory developments

including best banking practices, competition/co-operation from sovereign wealth funds, other IFIs etc, have emerged in the last 12 months and more such questions can be expected which are not all under the Bank's control and may still impact the achievement of the Operational Plan. The specific challenge of how the UK referendum vote might impact the EIB plans is not considered in this Operational Plan and as such, the Plan from the medium-term perspective may need to be revisited. That aside, the on-going challenges of identifying and maintaining demand for EIB intervention in a focused manner during the next planning period are clearly there. Yet the Bank's achievements in 2017 can surpass those of recent years provided there are robust and assured staff resources plus EIB intelligence and infrastructure on the ground, which is evidently supported by the Management Committee and the Board.

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1. Introduction

The EIB as the 'EU Bank' is the only bank fully owned by the EU Member States. The EIB works closely with other EU institutions to implement EU policy. As the largest multilateral borrower and lender by volume, the EIB provides finance and expertise for sound and sustainable investment projects which contribute to furthering EU policy objectives. The vast majority of the Bank's activity is focused on Europe but it also supports the EU's external and development policies.

The Operational Plan 2017-2019 includes orientations of performance and summarises the major priorities and activities of the Group for the next three years. The plan will be reviewed mid-year and fully updated on an annual basis. A particular focus is given to the activities for 2017 although attention is paid to ensuring that the risk-bearing capacity and financial soundness will continue to be preserved over the long-term.

2016 has been a challenging year, but the Bank has risen to the challenge delivering significant volumes of traditional lending, blending and advising activities alongside the significant ramp-up of EFSI and the Advisory Hub activities. This mix of activities has allowed the EIB to further maximise its impact on the real economy and to provide solid value added. The Bank has continued to build upon its impressive track record in supporting EU policy goals aimed at restoring EU competitiveness and long term economic growth, and its unique financial and technical experience both inside and outside Europe has once again enabled EIB to deliver on its operational plan.

The Bank remains committed to retain ambitious targets throughout the 2017-2019 planning period to respond to urgent challenges and sustained demand for EIB financing in the markets. Own resources lending orientations are expected to increase from EUR 71bn in 2016 to EUR 76bn in 2019. Lending orientations inside EU show an upward trend over the 2017-2019 period, while an increase in lending outside the EU is also anticipated in order to meet urgent political, social and climate challenges.

The complexities of delivering in the prevailing economic environment remain relevant and hence the overall orientations are again presented with a \pm 10% flexibility allowance for continued uncertainties in market demand.

The Bank's commitment to maintaining its high credit standing remains uncompromising and is a key focus for the Bank when defining its lending programme: at the same time it strives for stability of earnings and preservation of the economic value of own funds, in order to ensure the self-financing of the Bank's growth in the long term.

Funding requirements, reflecting the borrowings required to meet the operational orientations set above are expected to be gradually increasing from EUR 60bn to EUR 75bn over the planning period 2017-2019 with key risk ratios projected to remain reasonably above the Bank's risk appetite boundary and statutory limits.

2. Economic environment

- Inside the EU: continued shallow and heterogeneous economic recovery. Gradual but uneven labour market improvement. Investment is lagging despite ample liquidity. Low rate environment constrains banking sector's risk absorption capacity
- Outside the EU: advanced economies continue shallow recovery as monetary policy stances of major central banks begin diverging; emerging markets (EM) more dynamic, however increasing risks that China slows and debt-growth is not sustainable; commodity prices relatively low.

Global activity continues to disappoint and there more downside risk. Baseline projections commonly see global output expanding modestly in 2017. As advanced economies expand at a below-average pace, global growth relies on more vigorous expansion of emerging markets – notably India and China - between 4% and 4.5% p.a.. Recent data have induced the IMF to revise substantially downward US growth in 2016 to 1.6%. Against this background, the EU recovery is proving relatively robust, though heterogeneous, remaining in-line with the Commission's Spring Forecast, of GDP growth of 1.8% and 1.9% for the EU in 2016 and 2017 respectively.

Inside the EU

Strong policy measures notwithstanding, the EU recovery remains shallow and its unevenness also reflects policy limitations across Member States and differences across sectors. Average annual real GDP growth since 2013 has barely reached the historical average of 1.8%, despite favourable conditions: extraordinary monetary policy support has compressed risk and term premiums, oil prices are low even as the euro has weakened, and fiscal policy is marginally supportive. Yet, considerable heterogeneity remains, both within country groupings as well as across sectors.

Labour markets reflect growth trends: EU employment grew at an average rate of 1% p.a. since the start of the recovery and the 2Q 2016 unemployment rate was 8.6%, down 1p.p. over the year; still, countries like Greece, Spain, Italy exhibit high unemployment, while youth unemployment, though falling, remains at 18.8% at the end of 2Q 2016.

Young job seekers were hit disproportionally hard by the crisis. In addition to the surge in youth unemployment, the crisis also led to a growing number of young individuals who have left the education system or are not (or no longer) looking for work. Accordingly, the risk of long-term unemployment, underemployment or low wages is rising for this group. In 2015, 12% or almost 7 million young people in the EU aged 15-24 were neither employed nor in education or training. The high number of inactive young people, who are not investing in their skills or acquiring work experience in the EU, remains of particular concern for policy makers and is likely to have important adverse effects on long-term growth.

Though real investment is recovering, it remains relatively meagre compared to pre-crisis levels and again, considerable heterogeneity exists among Member States. In some countries, real investment has been gradually recovering since 2010 and 2008-levels were reached end-2015. However, in cohesion countries the recovery started only in 2013 and investment is still

some 9% below pre-crisis level while in countries most hit by the crisis, investment remains some 27% below the 2008 level.

The years of underinvestment in infrastructure in the EU, exacerbated by the crisis, mean that many infrastructure assets are reaching the end of their economic life, creating an investment backlog. At the same time, infrastructure needs to be upgraded to meet the demands of the future. Public sector financing can help reduce risks that the EU falls behind its targets. Annual investment shortfalls include EUR 100bn to energy networks to integrate renewables, improve efficiency and ensure security of supply; EUR 80bn to transport networks to reduce congestion costs and trade bottlenecks; EUR 65bn to reach the EU's Digital Agenda standards in broadband, data centre capacity, and cyber security; EUR 10bn for state-of-the-art education facilities in addition to EUR 90bn increased operational spending mostly in higher education; EUR 90bn to rehabilitate environmental services and ensure water security in the face of climate change¹. With private investors apparently not in a position to provide the necessary financing to plug the gap, reaching the EU targets will require a combination of public support, ranging from grants, over market-based instruments to PPPs.

EU credit conditions continue to improve, not least due to strong monetary policy support. Liquidity is abundant and market-based funding unusually cheap as term and risk spreads have compressed: sovereigns, banks and large non-financial corporations² can access cheap financing, not least as the ECB continues to buy their bonds. A weak and uncertain economic outlook affects both the supply and demand for financing. Banks are impacted by regulatory adjustments and, in pockets, by non-performing loans.

The willingness and capacity to take risks differs considerably across institutions and banking systems with conditions in the most vulnerable Member States remaining restrictive, especially for smaller enterprises. Differing financial market and economic conditions imply that the benefits of ample liquidity in the system are not evenly spread out. Interest rates remain relatively high for smaller borrowers and smaller loan sizes in the most vulnerable financial systems. Both the EIB Group's traditional as well as riskier instruments can help ensure the benefits of liquidity support reach more widely. Beyond that, there appears to be an increasing need for more risk-taking.

Long term challenges include productivity and competitiveness which are dependent on the quantity and quality of current investment, the demographic challenges related to an ageing demographic profile, and environmental issues for which the implementation of environmental agreements will be critical to ensure sustainable growth. Research, development and innovation remain particularly important for long-term competitiveness with positive spill overs across the economy. While investment in these areas has kept up relatively well during the crisis at the EU level, there has been a redistribution among Member States and investment levels still fall short of the EU's 3% target.

As concerns over economic well-being, inequality and security mount, rising electoral disaffection may also reflect reform fatigue. In this context, the manner in which the UK referendum result unfolds will have important implications for economic activity in several Member States. Electoral disenchantment underlines the importance of determining and implementing effective solutions to common challenges. Completion of the internal market,

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¹ http://www.eib.org/attachments/efs/restoring_eu_competitiveness_en.pdf

² Indeed, many non-financial corporations exhibit strong retained earnings, suggesting investment is low relative to profitability.

notably of the Banking and Capital Markets Unions, provides the greatest hope yet to increase EU productivity and competitiveness. This should also ensure that investment projects and companies enjoy access to deeper, more diversified and more stable capital markets.

Outside the EU

Outside the EU, growth projections remain very uneven. The Commission forecasts global growth of 3.2% in 2016 and 3.7% in 2017. The outlook has worsened as US growth slowed down, commodity exporters continue to struggle with low prices, and concerns are rising about growth expectation in China and India. A sustained slowdown of global trade growth contributes to this differentiated outlook.

IMF data indicate that 2016 growth in the US will disappoint, having been revised down to 1.6% in 2016 and averaging merely 1.9% from 2017 through to 2021. Notwithstanding this sluggishness, robust job growth has brought the unemployment rate down to below 5%

Political uncertainty, high and rising external vulnerabilities and low growth potential are affecting some parts of the **Pre-Accession region**. Notwithstanding political uncertainty following the failed coup and ongoing external deficit, the IMF expects growth of 3.3% in 2016 and 3% in 2017 for Turkey. Growth in the **Western Balkans** is rebounding, set to increase from 2% in 2015 to 2.7% in 2016 and rising to 3.6% over the medium-term.

The **Eastern Neighbourhood** is suffering from significant macroeconomic imbalances. The region's economies contracted on average by 2.5% in 2015 and another 0.25% is expected for 2016 followed by a gradual recovery of 1.4% growth in 2017.

The **Southern Neighbourhood** is still going through major transformation, tackling a multitude of economic, political and social challenges and notably job creation remains the priority of policy makers in the region. Yet, economic activity is expected to rebound in 2017 but risks remain considerable given intensified civil unrest and armed conflict. Forced migration remains a major issue for the region and beyond. EU capacity to absorb the flow is limited, with major integration challenges, especially in the short-term.

Growth in **Sub-Saharan Africa** has slowed considerably in recent years from 5% in 2014 to barely 1.5% in 2016; the IMF sees growth gradually heading back to 4.25% p.a. over the coming years. Lower oil and commodity prices are still weighing on the outlook of a number of countries, including Nigeria and Angola. Growth in **Latin America and the Caribbean** has been slowing since 2010 and fell just below 0% in 2015 and continued to contract by around 0.5% in 2016; the IMF sees growth gradually heading back to 2.75% p.a.. The outlook for the **Pacific** has deteriorated with commodity exporting countries performing worse, while sluggish growth is expected in tourism dependent island states; the IMF expects growth to decrease to 2.8% in 2016 from 5.6% in 2015 and gradually recovering thereafter to 3.5%. Economic growth in **emerging and developing Asia** continues to outpace the rest of the world, in particular in China and India, with projected growth rates only marginally reducing from 6.5% in 2016 to just over 6.3% in the coming years.

EU institutional environment

Several major high profile initiatives are being developed at the EU institutional level to which the EIB will continue to contribute and support:

- Joint efforts to remove investment barriers hampering project and company development
- Commission's proposed extension of the EFSI (EFSI 2.0) to reach EUR 500bn of mobilised additional investments by end 2020 with the longer view of doubling its initial size and enhancement of the EIAH.
- Implementation of the EIB Climate Strategy in the context of the EU Climate and Energy Framework 2030 and the December 2015 Paris Agreement.
- The mid-term reviews of the MFF and the ELM 2014-2020 proposed by the Commission which offer a window of opportunity for the EIB Group to improve the conditions for the implementation of financial instruments.
- New EIP to tackle the root causes of migration and other development goals, including the joint Commission - Member States and EIB Resilience Initiative.

After its revision in 2015, the Europe 2020 strategy remains an overarching EU strategy for smart, sustainable and inclusive growth. It is built around specific targets in five areas which have not been amended: 1) employment, 2) research and development, 3) climate change and energy, 4) education, and 5) poverty and social exclusion. Member States progress towards the Europe 2020 targets is encouraged and monitored throughout the European Semester process, starting with the setting out of the new priorities for the EU presented in November each year (Annual Growth Survey) and country-specific recommendations.

The recent State of Union 2016 speech and the Bratislava declaration set the scene for the future strategic priorities of the EU. Three concrete priorities have emerged reflecting the concerns and needs of European citizens: migration, external and internal security including defence, economic growth and youth employment. These common challenges should be addressed through the implementation of existing initiatives and new measures aimed at restoring trust and confidence in the institutional, social and economic future of the EU. However, uncertainty remains on future relations between the UK and the EU following the outcome of the UK referendum as well as on the future shape of the EU, with important forthcoming national elections or referendums in various Member States which impact political stability at a national and European level.

On 14 September 2016, following the positive evaluation by the Commission of the use of the EU guarantee and the functioning of the guarantee fund the extension of the EFSI to reach at least EUR 500bn of mobilised additional investments by end-2020, with the longer term view of doubling its initial size, was proposed. This 'EFSI 2.0' should continue to address market failures, sub-optimal investment situations and mobilise private sector investments with strengthened additionality and enhanced transparency. Equally, the legislative proposal

foresees the enhancement of the European Investment Advisory Hub (EIAH) to focus on key needs such as support to projects contributing to COP 21 targets, contribute to better geographical and sectorial diversification of the EFSI and combine different sources of funding as well as support for setting up investment platforms. The Council adopted its General Approach on the proposal to extend the European Fund for Strategic Investments (EFSI 2.0) at the December 2016 ECOFIN. The European Parliament's report is expected to be adopted in Committees by mid-May 2017, followed by trilogies. The vote in plenary at the European Parliament is not expected before summer 2017.

The EIB Group will continue to contribute to the Third Pillar of the Investment Plan for Europe, a critical component aimed at addressing investment hurdles, by providing its project and market experience with a view to unlocking investments in the EU. Council Conclusions on the Third Pillar have been adopted at the December 2016 ECOFIN welcoming the EIB works on barriers to investment and inviting the EIB to continue its engagement in this area.

Digital economy is a key ingredient for stimulating technological innovation and services, and Internet-based applications and technologies will continue to be an essential driver of productivity growth. Increasingly, every business is a digital business. So high-speed internet, mobile networks and cloud computing are priority areas for the Bank. The Bank's direct support for digital economy is related to various areas in the development of ICT infrastructures, equipment, services and applications across industries. The EIB financing to projects in the area of ICT and e-economy can be found in Mobile networks, fixed broadband access networks, transmission networks, ICT application and services, and RDI in ICT infrastructure, equipment and in the semiconductor industry. The EIB will continue working to support the EU's Digital Agenda by providing finance and technical expertise for projects which further these ambitions.

Energy remains a top priority on the EU policy agenda following the adoption by the Commission of the Energy Union package in February 2015. The implementation of the Energy Union strategy with a forward-looking climate change policy includes the proposal to revise the EU Emissions Trading System (ETS) for the period after 2020. The proposal addresses, among other aspects, the establishment of a Modernisation Fund aimed at improving energy efficiency and modernising energy systems for low-income Member States for the period 2021 to 2030, and makes an explicit reference to the Bank in the governance structure of this Fund. The EIB will continue to examine ways to improve its support to EU energy and climate policies, building on the Bank's existing well-aligned energy lending criteria, and complemented with its Climate Strategy.

The Bank will continue to support the development of sustainable communities in line with the Urban Agenda for the EU, as reflected in the Pact of Amsterdam signed in May 2016 and outlined in the Bank's urban lending review. Lending will be delivered through multi-sector municipal and regional framework loans, loans intermediated through development and promotional banks, investments in specialised urban or regional development funds, and investment loans. More projects are entering the pipeline with a higher risk profile which will require support under EFSI. As asylum claims are processed and requirements for housing and refugee integration become more predictable, further investments in housing and social inclusion are foreseen. It is also anticipated that there would be a pipeline of operations in the area of housing and infrastructure in support of community and regional resilience and tackling the root causes of migration in the Western Balkans and neighbourhood countries. Increased support of the New Urban Agenda as outlined during the UN Habitat III conference in Quito in 2016 is anticipated.

The EIB Group Strategy on Gender Equality and Women's Economic Empowerment enhances EIB commitment to embedding gender equality in EIB Group activities; identifying actions to protect women's and girls' rights, ensuring equal access by women and men alike to benefits generated by EIB investments and targeting women's economic empowerment. The strategy will focus on three specific objectives: (i) To protect women's rights and avoid reinforcing preexisting gender inequalities, (ii) To avoid gender discrimination in the ability to access the assets, benefits and opportunities generated by EIB Group operations, and (iii) To reduce gender gaps in employment and promote women's economic empowerment, identifying relevant targeted investment opportunities/markets that increase women's participation in the economy and labour market. The EIB Group will develop its Gender Action Plan in 2017 to articulate the key operational targets and activities to integrate the Gender Strategy in its business model. In parallel, in-house training and awareness-raising in this field will be undertaken.

The protection of the environment remains a key operational priority for the Bank. Water management is critical to Europe's economy and the environment - the cross cutting theme for the EIB will be the improvement of water security. Furthermore, increased investment in waste management, recycling and energy recovery from waste generates environmental and climate benefits, conserves natural resources and supports job creation as well as economic growth. The Bank will also continue to support such investments to contribute to EU's transition to a circular economy, which remains high on the EU policy agenda. Furthermore, the EIB will continue to contribute to investments in agriculture and forestry that directly target climate change mitigation or adaptation and support the provision of environmental public goods.

The EIB Climate Strategy supports the implementation of all key areas of the Paris Agreement and relevant EU policies, thus promoting low-carbon and resilient development worldwide. Over the COP 2017-2019 period the Bank will seek to retain its position as the largest multilateral provider of climate finance, and deliver on its pledge to increase the share of climate action finance from 25% to 35% of total lending in developing countries by 2020. Both developed and developing countries will therefore benefit from the results of EIB's global climate action finance.

In July 2016, the Commission presented a package of measures to accelerate the shift to lowcarbon emissions in all sectors of the economy in Europe, including transport. The communication "A European Strategy for Low-Emission Mobility" sets the course for the development of EU-wide measures on higher efficiency of the transport system, low-emission alternative energy for transport and low/zero-emission vehicles. These measures are part of the Energy Union Strategy with a forward-looking Climate Policy and add-on to the Roadmap to a Single European Transport Area. They will help Member States to prepare for the future and keep Europe competitive. The Bank will continue to support sustainable transport modes, including ways to improve and increase its activity in cleaner transport infrastructure and vehicles.

The Commission also presented in September 2016 a communication on the Mid-term review of the MFF 2014-2020 – an EU budget focused on results (BFOR). The Commission proposes to increase resources in priority areas such as growth and jobs, investments, security and migration (in total around EUR 13bn) without increasing the overall ceilings of the current MFF. Moreover, it proposes to increase flexibility within the EU budget by doubling ceilings of the Flexibility Instrument and Emergency Aid Reserve and by creating a new EU Crisis Reserve funded from unused resources. Complementing the MFF process on the regulatory side and going beyond purely quantitative changes, the Commission proposes improvements in the way EU money is spent by focusing more on the results of EU budget expenditures. A simplified and streamlined financial framework for an efficient implementation of EU financial instruments, budgetary guarantees and other funds is a key priority for the EIB Group.

The 2014-2020 External Lending Mandate (ELM), provides the EIB with an EU Guarantee for financing operations of up to EUR 27bn in Pre-Accession, Neighbourhood, and ALA regions as well as South Africa. Following the conclusion of an independent evaluation delivered in June 2016, the Commission presented its proposal to release the additional mandate of EUR 3bn in full as well as an additional EUR 2.3bn mandate to help deliver the EIB Economic Resilience Initiative. The Slovakia Presidency compromise validated a new mandate of EUR 32.3bn including the EIB Economic Resilience Initiative and plans a new evaluation of the mandate by June 2018. With EUR 8.3bn of the envelope signed since July 2014 and EUR 4.1bn committed in approvals, the EIB is making good use of the ELM. The proposed ceiling of EUR 32.3bn will however lead to a reduction of annual activity (as compared to 2015) in key EU priority regions. The increase of own-risk facilities will be required in order to deliver on key EU priorities (Climate Action, SDGs, European Economic Diplomacy). See also Section 6.

Following endorsement by the European Council in June 2016, the joint Commission – Member States and EIB Economic Resilience Initiative for the Southern Neighbourhood and the Western Balkans is a first concrete step in enhancing the EU response to external challenges in the context of the External Investment Plan. While awaiting conclusion of the ELM review, the EIB will already now swiftly launch operations under the Economic Resilience Initiative. Furthermore in this context, the 'ACP migration package' was jointly approved by the EU Member States and the Commission in September 2016 providing additional financing for migration focused operations.

The EIB is also cooperating with the Commission, EEAS and Member States in the elaboration of a new External Investment Plan (EIP) to contribute to the achievement of the Sustainable Development Goals (SDGs) of the 2030 Agenda, with particular focus on sustainable growth and job creation, thus addressing the root causes of migration. The European Fund for Sustainable Development proposed under this Plan could be an important step towards improving the blending of EU funds and fostering further cooperation with international partners through the new guarantee. Building on its significant experience under the Investment Plan for Europe (IPE), the EIB has prepared a package of services and contributions which the Bank can offer in order to make the EIP as effective and efficient as possible.

As the 'EU Bank' and a Multilateral Development Bank, the EIB is committed to support the Agenda 2030 and to contribute to the achievement of the UN SDGs. Because the SDGs have a very broad scope, most EIB operations can potentially contribute to the achievement of one or several of the SDGs. In areas where the EIB has a mandate and a comparative advantage, it will be able to support priorities set by individual countries. During 2017, the Bank will discuss with partner, bilateral and multilateral, financial institutions, as well as with the Commission, to determine how it can further improve its approach so as to best contribute to the achievement of the SDGs, and to the objectives of the EIP going forward.

4. Lending Programme

- Continued need for the lending volume and risk-mix to be optimised in order to improve EU competitiveness and make a significant impact.
- Annual volumes and risk-mix determined largely by reference to business model dimensions of risk-bearing capacity and funding limits as well as other challenges.
- Ambitious targets throughout the 2017-2019 planning period with own resources lending increasing from EUR 71bn in 2016 to EUR 76bn in 2019, of which total Special Activities between EUR 19-25bn p.a.
- Upwards trend in activity inside EU over the planning period anticipated yet major challenges such as conflicting lending priorities competing for EIB financing.
- Increasing outside EU activity to address urgent political challenges
- EIF credit enhancement activities under the EIB mandate remain an important strand to overall EIB Group risk taking
- Evolving market and political environment creates uncertainty and may still impact the achievement of this plan.

Lending Programme utilising EIB own resources

The lending programme can only be delivered if key challenges are identified and analysed. Thereafter, the drivers and priorities related to scoping and delivering the programme can be defined thus enabling related actions to be focused accordingly.

At first glance, a number of key drivers and priorities are retained in a way not notably different from those described for the lending programme in the Operational Plan 2016-2018 since they are aligned with the challenges related to satisfying public policy objectives, the need to address market failure in risk-taking and to maintain the Bank's business model and status as a prime issuer on the capital market.

However the acuteness of the related challenges has in many cases dramatically increased due to conflicting lending priorities, the political climate inside the EU, including recent and forthcoming national elections or referendums, the need for clearer definitions and measurement of how the Bank 'makes a difference', plus ever-stringent regulatory, control and compliance environments. As such the manner in which such issues are tackled requires adaptation and new ways of business delivery to be available.

Further new key drivers and priorities of the 2017-2019 lending programme have emerged in line with high profile and highly political challenges being faced at the current time. The most profound is the un-abating complexities of the migration situation.

Lending Programme – key challenges

The Bank must respect its own available resources and risk bearing capacity, so as not to endanger its high credit standing which is at the very core of the Bank's business model and is the fundamental basis of its ability to lend at favourable conditions. Future changes in market circumstances and tightening regulation may impact the Bank's financial strength and its risk metrics and in consequence the achievement of this plan.

Barriers to investment remain a problem in all EU Member States and it is the granularity and complexity of all the small obstacles that together pose significant barriers for investment which are not limited to specific Member States or regions. Outside the EU, lending prospects are more volatile, depending heavily on the political environment, particularly right now in the Preaccession Region and in the Eastern and Southern Neighbourhood countries.

The rising significance of EIB Group's activity inside and outside the EU comes with its additional share of responsibilities. EIB is expected to track not only the financial performance of its lending, but also the way its lending affects the broader economic sphere. The question of impact assessment including value added (3 Pillar Assessment), becomes more and more relevant. In its lending programme the Bank needs to consider how and where its intervention will have greatest impact. The more specific key challenges for doing so in 2017 lie in the following:

- a. EIB is expected to contribute more to solving new and existing challenges inside and outside the EU which leads to partially <u>conflicting lending priorities</u> and requires enhanced business steering. The pipeline needs to be managed carefully to avoid unwanted disruptions in client relationships and a potential creation of a negative image of the Bank in the markets.
- b. The manner in which the <u>UK referendum</u> unfolds will have important implications for economic activity in the EU. Important <u>forthcoming national elections or referendums</u> in various Member States which create additional political instability.
- c. <u>Increasing regulatory demands</u> and administrative procedures with increased control and compliance requirements make projects more costly. The negative impact of regulatory barriers is amplified in case of cross-border projects where differences in national systems and regulations pose additional challenges.
- d. Lending outside the EU may become constrained by the need for additional EU or Member States Guarantee support: the <u>utilisation rate of the ELM</u> with EU guarantee is already well advanced (see Section 6). At the same time, EIB's contribution to the international action plan for Ukraine may require an additional regional allocation under the ELM.
- e. The following key challenges are currently relevant to the Bank's disbursements:
- i. Inside the EU, the borrowers' uptake of funds from the EIB depends strongly on the Bank's <u>pricing attractiveness</u> and ability to generate <u>financial value added</u>.
- ii. Outside the EU, disbursements are to a much greater extent subject to volatility given the prevailing uncertainties in a politically and economically more unstable environment. Moreover administrative hurdles or slow project implementation impact disbursements.

A gap between signatures and disbursements remains unavoidable reflecting the progress of project implementation and/or allocation. For the planning period 2017-2019 it is expected that disbursements will stabilise at a significant level, in a range between EUR 61bn and EUR

67.5bn. In recent years rising signature volumes have resulted in an increase of the stock of undisbursed loans which the Bank will continue to actively manage.

Lending Programme – key drivers and priorities

EIB Group will continue to make a joint, coordinated effort to respond efficiently to policy objectives and market needs, where EIB and EIF each will capitalize on their core competencies and expertise. In addition the Group seeks to enhance collaboration with its key partners, in particular the Commission (see Section 6), for which experience has demonstrated the significant mutual benefits of such co-operation.

The above is vital given that the European integration model is being challenged *per se*. Inevitably, as the EU Bank, the EIB has a need, and indeed a responsibility to ensure that its role and impact are recognised and understood. The EIB must then prove itself with credible targets and achievements against relevant related measures.

At the same time, the Bank must remain watchful that activity levels are and will be financially sustainable in an uncertain economic and political environment and that they are aligned with the Bank's risk bearing capacity in view of its credit standing. Attention to the implications of increased regulation is therefore not underestimated. In determining the lending programme, reference is also made to funding limits as the Banks' status as prime issuer on the capital markets is dependent on the overall business model being maintained. Being able to raise funds on the capital markets at attractive rates even in a low interest environment is critical to ensuring EIB pricing is market relevant.

Nevertheless, the Bank remains committed to retain ambitious targets throughout 2017-2019 whilst staying in line with the overall business model. Indeed inside and outside EU lending orientations will be increasing to respond to urgent political challenges and sustained demand for EIB financing in the markets. 2019 lending orientations take into consideration the potential extension of EFSI and thus the expected risk profile of operations remains subject to the confirmation of terms and conditions for EFSI 2.0.

In order to enhance EU competitiveness, provide a real support for growth and job creation, and contribute to solving current political challenges inside as well as outside the EU, it remains essential for the EIB to continue to pursue its overarching Public Policy Goals of Innovation, SME & Midcap finance, Infrastructure, Environment, Economic & Social Cohesion and Climate Action which are set out in further detail in the tables in Section 10 and elaborated in Annex 1.

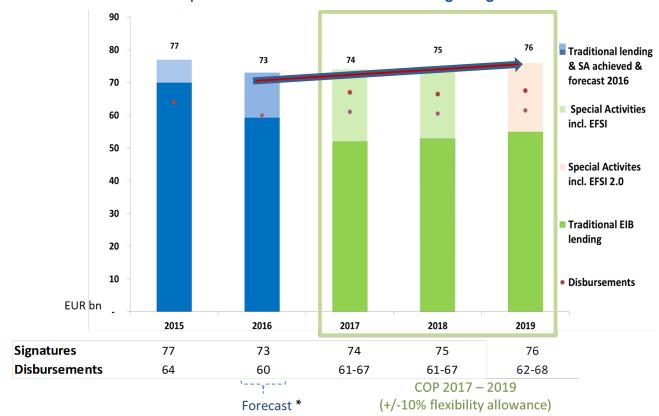
EIB continues to tackle the differentiated market and sector needs in the EU. This includes adapting our product offer and business focus to different conditions, bottlenecks and relative financing costs in Member States. We continue to broaden our client base and reinforce links with financial institutions and NPIs, in particular, across the EU in order to catalyse private investment and increase the leverage of EU budgetary resources and Member State contributions. In 2016, approximately 49% of clients (or ca. 140 clients) were new EIB clients³. In 2016, innovation projects have significantly contributed to client diversification; under the Innovation objective the ratio reaches about 60% while it is 30% for SME & Midcap finance, 50% for Infrastructure and 40% for Environment projects. Furthermore, since the beginning of 2016 the average size of new loans has decreased by 20% to EUR 142m. This is expected to

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³ First-time clients including those clients who over the last five years did not enter into a new finance contract with the EIB.

reduce further given the mix of operations currently in the year-end signature pipeline. Further information on new clients and loan size is included in Annex 2.

The evolution in the past and the expected lending programme utilising EIB own resources is as shown in Graph 1.



Graph 1: Evolution of the EIB Lending Programme

* When considering the composition of the 2017-2019 targets compared to 2016, it is highlighted that Graph 1 shows the 2016 forecast result and that the total signature target for 2016 was EUR 71bn, including between EUR 18.7bn and EUR 23.7bn for Special Activities.

Demonstrating Impact / Value Added / Additionality of EIB Lending Activity

The 'what, why and how' of the EIB's business needs to be explained in a vocabulary relevant to suit a range of audiences and be substantiated with clear definitions of measurements so that terminology such as impact, value-added, catalysation, mobilisation and additionality are understood and meaningful. The Bank has in place the 3 Pillar Assessment (3PA) methodology for operations within the EU and the Results Measurement Framework (REM) for operations outside the EU and is fully engaged in wider initiatives to harmonise definitions of impact and additionality as described below.

The Bank applies the 3PA and REM methodologies to measure the quality and impact of its operations on the real economy. Each project appraised by the Bank is rated against a set of qualitative and quantitative criteria (the 3 pillars) to assess (1) its contribution to EU policy objectives; (2) its economic, technical and financial soundness and (3) EIB's contribution to the project. Included within these ex-ante project level assessment criteria, are a set of quantitative impact indicators which aim to capture the project's direct effects on the economy. Among

these, the investment mobilised through EIB's support and the employment effects of the project (during both implementation and operation) are core indicators used across all EIB operations⁴. These indicators are complemented by sector-specific output and outcome measures relevant for the operation.

The aggregated impact figures for the operations signed during the year are communicated through the annual reports on EIB operations inside the EU (3PA) and outside the EU (REM), both published on the Bank's website. These reports provide highlights of the Bank's activity during the year and include detailed impact figures by public policy objective, accompanied by project examples and case studies.

The Bank is continuing work on fine-tuning its impact reporting methodology, for instance to accurately capture the investment mobilised through various intermediated lending structures and new products. At the same time, the Bank and other MDBs have taken joint steps to harmonise key aspects of impact reporting. The harmonisation of climate finance reporting has been concluded, and work is currently underway to harmonise reporting for lending across all sectors.

The EIB considers the overall economic impact of its operations, taking into account the interaction between EIB operations and other activities in the economy, including both positive and negative spill over effects. The EIB is currently working on a model to give a clear and meaningful economic impact assessment, with a particular focus on the impact of EFSI operations. One of the model's main strengths is that it not only captures the short-term impact on economic activity but also estimates how investment enhances productivity and ultimately growth over the longer-term.

The EIB will continue to benefit from insights obtained from the annual EIB Group Survey on Investment and Investment Finance (EIBIS). EIBIS allows the Bank to track changes in business investment, identify investment needs and understand the constraints that hold investment back, and is complemented by information gathered from its customer satisfaction survey.

The EIB Group has been entrusted with the implementation of the EFSI, the financing pillar of the Investment Plan for Europe, with the aim to foster investments and financing for growth, employment and competitiveness in the EU. The purpose of EFSI is to mobilise investments and improve the access to finance for entities with up to 3,000 employees. EFSI provides additional risk bearing capacity to EIB Group, enabling it to increase the scale and scope of risky financing for economically viable investment projects as well as SMEs and Midcaps both of which still face market failures and sub-optimal investment situations throughout Europe. EFSI is designed to complement existing available resources (EIB, EIF, EU instruments or other financiers). It enables the Bank to increase its risk tolerance both in individual operations and its overall volume of operations with a Special Activities risk profile as defined in its Statute. This in turn has facilitated the development of new products and increased support of previously underserved markets and client groups. EFSI operations are required to be <u>additional</u> and considered to be so given a risk profile of Special Activities, providing financing support to eligible projects and beneficiaries beyond the extent that would have been possible without EFSI. Other aspects of additionality can arise through terms and conditions of EFSI financings

⁴ The investment mobilised through EIB's support is captured for operations appraised since the beginning of 2016 and is thus not included in the 2015 3PA report.

that go beyond what is available from other lenders in terms of e.g. tenor, structural or contractual subordination features or quasi-equity nature - thereby accelerating and facilitating the implementation of riskier, but economically viable projects supporting EU policies.

For all operations outside the EU, the contribution to EU policy objectives, the quality and soundness of the project and the particular technical or financial contribution which EIB makes in comparison to alternative sources of finance in the market, are assessed using the standardised Results Measurement (ReM) approach. As regards the ELM, a recent independent evaluation confirmed that this instrument delivers clear value-added and additionality in terms of the EIB's technical and financial contribution to projects in support of EU policies, which could not have been achieved (or not to the same extent) by the EIB without the support of an EU guarantee. The Bank applies the EU guarantee precisely for projects which present higher risk and more complex challenges than those which could be financed at the EIB's own risk. For beneficiaries, this translates into finance they would otherwise not be able to mobilize, or on terms that usually are not easily available in these markets, including lower interest rates, longer loan tenors and longer grace periods, which are better adapted to the structure of the underlying projects.

The value-added of ELM should also be considered in non-financial terms. The technical expertise which the Bank brings to the development and assessment of viable investments constitutes a significant contribution in this respect. Through EIB administered assistance, stakeholders gain knowledge and expertise in project management and implementation, and receive support in adopting EU standards for procurement.

Lending Programme – focus and approach

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

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

EUD I	2015	2016	Orientations			Average	
EUR bn	achieved	forecast	2017	2018	2019	2017-2019	%
Total Disbursements inside EU	59.1	55.6	55.0-61.0	54.5 - 60.5	55.3 - 61.3	54.9 - 60.9	90.1 - 90.9
Total Disbursements outside EU	5.0	4.9	6.0	6.0	6.2	6.1	9.9 - 9.1
Total Disbursements	64.1	60.5	61.0-67.0	60.5 - 66.5	61.5 - 67.5	61.0 - 67.0	100.0
Total Signatures inside EU	69.7	65.6	65.0	66.0	67.0	66.0	88.0
Total Signatures outside EU	7.3	7.8	9.0	9.0	9.0	9.0	12.0
Total Signatures	76.9	73.4	74.0	75.0	76.0	75.0	100.0

Signature orientations are set again with \pm 10% flexibility allowance for continued uncertainties in market demand. Disbursements are based on signature orientations and indicated as ranges.

The EIB remains a key player for raising and distributing finance and its standard products remain highly relevant. In many Members States access to credit is still constrained and the EIB continues to play an important role in providing credit intermediation, notably in support of SMEs, which provide significant employment.

Beyond intermediated loans, EIB risk-sharing products could improve credit conditions for final beneficiaries. At the same time, prevailing low financing costs are likely to shift demand towards the riskier, equity segment.

Total volumes (own resources) **inside the EU** are expected to show a growth trend. In 2019, the inside EU (own resources) lending orientation would reach EUR 67bn. Over the period, Special Activities, including EFSI, will be retained at the significant levels anticipated in the Operational Plan 2016-2018.

The Bank is expecting an increased External Lending Mandate (ELM) allowing it to scale up its support in particular to the private sector **outside the EU**, as well as to play a significant role in the implementation of the EU's forthcoming External Investment Plan (see more detail in Sections 3 and 6).

In parallel, to the review process the Bank is seeking an increase of the Mandate as part of its Economic Resilience Initiative in the Southern Neighbourhood and Western Balkans aimed at supporting the economies most affected by the migration crisis. The first projects of the Economic Resilience Initiative are ready to be launched, but the full roll-out depends on the provision of EU guarantee and grants. The projections underlying the Operational Plan assume that guarantee and grants would be made available during the first half 2017 in required quantity and quality. If realized in full, by 2020 the Economic Resilience Initiative will have increased support to the regions by EUR 7bn and is expected to trigger EUR 15bn of additional investment.

The Economic Resilience Initiative also clearly goes beyond what the EIB is currently able to offer, by expanding private sector activities, including in fragile and conflict-affected states, providing higher levels of concessional support where needed, promoting impact finance and reinforcing technical assistance and staffing, including in local offices.

Together with an increased volume of finance under the Bank's Own Risk Facilities, notably for Climate Action projects in Asia and Latin America, the overall volume of financing operations outside the EU is expected to increase by EUR 2bn to EUR 9bn from 2017. The Own Risk Facilities will be reviewed in parallel to the ELM mid-term review.

The rapid and profound expansion of the EIB's external offices representation network is one of the key elements of the Bank to cope with quickly changing markets and other external challenges. The external office network ensures greater EIB outreach and visibility and improves access to impact-related information direct from source. In connection with the Bank's role under the Investment Plan for Europe, the EIB Group presence in the EU has become important to enhance proximity to its "client base" and underpin its ability to work closely with National Promotional Institutions and Member States.

The roll-out of the programme envisages making available a range of EIB Group services through the EU external office network where appropriate, including lending, advisory, technical assistance support, communications and institutional relations which will entail staff being reinforced in external offices including through specific recruitment or relocation from Luxembourg headquarters. Outside the EU, and in line with undertakings given under external mandates, the Bank is increasing its presence in key partner countries and regions.

Special Activity⁵ – within the Bank

Special activities enable the Bank to diversify its customer and loan portfolio supporting priority projects through assumption of a higher risk profile. In 2016, the volume of Special Activities signed is expected to reach unprecedented heights. This is mainly due to a major shift in operational focus towards operations under the EFSI. Total Special Activities in a range between EUR 19-25bn are expected over the planning period 2017-2019.

Notwithstanding the significant growth in Special Activities over the past year, particular efforts will continue to be made regarding the achievement of ambitious Special Activities targets going forward. The riskier financing structure and operations are likely to have an even stronger impact and ensure a broader outreach to new customers and markets.

EFSI operations are more complex, typically smaller than average operations and involve borrowers which often deal for the first time with the EIB. Around three in four clients benefitting from the EFSI are new. This proportion is significantly higher than for the rest of the Bank's activity, indicating that the EFSI allows the EIB to finance projects it would have not undertaken otherwise during the same time frame or to the same extent.

EFSI documentation and transparency requirements are extensive and decision-making processes involve several steps. The time required for identification, appraisal and negotiation of EFSI operations is therefore in general longer than for other operations. Given that EFSI operations also tend to be smaller than average standard operations, volumes are more challenging to achieve in spite of the recent increases in staff resources.

Market needs are the starting point for new product developments, into which the Bank continues to invest significant effort. In order to facilitate EFSI delivery new scalable products, in particular guarantees whereby the EIB shares risks relating to a portfolio of projects with NPIs or commercial banks, or hybrid (deeply subordinated) loans for utilities in regulated sectors have been developed. The pipeline of risk sharing operations, is solid. Moreover, in an effort to facilitate e.g. SME finance or infrastructure project finance, the Bank is developing new long term financing platforms through which long term finance could be streamlined. The Bank also continues to play a key role in financing transport PPP projects with enhanced capacity, through EFSI, to help mobilise private investment. Further detail in Annex I

Based on the recently approved equity strategy, more equity-type operations are going to be appraised. The EIB's strategy aims to answer to the gap of equity financing in Innovation and in Infrastructure areas in Europe, in particular. Via the new strategy the EIB Group strengthens its presence notably in two market areas: Indirect Equity Financing (Equity investment in Infrastructure funds, Co-Investment programmes) and Direct Equity—Type Financing (Quasi Equity loans to Corporate, Quasi Equity loans to MidCaps) with a mix of direct and indirect instruments (Equity Funds and participating loans).

The Bank is trying to simplify and speed up where possible the processing of new operations through delegated decision-making (Programme Loans) and to standardise its products further in order to facilitate deployment at a greater scale. It is also streamlining its internal appraisal and decision making procedures.

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⁵ The Bank's Statute describes Special Activities as financing operations presenting a specific risk profile. The definition of Special Activities includes reference to risk greater than generally accepted by the Bank (so-called 'higher-risk' Special Activities). Where credit enhancement from the EU budget applies, such as under the Innovfin-EC agreement, the operations concerned are classified as Special Activities in line with their underlying risk profile, even though the residual risk profile after credit enhancement is in line with that generally accepted by the Bank (so-called 'risk sharing').

The ramp-up phase of the EFSI is still ongoing and expected to continue until 2017. Notwithstanding the potential extension of the EFSI until 2020 together with an increased investment target (see Section 3), the Bank remains on track to facilitate EUR 315bn of investment in 2018.

Operations under EFSI are expected to contribute to mobilising investment in the economy almost 5x higher than EIB financing. The external multiplier of EFSI operations signed or approved so far confirms the expectations. Looking ahead, the signature volumes foreseen in this Operational Plan are expected to foster investment in the region of EUR 270bn p.a., of which between 25 % and 30% under EFSI.

Other risk sharing operations, like InnovFin and CEF, usually entail a degree of complexity similar to those under EFSI. The particular efforts dedicated to building the EFSI pipeline of operations has a bearing on InnovFin and CEF pipelines. As more new operations are earmarked for EFSI, InnovFin and CEF performance is likely to remain below initial expectations.

InnovFin will be subject to a mid-term evaluation in Q1 2017. Potential complementarities between InnovFin and the EFSI will be part of this evaluation. In this context, the development of new products, including risk sharing schemes, for supporting innovation in the neighbouring countries that have recently joined Horizon 2020 (Ukraine, Georgia, Tunisia, and Moldova) will also be considered.

Looking ahead, for CEF an annual volume target of EUR 400m for new products and special/pilot transactions is expected to be more realistic.

Outside the EU, the volume of Special Activities signed in 2016 is likely to remain comparably small. It comprises notably private sector support through intermediary banks as well as a telecom project in the Southern Mediterranean region. In the future a higher volume is anticipated as a result of the warehousing of operations for private sector development which are earmarked for subsequent coverage by the EU Guarantee under the ELM as part of the Economic Resilience Initiative (see also Section 3) which would require more collaboration with private banks in the Southern Neighbourhood and Western Balkans.

The expected orientations for Special Activities are shown in Table 2:

Table 2: Higher Risk Special Activities, Risk Sharing and EFSI

EUR bn	2015	2016	Orientations			
EUR DN	achieved	forecast	2017	2018	2019	
Special Activities (higher risk)* / EFSI	5.7	11.3-13.9	16.9-21.4	17.0-21.5	16.0-20.5	
Other Risk Sharing /Partnerships	1.0	1.0-1.2	2.5-3.0	2.5-3.0	2.5-3.0	
Total Special Activities	6.7	12.3-15.1	19.4-24.4	19.5-24.5	18.5-23.5	
Estimated EFSI investment facilitated	11.9	44.0-53.9	72.1-91.9	72.6-92.4	67.6-87.5	

^{*} of which approximately EUR 2.7bn p.a. own-risk Special Activities (forecast 2016 EUR 2.6bn)

Special Activity – within EIF

Mandates from the Bank to the EIF form an important additional element of the overall risk-taking of the EIB Group. Indeed, under the RCR mandate, EUR 2.2bn has been committed by EIF in 2016 (50% of this volume falling under EFSI). Deployment of the RCR will continue at a slightly reduced pace of EUR 1.2bn - 2bn p.a. during the 2017-2019 period.

Under the first tranche of the EIB Group Risk Enhancement Mandate (the "EREM"), the EIF has now implemented five out of the eight instruments foreseen (ABS Credit Enhancement, SME Initiative, Loan Funds, Social Impact Finance and Corporate Banks and Smaller Institutions). The aggregate amount committed to operations under the instruments already implemented at the end of 2016 is expected to account for approximately 70% of the first EREM tranche.

Under the EFSI Innovation and Infrastructure Window (IIW), as part of its comprehensive equity strategy, the EIB intends to address the equity financing gap by; i) co-investments with EIF funds to finance SMEs and mid-caps and ii) with top ups of EIF funds focusing on SMEs and mid-caps. It is expected that this joint business will amount to approximately EUR 1bn of commitments by 2018.

The figures in Table 2 do not include EIF credit enhancement activities under the EIB mandates managed by the EIF. These are shown in the following Table 3a:

Table 3 a: Mandates managed by EIF on behalf of EIB (including EFSI)

EUR m	2015 achieved	2016 forecast	Orientations		
			2017	2018	2019
EIF Mandate Activities (including EFSI)	2,017	3,200	2,050	2,800	3,150
Risk Capital Resources (RCR) of which:	1,542	2,200	1,200	1,800	2,000
- EFSI	1,393	1,107	-	500	1,000
EIB Group Risk Enhancement Mandate (EREM)	475	1,000	850	1,000	1,150

The first phase of the EFSI SME Window (deployment of RCR-EFSI, frontloading of Cosme and InnovFin guarantees) is almost concluded with EUR 3.6bn committed and an expected EUR 50bn of investment facilitated in the first phase. The second phase will include the top-ups of Cosme and InnovFin guarantees and EaSi micro, the new EUR 1.27bn equity window signed in July 2016 - targeting growth, early stage funds and Pan EU VC funds of funds and additional new products such as securitization. The new equity window and securitization products will be the backbone of the collaboration platforms launched with NPIs.

Table 3b provides an overview on EIF commitments under the EFSI SME Window:

Table 3 b: EFSI SME Window – deployed by EIF

EUR m	2015 achieved	2016 forecast	Orientations			
LOKIII		.0.0000.	2017	2018	2019	
EFSI 1&2- SMEW (signatures)	1,806	1,907	1,545	2,020	2,890	
of which:						
- EIB backed (higher risk) /RCR	1,393	1,107	-	500	1,000	
- EU backed (risk sharing)	413	800	1,545	1,520	1,890	
Estimated EFSI investment facilitated:	25,065	28,605	23,175	30,300	43,350	

Lending Programme - utilising third party resources

JESSICA (2007-2013): The Bank continues to work with Managing Authorities (MA) and banks to leverage the EU structural funds and unlock more investment. In view of the successful JESSICA initiative implementation, the EIB is being requested by the MAs to continue providing management services on a legacy basis beyond the formal closure of the MFF 2007 – 2013 in around 12 Holding Funds (HF). During the legacy period which in some cases extends to 2023, the Bank will continue to act as HF manager and seek revolving investment activity (some of which is already taking place).

DFI (2014-2020): Under the MFF 2014-2020 the EIB Group is expected to be increasingly involved in the management of new Decentralised Financial Instruments (DFI) management assignments. The first new fee based Fund of Fund (FoF) assignment was signed in 2015 and seven DFI fund management assignments are under development.

Over the period 2017-2019, the over-arching objective for lending under the ACP Investment Facility (IF) will continue to be private sector development by channelling a variety of financial resources (including equity) to SMEs, MidCaps and microfinance initiatives in the ACP region to support the development of local financial markets and stimulate job creation. In 2017 the end-term evaluation of the IF covering the period 2011-2015 will be carried out. In the coming years, lending volumes under the IF are expected to continue increasing to reach EUR 800-900m per year towards the end of the Cotonou mandate. The IF remains on track to reach financial self-sustainability whereby disbursements would be covered entirely by reflows without requiring any further Member States funds. Other priorities for the IF include direct lending to corporates/industry, agriculture and food security and health; the impact financing envelope (IFE) allowing for a higher level of risk-taking will be an important tool to achieve these. Private sector lending will be complemented by public sector development notably for basic infrastructure which is considered a prerequisite for sustainable development and poverty reduction. Public sector lending being carried out mostly under own resources might be constrained from 2018 onwards due to the limited size of the envelope. Across all sectors, the financing of climate action remains an over-arching priority of the Bank's lending in the ACP region. The Bank as one of the implementing agents of the financial cooperation under Cotonou will actively take part in the Post Cotonou debate.

5. Advisory services (inside and outside the EU)

- Inside the EU, Advisory Services will be further developed around existing key programmes (JASPERS, ELENA, EPEC, fi-compass and InnovFin Advisory) and the ramping up of the EIAH to support the preparation and implementation of projects and investments. Innovative, EFSI-type, COP21-related and crossborder projects that have the potential to be funded by EIB in a relatively short timeframe will be prioritised, especially in countries with greatest needs with a view to encourage enhanced geographic balance of investment.
- Outside the EU, Advisory Services will evolve in the framework of the review of the ELM and be geared towards the support of projects eligible under the expected External Investment Plan and Economic Resilience Initiative.
- Services will be delivered by an appropriate mix of Luxembourg and locally based EIB staff. Partnerships with international and national institutions will enable a wider geographical coverage and more local delivery of advisory services.

The Bank offers a comprehensive set of advisory services to public and private promoters, including support to projects and investments (via the JASPERS, ELENA, EPEC and Project Implementation Support programmes), advice for a better and smarter use of EU Funds (via ficompass and bilateral services to Managing Authorities) and financial advisory services to enhance the bankability of innovative projects (via InnovFin Advisory). Designed to facilitate access to these services, the EIAH (or the Hub), allows a flexible deployment of expertise and development of new services to address unmet needs. The Hub also provides a Europe-wide cooperation platform for a network of partners (notably National Promotional Institutions), which promotes a wider geographical coverage and a more local delivery of advisory services. Should the Commissions' proposal to extend the EFSI (EFSI 2.0) be adopted, services offered through the EIAH would have to prioritise support to potential EFSI, COP 21-related and crossborder projects. Advice on development of investment platforms, innovative projects and capacity building activities would also be strengthened to enable promoters to fully realise their investment potential. As the EIAH activity will be ramping up, an effective use of the budget available will be ensured to respond to needs and guarantee optimal capacity.

In terms of support for projects/investments, JASPERS will continue to support the preparation of EU-funded projects through its advisory services to Member States and Managing Authorities, the provision of capacity building to counterparts and the review of projects before or after submission to the Commission. A stronger emphasis will be placed on climate change, energy dependence and smart development. The ELENA programme will aim at ensuring the necessary proximity to potential and actual beneficiaries in the field of energy, possibly with an increased contribution from the Commission to be dedicated to sustainable transport systems. support during the downstream phase of the project cycle will continue to be delivered through the Project Implementation Support and dedicated national support programmes, such as in

Greece where assistance is given to prioritise needs and bring projects to maturity as fast as possible.

EPEC will further increase its up-stream PPP project and policy bilateral activities, providing support to its Members and related public sector project promoters, working together with Bank services wherever appropriate. Support programmes will be delivered under two specific mandates (Greece and Western Balkans) aimed at strengthening public sector capacity to undertake PPPs. EPEC will also continue to carry out network-wide policy activities to enhance mobilisation of private capital for infrastructure investment, such as its current support to Eurostat in developing greater clarity for the market on balance sheet treatment of PPPs. Assistance will be provided in the development of Third Pillar initiatives and the resolution of hurdles to private sector infrastructure investment. Wherever possible, EPEC will build on its existing contribution to public authority requests from the EIAH, supporting the Hub's mission to provide access to relevant sources of advice. Following the recent release of its guidance on blending of ESIF funds and working closely with JASPERS, EPEC expects to support public procuring authorities seeking to develop projects that leverage EU funds with private capital.

As regards financial advisory services aiming to enhance the use of EU funds, fi-compass will continue to support public sector institutions on the design and implementation of financial instruments. The focus will be on showcasing practical experience via interactive workshops, supplemented with knowledge-sharing events based around legislation and guidance documents, as well as studies of new opportunities to use financial instruments. The feasibility of investment platforms and ESIF/EFSI funding combination proposals will also be promoted.

The InnovFin Advisory programme will continue to provide financial advisory service both at project level and via horizontal undertakings with a view to improve the bankability and investment-readiness of RDI projects, especially in countries and regions where needs are the greatest. Experience shows that horizontal activities often lead to a product development phase and possible new investments in key sectors of the knowledge economy (e.g. life sciences, KETs, or the circular economy). New assignments, covering agri-food, innovative transport and digital economy will continue during 2017. Light Project Advisory activities, whereby advice is provided to a broad range of counterparts preparing them for potential due diligence, will also be further developed.

Outside the EU, the Bank's advisory activities will evolve in the framework of the mid-term review of the External Lending Mandate (ELM) and the expected launch of the External Investment Plan (EIP), of which the Economic Resilience Initiative will form an important component. Under Pillar 2 of the EIP, the EIB, subject to satisfactory funding, is ready to make its technical expertise and advisory capacity available to project promoters and public authorities in countries where the needs are greatest (ACP, Eastern and Southern Neighbourhood) in order to improve project preparation and implementation capacity and develop a higher number of bankable projects. In particular, the Bank intends to strengthen its advisory services to the private sector (such as SMEs, micro-finance institutions and other financial intermediaries), continue to focus on targeted project preparation and implementation in the environment, transport and water sectors and continue its support for dissemination of best practices, including for PPPs and financial instruments.

It is expected that, in the context of the EIP, additional financing in support of sustainable growth, vital infrastructure and social cohesion could be mobilised to deliver much-needed project-related advisory services. Support to SMEs and to innovative projects is also expected to be enhanced both in the Western Balkans (as a continuation of the WBIF-EDIF initiative) and

in the Neighbouring countries. The MeHSIP initiative will continue to prepare investment projects until mid-2018 with a focus on water, waste and environmental remediation sectors, whilst the SNAP-T initiative will complete its activities in 2017. Experience and expertise gained from the SNAP-T and MeHSIP initiatives will be leveraged for the delivery of the Economic Resilience Initiative.

Advisory activities, both inside and outside EU, will be delivered by the EIB through an appropriate mix of Luxembourg-based staff and resources based in local offices. External consultants will also be mobilised to support project promoters. In addition, partnerships are being concluded with international and national institutions in order to ensure complementarity with the Bank's advisory offer. The new Framework Agreement for consultancy procurement, which came into force in mid-July 2016, will facilitate procurement of consultancy services and contribute to the overall efficiency of managing technical assistance operations inside and outside the EU.

6. EIB Group co-operation with the Commission and Other Third Parties

- New products, such as risk-sharing, equity and hybrid products are being developed in the context of the EFSI in order to tailor the EIB Group's response to market needs. Given the EFSI's success in its first year, the Commission has proposed an extension of the EFSI (EFSI 2.0). See also Section 3
- The Bank will continue to implement the ELM and the financial instruments under the MFF 2014-2020, for which mid-term reviews are ongoing.
- The ELM lending will also be complemented by Own Risk Facilities in order to contribute actively to the Climate action target of 35% of lending in developing countries by 2020.
- The EIB Group continues to expand its business activity with NPIs.

Investment Plan for Europe

The Investment Plan for Europe (IPE) focuses on removing obstacles to investment, providing visibility and technical assistance to investment projects and making smarter use of new and existing financial resources. One major pillar of the IPE is the European Fund for Strategic Investments (EFSI) for which the EIB Group submitted its 2015 annual report to the European Parliament and Council in July 2016. At the same time, the EFSI Steering Board approved the transfer of EUR 500m from the Innovation and Infrastructure Window (IIW) to the SME Window (SMEW) allowing the EIB Group to further tailor its response to market needs.

As foreseen under the EFSI Regulation, the Commission finalised its evaluation of the use of the EU guarantee and the functioning of the guarantee fund while EIB has also finalised its evaluation of the functioning of EFSI. Given the EFSI's success in its first year, the Commission has proposed an extension of the EFSI (EFSI 2.0) see also Section 3. The independent evaluation mandated by the Commission to inform the legislative process for EFSI 2.0 was published on 14 November. The European Court of Auditors also published on 11 November an opinion on the Commission proposal to extend EFSI and on the Commission's evaluation on the use of the EU guarantee and the Guarantee Fund.

In order to deliver on the EFSI investment target, ensure the provision of additionality, and support a wide range of products adapted to market needs, the EIB Group identified new clients and developed new products, such as risk-sharing, equity and hybrid products (see Section 4). These new products are complementary, being offered alongside existing products. Cooperation is also increasingly being established with National Promotional Institutions (NPIs). About one third of signatures involved NPIs.

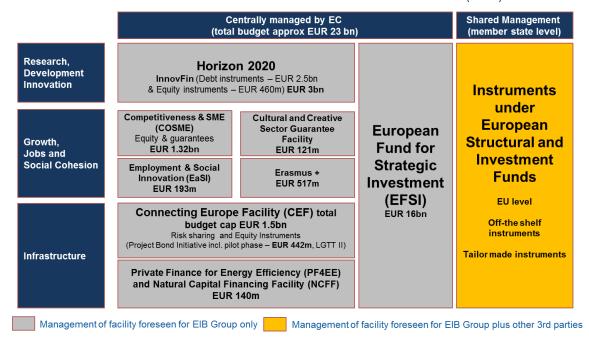
Another important pillar of the IPE is the European Investment Advisory Hub (EIAH) which will continue building on the expertise of the Commission and the EIB Group, as well as NPIs and Member States' Managing Authorities to support project promoters and national authorities. As at 15 November 2016, the EIAH has handled more than 309 requests originating from all 28 EU Member States. This trend is expected to continue in the coming years and, in order to maximise its impact on the EU economy and address most pressing needs, the Hub will aim to

focus its efforts on projects and investments that have the potential of becoming bankable in a relatively short period of time. Partnerships are being concluded with institutions (20 Memoranda of Understanding have already been signed, 18 with NPIs) with the objective of sharing knowledge and providing a local entry point for project promoters. Through these partnerships and through the deployment of local capacity in a number of Member States, the Hub will ensure a more local delivery of advisory services and seek to contribute to a balanced geographical distribution of the EFSI.

Multi-Annual Financial Framework (MFF) 2014-2020

The following chart summarizes the different financial instruments, supported by the EU budget, delivered by the EIB Group. It makes the distinction for EU policy priorities between centrally managed instruments and the ones under shared management.

Financial Instruments under the Multi-Annual Financial Framework (MFF) 2014-2020⁶



In the context of the MFF 2014-2020 mid-term review, the proposed revised MFF Regulation will need to be agreed with the Council and the European Parliament. Regarding the accompanying revision of the Financial Regulation and sector-specific legislation, an agreement between the co-legislators is planned for mid-2017.

Under *InnovFin*, the Bank continues to diversify its range of operations and customers through dedicated windows, notably Energy Demo Projects (EDP) and the Infectious Diseases Finance Facility (IDFF). Following the call for expression of interest for the MidCap Guarantee scheme, negotiations are ongoing with several banks. Under the InnovFin SME Guarantee Facility, the EIF will sign by end-2016, around 90% of the available budget for 2014-2020, through the frontloading of the facility via EFSI. To respond to a growing market demand from new and existing financial intermediaries a top up is envisaged for the first half of 2017.

Under the Connecting Europe Facility (CEF), EIB will continue to develop new products/initiatives and execute special/pilot transactions in accordance with the

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⁶ The Chart describes the EIB group activities backed by EU budgetary resources before the completion of the Mid-Term Review of the MFF 2014-2020 proposed by the Commission on 14 September 2016.

"complementarity" strategy for CEF Debt Instrument. Among the initiatives under discussion between EIB and the Commission is a cleaner transport initiative to support the introduction of clean or less-polluting technologies (i.e. infrastructure for electric vehicles; hydrogen-fuelled buses; etc.). Based on the 2016 experience, an average annual volume of approximately EUR 400m for new product & special/pilot transactions is foreseen, notably for CEF-eligible energy projects of common interest.

To address the investment challenge for modernising networks in less dense areas and hence remove societies' "digital divide", EIB also proposes to set up the Connecting Europe Broadband Fund ("CEBF") using CEF funds in order to finance 20 % of the Fund in the form of higher risk shares absorbing possible first losses. The fund has a layered risk structure whereby the EIB's investment (EUR 140 m of which 40 m covered by EFSI) carries primarily mezzanine risk. National Promotional Institutions have also been actively involved in the initiative, which will be the EFSI investment platform for broadband in Europe.

LIFE programme: the *Private Finance* for *Energy Efficiency* (*PF4EE*) instrument promotes financing for energy efficiency projects through financial intermediaries, including advisory support. EIB targets approximately EUR 250m p.a. of lending under PF4EE in 2017 (its expected last year of implementation).

The Natural Capital Financing Facility (NCFF) promotes the conservation and management of natural capital for biodiversity, ecosystem services and climate adaptation. The term of the investment period is 31 December 2019. Pipeline is progressing well; a first operation is expected to be signed at the end of 2016. During the period 2017-2019, the focus will be on individual operations targeting nature-based solutions for climate adaptation in urban areas, restoration of degraded land, re-naturalization of rivers and support to SMEs operating probiodiversity businesses. The expected annual lending volume is EUR 30m.

The delivery of COSME Loan Guarantee Facility is benefiting from the support of EFSI and a strong market demand. It should be fully committed in 2017 and a top-up is being prepared under the EFSI SMEW. As expected, the launch of the equity product under the SMEW will target the same beneficiaries as the COSME Equity Facility. Therefore part of the budget under the COSME equity programme might be reallocated to the Loan Guarantee facility.

The EUR 96m guarantee window of the *EaSI* focusing on microfinance and social entrepreneurship started to be deployed in 2016 and given the market appetite will be frontloaded through the EFSI SMEW first and followed with a top-up. A new capacity building and a new funded mandate under EaSI with a co-investment from the EIB will complement this guarantee facility.

The Erasmus + Guarantee Facility aims at increasing access to finance for mobile students pursuing their master's degree.

The Bank offers significant financial value added by supporting social, economic and territorial cohesion throughout the EU and the implementation of the European Structural and Investment Funds (ESIF). The majority of the Structural Programme Loans (SPL) for the current programming period have been approved and signatures for over 20 national and regional operations are expected to reach EUR 14bn. In line with the MoU between the EIB and DG-Agri the EIB is also co-financing EAFRD Rural Development Programmes with a pipeline of about EUR 1.8bn. Going forward, the Bank will assist Member States in the implementation of their Operational Programmes (OPs) and Rural Development Programmes (RDPs). Further details are provided in Annex 1.

The SME Initiative (SMEI) is a joint financial instrument set up between the Commission and the EIB Group on the basis of an innovative combination of ESIF and Commission funds from COSME and H2020 resources, leveraged with EIB Group contributions and implemented by the EIF. The SMEI foresees two options: (i) an uncapped guarantee instrument for new SME portfolios and (ii) a securitisation instrument. So far, the EIB Group has agreed to provide senior and upper mezzanine commitments for deployment of participation in transactions with financial intermediaries under the SMEI until 31 December 2020 in six countries; in 2015, up to EUR 2.1bn in Spain and Malta (Option 1) and in 2016 up to EUR 2.4bn in Bulgaria, Finland, Romania (Option 1) and Italy (Option 2). Details on the deployment of SMEI financial instruments in these countries, in terms of deal flow signed with financial intermediaries, is provided in specific reporting. It is expected that the experience gained under the two options and the demonstration effect triggered by its successful implementation will increase the interest of possible candidate countries to join the SME Initiative, subject to the current 2016 deadline being extended by the Commission. The possibility to combine EFSI and ESIF could also be investigated in further initiatives which could be redesigned to extend their sectoral and geographical reach.

The Bank will continue to deliver in terms of quality and value added in the framework of the EU's regional blending facilities (such as AfIF, AIF, CIF, IFCA, LAIF, IFP, NIF and WBIF) and trust funds (EU-AITF, FEMIP, EPTATF, MADAD, FRIT, EU Emergency Trust Fund for Africa). In this context the Bank is now negotiating Grant Beneficiary Agreements with project promoters in order to start the implementation of projects already approved and the disbursement of related grants.

The Bank will continue to provide advisory services via its current comprehensive offer whilst prioritising potential EFSI, COP 21-related and cross-border projects. Support to investment platforms and through more strategic and capacity building activities will be strengthened. Outside the EU, the Advisory activities of the Bank are expected to be geared towards the preparation and implementation of projects to be financed under the External Lending Mandate (ELM) of which the Economic Resilience Initiative is foreseen to become an important component (see further detail in Section 5), and the future External Investment Plan (EIP) as proposed by the Commission.

External Lending Mandate (ELM)

On 14 September 2016, the Commission submitted to the European Parliament and the European Council its proposal for the ELM review, in order to release an additional EUR 3bn and to implement the Economic Resilience Initiative. In November 2016 the Slovakia Presidency compromise proposed a mandate of EUR 32.3bn, including EUR 3.7bn for the Economic Resilience Initiative.

This proposal would require a reduction of EIB activity compared to levels achieved in 2014 and 2015, particularly in the Eastern Neighbourhood, including Ukraine. The European Parliament discussions will start at the beginning of 2017.

Depending on the result of the European Parliament discussion, average annual ELM activity over the duration of the MFF will either increase to an average of EUR 5bn per year or will increase further to up to EUR 6bn per year, more in line with levels achieved in 2014 and 2015. The ELM lending will also be complemented by Own Risk Facilities which could reach over EUR 3.5bn per year, if the EIB Board of Governors approves the renewal and replenishment of existing facilities. This will contribute actively to the Climate Action target of 35% of lending in developing countries by 2020.

Co-operation with National Promotional Institutions (NPIs)

While EIB financing to NPIs is typically channelled to projects located in the EU, some of the major NPIs also act as co-financing partners in the Bank's operations outside of the EU. Over the past few years the EIB Group has intensified its collaboration with National Promotional Institutions (NPIs). Recent trends and the roll out of new products under EFSI, in particular, point towards continuing expansion of the EIB Group's business activity with NPIs; one third of the EFSI operations signed to date under the IIW are expected to benefit from NPI co-financing (as of 30 June 2016). Efforts will continue to enhance cooperation with NPIs, both for the Group's standard activity, the absorption and reach of the EFSI and in developing products, platforms and co-investments structures to serve evolving market needs. For example, an equity platform has been established to create a framework for cooperation between the EIF and NPIs in the area of equity investments. The platform is co-sponsored by the Commission and will serve as a consultative body promoting knowledge sharing and best practices. EIF is also establishing a platform for cooperation and risk sharing for NPIs in securitisation transactions to provide funding and capital relief, reduction of portfolio concentration and/or deconsolidation of SME portfolios to financial intermediaries.

As far as Advisory Services activities are concerned, co-operation with other third parties is expected to expand and deepen. Beyond the 18 NPIs which have already signed a MoU with the Bank in the framework of the Hub's activities, the possibility to co-operate with new partners at international, national and regional level will be further explored. To deepen existing partnerships, the EIAH will launch in Q1 2017 a call for expression of interest whereby NPIs willing to go ahead will deliver advisory services on behalf of the Hub. Partnerships with MDBs (EBRD and the World Bank) are also expected to progress, in connection with SME support in particular.

Co-operation with other third parties

In March 2016, the Bank received its accreditation to the Green Climate Fund (GCF) with the modalities for access and use of funds still being discussed. The EIB is engaging in a coordinated dialogue between Multilateral Development Banks (MDBs) and the GCF to maximise the impacts of this new source of climate action funding.

In parallel, the Bank is exploring possibilities for further cooperation with IMF in the area of capacity development in the context of the EIB/IMF Memorandum of Understanding signed in 2015, including an Africa initiative to enhance technical assistance provided by IMF regional centers and a new Financial Sector Stability and Inclusiveness initiative.

The Bank also cooperates closely with all MDBs at both the institutional and operational level. The Presidents of MDBs meet on a regular basis to deepen their policy dialogue on strategic issues of common interest, including in particular those relating to the implementation of the Sustainable Development Goals (SDGs), Climate, Migration/Refugees and Strategic Infrastructure. This cooperation at the highest level is supported by a number of MDBs policy and technical working groups and horizontal initiatives. The EIB also actively cooperates with other MDBs at the operational level and co-finances projects in regions of common interest. This includes co-financing of specific projects as well as joint involvement in broader initiatives, such as Boost Africa, which brings together the EIB and the AfDB, and the response to the refugee crisis for which the EIB participates in the steering committee of the Global Concessional Finance Facility managed by the World Bank.

7. Borrowing (Funding) Programme

- Funding requirements over the COP period are expected to increase from EUR 60bn in 2017 to EUR 75bn in 2019.
- The Bank will maintain its strategy of relying on benchmark funding in core currencies, while at the same time diversifying its sources of funding both in terms of currencies and investors. To achieve this strategy, the EIB will continue its active engagement with the investor community.
- EIB will aim to further consolidate its presence on the Green Bonds market, as well its contributions to the market governance.

The EIB's funding capacity substantially relies on its top quality credit standing, which currently entails a rating on a par with the highest rated Member States.

The Bank is monitoring economic policy and regulatory developments which might have an impact on its funding activity. Market conditions were relatively supportive for issuance in 2016, with more room for large benchmark transactions in EUR and relatively strong demand for the USD product.

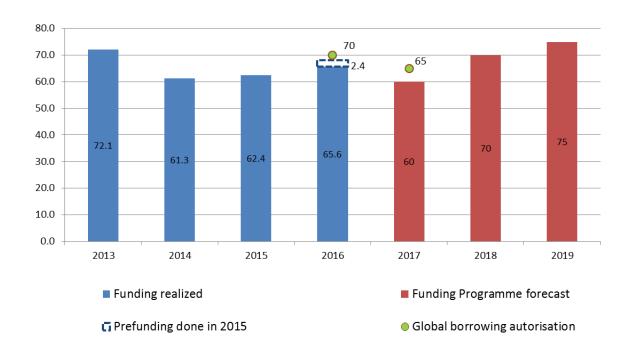
The gradual increase in funding needs over the period 2017-2019, invites the Bank to maintain a flexible approach to funding, exploiting favourable market windows and combining issuance in large benchmark transactions with smaller, targeted issuance. Pre-funding from one year to the following will be used, where possible, to smoothen the volumes.

ElB's strategy for its Green Bonds (the Climate Awareness Bonds, or CABs), is to act as a catalyst for market development, by supplying the market with liquid, benchmark-size Climate Awareness Bonds, on one hand and to contribute qualitatively to the consolidation of the Green Bond market governance on the other hand. Thus, ElB plans to remain active in the fields of standardisation and policy setting, together with other MLIs and other relevant stakeholders. The ElB has taken an active role in the Green Bond Principles (GBP), which propose voluntary process guidelines widely adopted by the market, and which recommend transparency and promote market integrity. ElB also continues to deliver best practice for Green Bond administration and reporting as it adopted a harmonised templated for impact reporting, which was jointly developed by the IFIs community and presented in updated form during COP 21. Furthermore, ElB undertook an audit engagement for its Green Bond processes and reporting, further increasing accountability and investor confidence in the Bank's CAB program.

The global borrowing authorisation of EUR 65bn approved for 2017 will be reviewed during the year, in any case during the customary mid-year review and includes some flexibility, if need be, for example to prefund for 2018.

The funding programme forecast (2017-2019) reflects the borrowings required to meet the operational orientations set in the Operational Plan 2017-2019. Resulting indicative guidance on annual borrowing needs in 2017-2019 is thus shown in Graph 2.

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



8. Compliance, Control and Accountability

- The fast-changing environment in which the EIB Group operates and increased scrutiny from the public is affecting the Bank's control and accountability
- In the context of a substantially increased activity, both in terms of numbers and risk profile, the EIB will continue to rely on and reinforce its strong Compliance function in order to minimise compliance and reputational risks.

The core lending, blending and advising activities are subject to a range of compliance, control and accountability measures. We strive to demonstrate to EU citizens and other stakeholders that we further their interests and are an accountable institution. To ensure that EIB stays up-to-date, further strengthened actions are needed in the areas of compliance and mitigation of reputational risks, transparency and accountability, to promote the EIB Group as a responsible and responsive institution. In particular in the coming years, appropriate procedures need to be set up to promptly implement new requirements in the control and reporting environment, such as non-financial disclosure, monitoring and audit linked to international standards or the requirements of the amended Financial Regulation. Furthermore, improvements to the complaints mechanism and enhanced regular disclosure of documents, are foreseen in 2017. Finally, the Bank is committed through Article 12 of its Statute to ensure that its activities conform to best banking practices applicable to it.

Against this background, in particular the following areas are worth highlighting:

Control and Accountability

The control and accountability functions comprise: Compliance, Financial Control, Audit, Fraud Investigations, Complaints, and Evaluations. They operate under EIB Board approved policies and mandates as well as under international best practices that set out guidance appropriate for an international financial institution, such as the Wolfsberg Anti-Corruption Guidance and the ECG Good Practice Standards for different categories of evaluations. The Complaints Mechanism (EIB-CM) operates in accordance with the standards and jurisprudence of the European Ombudsman. In 2017, the EIB-CM will operate under a revised and updated mandate following approval of the policy concerning the EIB-CM which is subject to public consultation before submission to the Board of Directors for approval.

The fast-changing environment in which the EIB Group operates and increased scrutiny from the public is affecting the Bank's control and accountability functions. Higher importance given by different stakeholders to demonstrate the Bank's outcomes and impacts coupled with the prominent international profile of the Bank will also translate in the involvement of the Bank's evaluation function in providing independent feed-back on its performance in both quantitative and qualitative terms. The approved Work Programme for 2017 includes evaluations on: a) the Bank's activity on transport which continues to represent between a quarter and a third of EIB's lending; b) blending, of interest in light of increasing calls by various stakeholders to leverage public funds; and c) the final evaluation of EFSI, due in mid -

2018 as per the Regulation requirement. In 2017, three additional evaluations already ongoing will also be finalised (on EIF's securitization activity; Investment Facility-financed MBILs in the ACP; and Partnerships). In line with its Anti-Fraud Policy, the Bank will remain vigilant in addressing fraud and corruption risks and will ensure the full implementation of the Exclusion Procedures in 2017.

Compliance

In the context of a substantially increased activity, both in terms of numbers and risk profile, the EIB will continue to rely on and reinforce its strong Compliance function in order to minimise compliance and reputational risks, by setting and developing an adequate Compliance policy framework, issuing Compliance opinions with risk scoring and Compliance monitoring.

Important new regulation and developments such as the 4th Anti-Money Laundering Directive of the EU, Market Abuse Regulation and Criminal Sanctions (for Market Abuse) Directive, Financial Action Task Force (FATF) Recommendations, OECD Global Forum Tax Transparency standards, the OECD Base Erosion Profit Shifting work, EC Anti-Tax Avoidance Package (including the proposed Anti-Tax Avoidance Directive ((EU) 2016/1164 of 12 July 2016) and the revision of the Directive regarding mandatory automatic exchange of information in the field of taxation ((EU) 2016/881 of 25 May 2016)), European Banking Authority (EBA) Guidelines on Internal Governance, the Basel Corporate Governance Principles for Banks, UN, EU and other sanctions will continue to be evaluated by the EIB Regulatory Compliance function and where relevant transposed into the EIB framework.

A roadmap ensuring the gradual implementation of more stringent Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) measures and procedures is currently being implemented.

The Compliance function shall also finalise the implementation of a robust framework on the management of inside information and prevention and detection of Market Abuse.

Finally, a broad scale exercise to review and update the NCJ Policy and related measures in the wake of regulatory developments and recent tax scandals has been set off.

Compliance is and continues to be a shared responsibility of all EIB staff and members of the governing bodies. Effectiveness of Compliance depends not only on the 'culture of the institution' but also on its implementation and continuous monitoring.

Financial Control

Financial Control was set up as an independent function as part of measures to tighten financial controls within the Bank, and is responsible for general accounting, for preparing the Bank's financial statements and is also called upon to express an independent opinion on certain aspects of the Bank's financial policies and their implementation.

In addition Financial Control, aims at strengthening the Bank's second line of defence and has notably as objective to provide a common platform for the Internal Control Framework (ICF) that will cover all activities and risks of the Bank and that underlies the internal/external control assurance process.

9. Risk Management, Financial and Budgetary **Planning**

Risk Management

In pursuit of its business strategy, the Bank accepts to take credit, market and liquidity risk up to the level where it remains aligned with its risk appetite and public mission. The Bank aims to retain its high credit standing, which is at the basis of its business model. At the same time, the Bank aims for stability of earnings and preservation of the economic value of own funds, in order to ensure the self-financing of the Bank's growth in the long term.

Financial Planning

Table 4: EIB Net Surplus (before provisions)

		Simulations			
EUR m	2015	2016	2017	2018	2019
	Achieved	Forecast	Target	Orientation	Orientation
Net Surplus	2,909	2,843	2,370	2,200	2,055
- of which Financial Surplus	3,497	3,439	3,146	3,070	3,020

Concerning the Return on Own Funds (before provisions), in line with the evolution of the Net Surplus, simulations indicate a progressive decrease over the next years, albeit remaining at a relatively high level of 2.9% in 2019 compared to the Notional Return of 0.8 % projected for the same year. It is reminded that such levels of Return on Own Funds cannot be compared to those of commercial banks as the EIB's business model is essentially based on long term lending at attractive conditions.

Budgetary Planning

Operating Revenues and Expenses Budget for 2017

Table 5: 2017 Total EIB Budget

(EUR m)	2016 Budget	2017 Budget
Intermediation and Administrative Revenues	1617.2	1652.7
Depreciation and Operating costs	-862.5	-977.4
Cost Coverage (EUR m)	754.7	675.3
Cost Coverage (%)	188%	169%

The principal component of the operating revenues has been and will continue to be intermediation revenues from lending. In 2016, the projected intermediation revenues will remain stable compared to 2015. Whilst intermediation revenues are expected to slightly increase in 2017, they are expected to remain stable in 2018 and reduce thereafter. The administrative revenues relate mainly to the management of mandates activities, and thus the growth of the budget reflects the continuously increasing levels of such activity.

EIB Capital budget

The EIB capital budget shown in Table 6 below covers annual capital expenses and multiannual investment projects.

Table 6: EIB Capital budget

Total Capital expenses	57.1	55.2	224.3
(EUR m)	2016	2017	Multi-annual
	Annual	Annual	remaining Budget
	Budget	Budget	(beyond 2017)

10. Performance Indicators

The performance indicators focus attention on the objectives and processes the Bank deems most critical. Lending volumes reflect one aspect of the EIB's contribution to further EU policy goals but so too lending quality is a key aspect of this contribution.

Table 7: Performance Indicator Table

					Orientations			
		Orientation Unit			2017	2018	2019	2017-2019 Average
1	Total Disbursements (own resources)	EUR bn	64.1	60.5	61.0-67.0	60.5-66.5	61.5-67.5	61.0-67.0
	- inside the EU	EUR bn	59.1	55.6	55.0-61.0	54.5-60.5	55.3-61.3	54.9-60.9
	- outside the EU	EUR bn	5.0	4.9	6.0	6.0	6.2	6.1
2	Total Signatures (own resources)	EUR bn	76.9	73.4	74.0	75.0	76.0	75.0
	- inside the EU	EUR bn	69.7	65.6	65.0	66.0	67.0	66.0
	- outside the EU	EUR bn	7.3	7.8	9.0	9.0	9.0	9.0
3	Special Activities (higher risk)/EFSI	EUR bn	5.7	11.3-13.9	16.9-21.4	17.0-21.5	16.0-20.5	16.7-21.1
	- inside the EU	EUR bn	5.5	10.9-13.5	16.4-20.5	16.5-20.6	15.5-19.6	16.1-20.2
	- outside the EU	EUR bn	0.2	0.4	0.5-0.9	0.5-0.9	0.5-0.9	0.5-0.9
4	Other Risk Sharing/Partnerships	EUR bn	1.0	1.0-1.2	2.5-3.0	2.5-3.0	2.5-3.0	2.5-3.0
	Total Special Activities	EUR bn	6.7	12.3-15.1	19.4-24.4	19.5-24.5	18.5-23.5	19.2-24.1
5	Estimated EFSI (IIW) investment facilitated	EUR bn	11.9	44.0-53.9	72.1-91.9	72.6-92.4	67.6-87.5	70.7-90.6
6	Value added (3PA) inside EU (incl. EFTA) : Proportion of approved operations in higher rating categories							
	- Pillar 1: Contribution to EU/EIB policy (High Priority area/transversal objectives)	%	82%	>80	>80	>80	>80	>80
	- Pillar 2: Quality and soundness of the project (Good/Excellent)	%	95%	>90	>90	>90	>90	>90
	- Pillar 3: EIB technical and financial contribution to the project (Significant/High)	%	46.8%	55.0%	>65	>65	>65	>65
7	Value added (REM) outside EU: Proportion of approved operations in higher rating categories							
	- Pillar 1: Contribution to EU policy (Good/Excellent)	%	100%	>90	>90	>90	>90	>90
	- Pillar 2: Quality and Soundness of the project (Good/Excellent)	%	92%	>90	>90	>90	>90	>90
	- Pillar 3: EIB technical and financial contribution to the project (Significant/High)	%	87%	>75	>75	>75	>75	>75
8	Return on own funds less notional return on own funds	%	2.8%	2.8%	2.3%	2.2%	2.1%	2.2%
9	Cost/Income Ratio	%	20.5%	21.4%	29.2%	33.4%	37.5%	33.5%
10	Implemented Internal Audit actions & IG recommendations	%	72%	>65	>65	>65	>70	>67

Value Added – in all EIB activities

Close alignment with EU policy objectives and high project quality, as measured through Pillar 1 and Pillar 2 respectively of the 3PA methodology, are key considerations when assessing the impact of projects financed by the EIB. Notwithstanding the increasing volume and complexity of its lending operations, including a higher proportion of special activities, the Bank continues to reach its targets in terms of the contribution to EU policy objectives and the quality and soundness of projects financed.

For EFSI operations, reporting on additionality, KPIs and KMIs is foreseen in the EFSI Agreement and EFSI Regulation as part of the official semi-annual reporting to the Commission and Court of Auditors.

Public Policy Goals

Total Inside & Outside EU

Signatures contributing to Economic and Social Cohesion

and Convergence (within EU, EFTA and Pre-Accession)

Signatures contributing to Climate Action (EIB total)

The Bank continues to maintain the four Public Policy Goals: Innovation; SMEs and Midcap finance; Infrastructure and Environment. So too, EFSI operations will be classified according to the Bank's Public Policy Goals; after all, they will also be EIB operations. In addition, there is extensive external reporting of EFSI operations by the public policy objectives set out in the EFSI Regulation.

Orientations 2017-2019 Orientation 2015 2016 Signatures (own resources) by Public Policy Goals Unit achieved forecast* Average 2017 2018 2019 Innovation EUR bn 15.0 15.3 15.2 16.1 13.4 15.4 - inside the EU EUR bn 13.1 14.8 15.8 14.6 14.9 15.0 - outside the EU EUR bn 0.3 0.4 EUR bn 23.6 SMEs & Midcap finance 22.2 22.0 22.3 22.3 22.6 - inside the EU EUR bn 19.8 20.3 18.3 18.6 18.6 18.9 outside the EU EUR bn 3.3 3.7 Infrastructure EUR bn 19.1 19.4 18.9 19.1 19.4 19.1 - inside the EU EUR bn 17.2 17.8 16.3 16.5 16.8 16.5 - outside the EU EUR bn 1.9 2.6 2.6 2.6 1.6 2.6 19.5 17.0 18.1 18.3 Environment EUR bn 18.3 18.6 - inside the EU EUR bn 16.9 14.3 15.8 16.3 16.0 outside the EU 23 2.3 2.3 EUR bn 2.5 23

EUR bn

%

76.9

26.5

27.0

73.4

27.0

25.6

74.0

30.0

25.7

75.0

30.0

26.0

76.0

30.0

26.1

75.0

30.0

25.9

Table 8: Public Policy Goals

2017–2019 Public Policy Goals orientations take into account a continuously strong focus on SMEs & MidCap finance which is expected to result from the roll-out of new products (notably risk-sharing under EFSI), or outside the EU from the Economic Resilience Initiative. At the same time ambitious targets for the Public Policy Goals of Innovation, Infrastructure and Environment are maintained. The Bank's Cohesion target is maintained, while the Bank's Climate Action target is anticipated to increase in line with the impetus on Climate Action foreseen outside the EU.

^{* 2016} targets (as per Operational Plan 2016-2018): Innovation EUR 15bn, SMEs & Midcap Finance EUR 19bn, Infrastructure EUR 19bn, Environment EUR 18bn.

11. Decisions of the Board of Directors

On the basis of this report and associated discussion, the Board of Directors approved the following:

Lending Programme

- A disbursement orientation of EUR 61-67bn for 2017 (EUR 60.5-66.5bn and EUR 61.5-67.5bn for 2018 and 2019 respectively).
- II. A total new **signature** volume of EUR 74bn (+/-10%) for 2017 and of EUR 75bn and EUR 76bn (+/-10%) for 2018 and 2019 respectively..

Borrowing Programme

III. A global borrowing authorisation for 2017 of up to EUR 65bn and the implementation of treasury and derivatives management operations.

Budget

- IV. the expenses and revenues of the Operating Budget and the Capital Budget for 2017. The overall operating expenses budget is EUR 977.4m implying a cost coverage ratio of 169%.
- V. The delegating of decisions to the Management Committee regarding staff and operating expense budgets relating to existing partnership agreements provided that the budgetary framework of these partnerships approved by the Board is complied with (as granted in the Operational Plan 2016-2018).
- VI. The principle of making relevant additional staff and other resources available during 2017 for other new initiatives provided that the Board will have approved these initiatives and will have been informed of the impact on the 2017 budget and cost recovery accordingly.

ANNEX FOR INFORMATION

1: Activities supporting Public Policy Annex Goals

Fostering INNOVATION and human capital

Research and Innovation

Innovation and skills are the main drivers of global competition. More than ever before, growth and prosperity in Europe depend on further refining our skills, expanding our knowledge and the translation of both into new products and services.

There is broad agreement that the new competitive landscape will be shaped by higher investments in science, technology and innovation; demand for highly-skilled people; a rising number of competitors in the high-technology areas; and the widely felt impact of three key technologies: (i) digital technology; (ii) biotechnology; and (iii) material science.

The level of investments in innovation & skills depends on access to finance. This is particularly important for private-sector investments. Different types of promoters and needs require different financing products: EIB's Innovation and Skills (Knowledge Economy) programme aims to support education, research and innovation policies at EU and Member State level and complement their instruments. Especially noteworthy is the success of the Mid-Cap Growth Finance (MGF) facility – an equitytype finance instrument under InnovFin – that is dedicated to finance innovative midcaps. The Bank will continue to provide long-term debt, share risks with promoters and, thereby, crowd in more private investment, thus complementing policy instruments at EU or Member State level.

Innovation in Bio-Economy: Total turnover of Agriculture/Bioeconomy in the EU-28 is estimated at EUR 2 trillion and accounts for around 22 million jobs, or 9% of the total EU workforce (in 2013). Around 55% of this employment is created in the primary sector, sustaining jobs and livelihoods in rural and coastal areas. Investments in Agriculture/Bioeconomy reduce dependence on natural resources, transform manufacturing of food and bio-materials, and promote sustainable and resource-efficient production and use of renewable resources from land, fisheries and aquaculture, while at the same time creating new jobs and industries. Agriculture/Bioeconomy also has the potential to support the EU transition to a circular economy. EIB financing to Agriculture/Bioeconomy, both inside and outside the EU, amounted to some EUR 24bn over the period 2011 – 2015 and reached almost EUR 7bn in 2015. The transition to Bio-economy is Europe's response to today's key environmental challenges. Through its various products and instruments EIB will intensify its support to the sector in line with the EU innovation strategy in Bio-Economy which is framed under the Horizon 2020 Work Programme (Societal Challenge 2) and the Commission paper "A strategic approach to EU agricultural research and innovation".

Research and Innovation in Energy: Meeting long term energy and climate EU targets will require new technologies that are not currently commercially available, as well as smarter and highly efficient ways to use energy. Building on the European Strategic Energy Technology Plan (SET-Plan), the Bank will continue to play its role in reinforcing European innovation and demonstration activities in low carbon technologies, including through blended support from the InnovFin Energy First-of-akind Demonstration Facility.

Case Study: Medium sized biotech firm tackles Ebola and cancer

Sector: Health **Sponsor**: Bavarian Nordic A/S (Denmark)

Total cost: EUR 128m EIB finance: Up to EUR 50m

The project aims to acquire new knowledge to address unmet medical needs, improve patient's quality of life and help prevent future pandemics. In particular the project will contribute to the development of vaccines with potential therapeutic effects against smallpox, Ebola, Respiratory Syncytial Virus and prostate, colorectal and breast cancer and metastatic tumours.

Objectives:

- Support the R&D activities of a mid-sized European biotechnology firm to help address unmet medical needs, improve patients' quality of life and help prevent future pandemics of infectious diseases, especially Ebola.
- Promote knowledge sharing with research institutes and universities
- Strengthen European competitiveness as a technology supplier and safeguard and create skilled employment opportunities.

Expected results:

- Specific support to pipeline projects including Ebola clinical trials, Ebola Marburg pre-clinical trials, RSV pre-clinical trials, small-pox phase II clinical trials, Prostvac phase III clinical trial, CVAC-301 colorectal, breast and lung cancer phase II clinical trials and metastatic cancer preclinical trials.
- Manufacture of over one million doses for the Ebola clinical trials
- Safeguarding of Bavarian Nordic's current 143 full time jobs and create 16 new full time skilled jobs in pharmaceutical research and manufacturing.



Supporting SMEs & MIDCAPS

Providing support to SME and MidCaps will continue to be one of the key priorities of the Bank. Whilst in a context of abundant market liquidity, many SME and MidCaps across Europe have been experiencing a general improvement in access to finance since 2015, significant differences still persist between EU Member States and in those countries that have been most affected by the financial crisis. In response to market and sector needs, EIB's SME & MidCaps finance is expected to focus on key priorities including, inter alia, innovation, youth employment, agriculture, support for internationalisation and climate action.

Indeed, many SMEs still experience barriers in access to finance, and seek improved access to specific financing solutions, such as flexible working capital finance and equity-type funding. Market fragmentation across EU countries and heterogeneity between different loan (and company) sizes are also significant. Small loans, taken up by mainly smaller firms, are typically charged at a higher interest rate, reflecting the relative higher cost of providing the loan and different risk characteristics.

Against this background, it is expected that the Capital Markets Union might facilitate SME's access to capital market instruments and reduce their cost of funding, taking advantage of alternative debt providers and investors.

In the context of EFSI, in particular, the Bank seeks to expand banking relationships to new intermediaries and to develop financing platforms to address new business segments in cooperation mainly with NPIs. The Bank also endeavours to expand its relationships with new (non-bank) intermediaries such as loan funds and crowdfunding platforms supporting the aim of the Capital Markets Union.

While the Bank continues to provide its more traditional intermediated loans and loan substitutes, the EIB's product range for SMEs and MidCaps is further expanded under the EFSI IIW, in particular: including guarantees/risk-sharing products, direct growth finance provided to MidCaps, complemented by mezzanine securitisation tranches and investments in select SME and MidCap funds in cooperation with EIF.

The EIB range of products is complemented by EIF guarantees and financial instruments, addressing the low risk-taking capacity of banks and other intermediaries. To maximise EIB Group impact EIB funding or risk sharing capacity is combined with EIF expertise, notably: (i) granular portfolio structuring, (ii) fund investments, or (iii) intra-group mandates, including the Risk Capital Resources (RCR) mandate and the EIB Group Risk Enhancement Mandate (EREM).

Outside the EU, the Bank is expected to continue supporting micro-enterprises, SMEs and promote local financial and private sector development through intermediated lending (also in local currency) and, increasingly, advisory services.

Agriculture and Food: The Bank is currently able to respond to financing needs of many operators active in agriculture and food value chains. As the majority of operators are SMEs, investments are mainly financed through intermediated lending products. As larger investments promoted by SMEs or Midcaps often present high risk operations, direct lending will be, where necessary, financed with support of InnovFin or EFSI. As the European food industry has to implement innovative and

resource-efficient ways of production and processing to remain competitive in the medium- and long-term and to address the changing food consumption patterns, the pipeline is expected to grow in the next years. These initiatives are complemented by intermediated loans and investments in microfinance funds covering the needs of smallholders, producer organisations and rural micro and small enterprises outside the European Union. They often address further crosscutting themes like migration and climate change mitigation and adaptation.

Case Study: Spanish SMEs access to finance

Sector: All Sectors **Sponsor**: The Kingdom of Spain

Total cost: EUR 5.7bn EIB finance: EUR 2bn

SMEs employ around three-quarters of Europe's workforce and play a major role in Europe's economy. However these organisations have been heavily affected by the economic crisis. A key factor for SMEs and their ability to contribute to economic recovery is access to finance. Demand for loan financing by SMEs is increasing whilst, at the same time, banks' increasing risk adversity and tightening financial regulation is reducing the availability of these loans.

Objectives:

- To support economic development in Spain by increasing the provision of favourable condition loans to SMEs through a joint initiative between the EIB, EIF, the Commission and the Kingdom of Spain.
- To demonstrate the effectiveness of this new SME Initiative in order to encourage participation by other Member States.

Expected results:

- An additional EUR 5.7bn in loans to more than 88,000 Spanish SMEs with favourable interest rates and terms.
- A financial benefit of up to 250 bps on the guaranteed portion of loans.
- Sustaining 825,000 jobs across a broad range of sectors.



Building an efficient INFRASTRUCTURE

Energy

Last year's agreement on global climate emissions in Paris, reinforced by the agreement of EU leaders on EU 2030 energy and climate targets, highlight the need to continue to invest in energy infrastructure, even if commercial risks are somewhat heightened. EFSI has allowed the Bank to reinforce it support to the energy sector, across the following themes:

Ensuring competitive and secure supply: The Bank continues to work in close cooperation with the Commission and the relevant Member States to support investment in Projects of Common Interest (PCI). The Bank will also continue its support to energy grid investments, both delivered through grid companies and through special purpose vehicles. With EFSI the Bank can expand its product offering towards regulated energy companies as well as its appetite for counterparty risk, notably for smaller distribution companies.

Energy efficiency: The EU is expected to achieve energy savings of only 18-19% by 2020 – missing the 20% target. Moreover, Europe has agreed an indicative target of at least 27% energy savings by 2030 compared to business-as-usual. This will require innovative measures and very substantial investment. The Bank continues to support this sector through two distinct channels: firstly, through the provision of advisory and project development assistance services such as ELENA, JASPERS or FI-Compass, which aim to develop and implement bankable programmes and projects; secondly, in addition to standard lending products, through a range of blended instruments, such as Private Finance for Energy Efficiency (PF4EE) or the European Energy Efficiency Fund (EEE-F) as well as equity funds. EFSI is enabling the Bank to reinforce these activities with riskier counterparties.

EFSI has also allowed the Bank to extend its support to new lines of action in the Energy Efficiency sector, such as Nearly-Zero Energy Buildings (NZEBs). By supporting NZEBs, the Bank will contribute to bridge the gap until 2021, promoting new building standards that will become the norm after that date.

Decarbonisation: In terms of delivering operating assets, the EU renewable target for 2020 is fast approaching. Whilst good progress has been made at EU level, further investment will be required in some regions and in some technologies over the next two or three years. Furthermore, the EU has agreed to at least a 27% share of renewables by 2030.

The additional risk capacity provided through EFSI is helping reinforce the Bank's lending in this area, notably against a background of evolving regulatory environment. Significant investment is also required in electricity networks to integrate renewable energy sources and increase energy storage capacities, as well as to modernise and smarten electricity distribution grids.

Transport and mobility

Through its Transport White Paper in 2011, revision of the TEN-T guidelines and introduction of the Connecting Europe Facility in 2014, EU policy recognises that transport is fundamental to the economy and society. Transport enables economic growth and job creation, and is vital for the quality of life of citizens as they enjoy their freedom to travel. The goal of European transport policy, as reflected in the Bank's Transport Lending Policy, is to help establish a system that underpins European economic progress, enhances competitiveness and offers high quality mobility services while using resources in a sustainable way. The Bank will continue supporting strategic transport projects, including those associated with the TEN-T network, as well as sustainable and low carbon transport projects such as urban public transport. The recent adjustment of lending eligibility has enabled the EIB to provide further support to address market gaps, including regional aircraft and captive leasing companies as well as non-TEN-T infrastructure of strategic importance. The Bank will continue to actively support EU objectives by developing its activity in the following sectors:

Energy efficient, low carbon and cleaner transport: The transport sector accounts for 32% of final energy consumption in Europe and is also responsible for 20% of total EU greenhouse gas emissions and is a significant contributor to air pollution – especially in urban areas. Sustainable, resource efficient, low carbon and less polluting transport is key to reaching energy efficiency, climate change and environment goals. In line with EU priorities, the Bank will continue to develop new financial instruments to support energy efficiency and cleaner transport. Initiatives include `Green Shipping` which supports the acquisition of new ships or retro-fitting with technology to comply with new EU legislation, SESAR to help the implementation of the European Air Traffic Management master plan and ERTMS implementation and traffic management systems. The Bank recognises the current slow market adoption of alternative fuel vehicles, including their associated infrastructure, and is developing a `Cleaner Transport Facility` to support their deployment. The initial focus will be to support low and/or zero emission public transport fleets in cities and urban areas.

Strategic transport infrastructure: Financing TEN-T and strategic transport infrastructure continues to be a significant part of the Bank's transport portfolio. The EIB prioritises investment for strategic transport in less developed regions and is focused on missing links, bottlenecks for long distance traffic, interoperability of border crossings and multimodal connecting and terminal points. The Bank continues to provide strong support to the European CEF Corridor Coordinators to help identify and implement sound projects along the nine corridors. In addition, the Bank continues to play a key role in financing transport PPP projects with enhanced capacity, through EFSI, to help mobilise private investment.

Mobility for Europe's cities: Sustainable and low carbon urban mobility, with a focus on public transport and accessibility, is one of the core issues under the EU Urban Agenda. In many towns and cities, increasing demand for transport has created an unsustainable situation: severe congestion, poor air quality, noise pollution and high levels of carbon emissions. Transport systems in urban areas have a significant impact on the competitiveness of a city and its surrounding region. The total cost of congestion in European towns and cities is estimated at EUR 100bn or 1% of EU GDP annually. In this area, the Bank supports the preparation and development of "Sustainable Urban Mobility Plans", in cooperation with the Commission and provides financing to investments in intelligent transport systems and technology that can provide better and more relevant travel information to transport users, enhanced traffic management and more efficient operations. Support for low-carbon transport, modal shift and urban planning that reduces travel time in urban areas contributes to the Bank's climate action objectives.

Urban and regional development and renewal: The Bank will continue to encourage the development of sustainable communities in line with the Urban Agenda for the EU, as reflected in the Pact of Amsterdam signed in May 2016, as well as the wider EU territorial agenda. The Bank's lending will focus on investments in urban regeneration, environmental infrastructure, resource efficiency, intraregional accessibility, social housing and wider social inclusion, climate change mitigation and adaptation, enhancing the resilience of communities and regions to respond or adapt to unforeseen challenges such as migration or earthquakes, and smarter development to take advantage of innovation and new technology. Lending will be delivered through multi-sector municipal and regional framework loans, loans intermediated through development and promotional banks, investments in specialised urban or regional development funds, and investment loans. More projects are entering the pipeline with a higher risk profile which will require support under EFSI, for example in equity funds targeting regeneration, lower rated cities and regions, public sector entities and smaller social housing companies. As asylum claims are processed and requirements for housing and refugee integration become more predictable, further investments in housing and social inclusion are foreseen. It is also anticipated that there would be a pipeline of short, medium and longer-term operations in the area of housing and infrastructure in support of community and regional resilience and tackling the root causes of migration in the Western Balkans and neighbourhood countries.

In addition, the Bank will also continue to be active in the following sectors:

Health: Good health is a precondition for economic prosperity. The Health Care of Europe's citizens is a priority under both Horizon 2020 and the Sustainable Development Goals. The health sector is confronted with a number of challenges, most notably amongst them:

- Demographic changes due to the ageing of societies
- Regional differences in the provision of healthcare services
- The availability of qualified medical professionals and related workers
- Financial sustainability of health systems.

The EIB's Health Sector objectives are aligned with the overall EU strategic priorities. Most Member States are continuing to invest in their health systems and the Bank expects to provide significant funding to the sector through a mixture of public sector lending, PPPs and support to the structural fund programmes. Whilst the bulk of the funding is expected to go to the improvement of hospital infrastructure, it is likely that

we will see an increase in demand for Primary Healthcare facilities and for improved training for the staff to work in the sector.

Rural infrastructure development and AgriBusiness support: A coherent territorial development has to be comprehensive and cover all areas, including rural communities and its stakeholders. In supporting rural infrastructure and the bio-mass based industry (with agriculture as a pivotal player) longer-term and more balanced sustainable growth of the societies will be achieved, as it reduces migration pressure from rural to urban areas and improves food security. The EIB will continue to support a sustainable rural economy and its public and private stakeholders, including their increased resilience to climate change impacts.

Outside the EU, investments in rural development, including access to finance for micro and small enterprises in the rural areas and natural asset management, play a major role in the implementation of the development agendas and the Economic Resilience Initiative by providing income opportunities in rural areas. The Bank supports Governments in implementing initiatives targeting value chain development through APEX loans.

Case Study: Expansion for the Port of Calais

Sector: Transport (Ports) Sponsor: Région Nord Pas de Calais

Total cost: EUR 771m EIB finance: EUR 365m

The project will reduce the costs of trade between Great Britain and continental Europe (through for example, accommodating larger vessels with lower unit logistics costs at the port). This will have positive benefits in terms of regional economic competitiveness, fostering sustainable growth and creating jobs both during construction and operation of the port. The project will avoid the diversion of traffic to other ports or other transport modes which would increase overall logistics costs.

Objectives:

Provide a Project Bond Credit Enhancement facility to support the expansion and rehabilitation of the Port of Calais. The expanded port will be able to handle more and larger vessels by creating 3 additional roll on roll off berths as well as upgrading the port's existing berths. The project will also upgrade supporting infrastructure such as the port railway, access roads, yards and passenger buildings.

Expected results:

- An increase in the freight and passenger capacity of the Port of Calais to enable the port to meet its demand forecasts beyond 2022.
- Improved logistics efficiency at a key point on the TEN-T network.
- Increased employment opportunities in the Nord Pas de Calais region as shipping lines businesses grow with the increase in port business.



Protecting the ENVIRONMENT

Water: Water resources, drinking water and wastewater management remain critical to Europe's economy and the environment. Whether it is for water supply, wastewater treatment, flood protection or other water related investments, the cross cutting theme for the EIB will be the improvement of water security. Continuous investment is needed to avert risks to water security both inside and outside the EU. The EIB remains the largest lender to the sector and continues to respond to increasing investment needs by developing new investment solutions, including the finance of smaller, riskier projects and promoters, under the EFSI. The EIB focusses also on identifying new modalities to finance innovation in water, for which the EIB highlighted significant market gaps in its contribution to the European Innovation Partnership for Water.

Waste: Whilst increased investment in recycling and energy recovery from waste (i) generates environmental and climate benefits, (ii) conserves natural resources and energy, (iii) reduces dependence on imported raw materials, and (iv) supports job creation and economic growth the Bank will continue to support such investments to contribute to EU's transition to a circular economy, which remains high on the EU policy agenda. Where justified, the Bank will also finance facilities for residual waste treatment required to meet targets for diversion of bio-waste from landfills. Smaller projects and promoters with different risk profiles than the Bank normally considers, may be financed under EFSI.

Rural infrastructure: Climate change is having a significant impact on agriculture and the food market. Notably soil fertility, cropping patterns and water availability are impacted which in turn, are affecting food security. The EIB will continue to facilitate investments in agriculture and forestry that directly target climate change mitigation or adaptation and support the provision of environmental public goods such as landscapes, farmland biodiversity, climate stability and greater resilience to natural disasters. In the Agricultural value chains the EIB will continue to support resource and energy efficient projects that contribute to the production of products that are healthier, more nutritious and/or have a lower environmental footprint. In addition new financial products – sometimes in close collaboration with the Commission - are developed and tested to i) share risks, ii) bundle smaller projects with similar public policy objectives (e.g. Natural Capital Financing Facility) and iii) better combine private and public nature conservation and sustainable bio-mass production (e.g. Forest Funds).

Case Study: Renovating Vienna's wastewater treatment plant to incorporate biogas recovery and prevent sewerage overflows

Sector: Wastewater treatment **Sponsor**: Ebswein Hauptklaranlage GmbH (EBS)

Total cost: EUR 300m EIB finance: EUR 150m

Vienna's central wastewater treatment plant handles all of Vienna's domestic, industrial and commercial wastewater, treating an average of 569,000 m3 each It has been in continuous operation since 1980 and are in need of renovation to continue to meet the EC Urban Wastewater Treatment Directive.

Objectives:

- Renovate existing sewerage treatment infrastructure to meet the EC Urban Wastewater Treatment Directive.
- Make Vienna's main sewerage plant energy self-sufficient through incorporation of biogas recovery and energy generation through a Combined Heat and Power (CHP) plant.
- Reduce sewerage over-flows into the Danube river through the creation of 41 500 m3 storm water retention basins.

Expected results:

- Improved environmental conditions for the Vienna population as waste water treated to acceptable standards.
- Reduced pollution levels for the Danube river.
- Lower waste water treatment tariffs for end users.
- 78.8 GWh renewable energy and 82.8 GWh heat generated from the treatment plant's sludge gas.



Supporting ECONOMIC AND SOCIAL COHESION

The Bank's lending in support of the economic, social and territorial cohesion is a cornerstone of the EU cohesion policy, which aims to reduce disparities between EU regions in order to achieve a balanced development. EIB supports coherent territorial development financing national, regional, urban and rural infrastructure.

The Bank offers significant financial value added by addressing economic and social imbalances, through promoting knowledge economy/skills and innovation, the linking of regional and national transport infrastructure, supporting investment in energy infrastructure. In this context EIB has achieved a major milestone since the majority of the Structural Programme Loans (SPL) for the current programming period have been approved and signed. Going forward, the Bank will now assist Member States in the implementation of their Operational Programmes (OPs) by focussing its resources on appraisal and approval of a multitude of individual projects under these OPs. Where necessary, the preparation and implementation of projects will be supported through advisory services such as JASPERS.

Having traditionally supported a plan-led regional territorial development, the Bank will also be a partner for the Regions in their implementation of the Research and Innovation Strategies for Smart Specialisation, which has become an integral part of the EU cohesion policy. By following a path for innovation-driven economic transformation and development, built on local strengths the Smart Specialisation approach helps Regions to differentiate themselves and improve their competitive positioning.

Large standalone investment loans support both national and regional investments, covering a wide range of priority areas: e.g. research and innovation, Trans-European Networks, environment, education, ICT and broadband, etc. These are complemented by municipal and regional framework loans covering a multitude of small and mid-size schemes, co-financing a time-slice of a city's or region's typical medium-term multi-sector investment programme, including investments co-financed with EU funds. These loans address priority investments under the city's or region's development strategy and are also well suited to thematic investment packages, which cut across a range of sub-sectors – such as climate action (with a special focus to support the identification and financing of adaptation activities), social inclusion and enhancing community resilience.

Inside the EU and in line with the MoU between the EIB and DG-Agri the EIB is cofinancing EAFRD Rural Development Programmes. This activity has intensified in the 2014-2020 programming period and has been complemented by the EC financed initiative fi-compass, implemented by EIB, supporting the rural development community in the development of alternative and innovative financial instruments. The public infrastructure needs of the rural economy are also supported via direct investment loans to public and private promoters, with funding also available for the necessary modernization of rural broadband, agricultural education facilities, rural/forest roads and other public investments creating an enabling environment for rural growth. EIB is also intensifying working relationship with DG MARE in order to study ways to increase its lending activity to the Blue economy. The objective of these activities is to support the quality of life in rural and coastal regions and create employment in the rural economy in a sustainable way.

Case Study: Asset-leasing to SMEs and Midcaps in the Czech Republic and Slovakia

Sector: All sectors **Sponsor**: SG Equipment Finance

Czech Republic SRO (SGEF CZ)

Total cost: EUR 400m EIB finance: EUR 200m

SMEs and Midcaps are the backbone of the Czech and Slovak economy, driving employment and economic growth. Leasing is a popular asset financing option for SMEs and Midcaps, but in recent years leasing firms have faced slowing demand for new leasing contracts, increasing financing costs and a deteriorating quality of lease assets. As a result, they have had to re-price their new operations, increase their credit provisioning and be more selective in their lending. This has resulted in a credit crunch for SMEs and Midcaps.

Objectives:

- To support economic development in the Czech Republic and Slovakia by supporting asset leasing to SMEs and Midcaps through a loan to an asset leasing company.
- To address youth employment by partly targeting firms that hire or train young people.

Expected results:

- Provision of an additional 5,000 loans of total value of EUR 400 million to Czech and Slovak SMEs and Midcaps, focusing on the transport and storage, manufacturing and construction sectors.
- An increase in youth employment.



Addressing CLIMATE change

Over the period 2017-2019, the Bank will reinforce its support for the decarbonisation and climate-resilient path of the world economy by accelerating the implementation of its 2015 Climate Strategy, which supports the implementation of all key areas of the December 2015 Paris Agreement (COP 21) and relevant EU policies by focussing on three strategic areas:

- Increasing the impacts of its climate action (i) by proactively seeking and investing in projects which bring significant mitigation or adaptation gains; (ii) by catalysing and mobilising additional finance from a range of sources through financial innovation and (iii) by reducing financial and non-financial barriers to the investments needed for the transition to a low-carbon resilient economy
- Reinforcing and prioritising support for adaptation investments and technical assistance, as well as building climate resilience into all project types, and
- Further integrating climate considerations into EIB processes and methodologies, thus facilitating the implementation of high impact interventions and improving the reporting on EIB's climate finance and its impacts.

A coordinated and cooperative implementation process is under way, articulated in a number of internal action plans identifying clear responsibilities, deliverables and timelines. These will include a thorough market and gap analysis to identify climate finance opportunities and constraints, as well as possible solutions in the form of new financial instruments, advisory activities or cross-sectoral initiatives. Increased and improved EIB climate action will also be supported by the development of new methodologies e.g. for the incorporation of climate risk and vulnerability considerations in project design and appraisal

Mainstreaming of climate consideration across all sectors, client groups, financial instruments and regions is key to enable the identification of new financing options. The Bank is reassessing strategies in key areas for climate action, such as urban development and water, so as to identify new and higher impact climate action opportunities.

Through its scaled up effort in support of climate action, the Bank will continue supporting the implementation of the EU 2030 Climate and Energy Framework, the EU Adaptation Strategy and the External Lending Mandate Climate Strategy, while developing and implementing new regional strategies (e.g for ACP) aimed at meeting its increasingly ambitious climate finance targets in developing countries to become effective in 2020 - and maintaining its leading role among IFIs in this area. The Bank will thus seek to retain its position as the largest multilateral provider of climate finance, and both developed and developing countries will continue benefiting from the results of EIB's global climate action finance.

Case Study: Nepal Power System Expansion

Sector: All sectors **Sponsor**: Nepal Electricity Authority

Total cost: EUR 270m EIB finance: EUR 95m

Nepal is facing chronic power shortages, particularly during the dry season. Only 65% of the country's households have access to electricity, with only 56% connected to the national grid. Many Nepalese are becoming increasingly reliant on self-generation from diesel generator units.

Objectives:

- To provide modern, efficient and reliable transmission infrastructure to supply electricity from hydropower schemes in the Himalayan region to the main load centres in Nepal, in particular in the Kathmandu Valley.
- The project will construct seven new high voltage transmission lines (386 km in total) to connect hydropower schemes in the Himalayan region to the national grid.

Expected results:

- Economic benefits include, an increase in electricity access rates, a reduction in unmet demand, lower transmission system losses and substitution of clean energy from indigenous hydropower resources for expensive and polluting oil-fired diesel generators.
- In the longer term, Nepal will increasingly be able to export energy, as the high-voltage transmission network is further expanded and additional hydropower generation capacity is added to the national grid.



Annex 2: Analysis of new customers and transactions sizes

% of new EIB clients for own resource signatures



- > The above graph shows the % of new EIB clients for own resource signatures for full years 2012 to 2015 and for January to end September 2016.
- > Type 1 new clients are considered to be counterparts who have never signed a finance contract with EIB, whereas type 2 clients are counterparts who haven't signed a finance contract in the last 5 years.
- > By end of September 2016, operations have been signed with a total of 284 counterparts, of which 140 were new clients (type 1 & 2), (full year 2015, 385 counterparts of which 191 new clients).

Number of transactions and transaction sizes*



* 2013 – 2015 actual figures, 2016 figures based on signature forecasts as at18th November 2016

Glossary of Terms

ABS Asset Backed Securities

ACP African, Caribbean and Pacific States

AfIF African Investment Facility AIF Asian Investment Facility ALA Asia and Latin America ALM Asset/Liability Management

AML/CFT Anti-Money Laundering / Combatting the Financing of Terrorism

CAB Climate Awareness Bonds CAD Capital Adequacy Ratio **CEF** Connecting Europe Facility CIF Caribbean Investment Facility CMU Capital Market Union

COSME Competitiveness of Enterprises and SMEs programme

DFI Decentralised Financial Instruments

EAFRD European Agricultural Fund for Rural Development EaSI EU Programme for Employment and Social Innovation

EIB-CM EIB Complaints Mechanism **EBA** European Banking Authority EC **European Commission ECB** European Central Bank

EFSI European Fund for Strategic Investment **EFTA** European Free Trade Association

EFTA countries Iceland, Liechtenstein, Norway and Switzerland

EIP External Investment Plan

EIAH European Investment Advisory Hub **ELENA** European Local Energy Assistance facility

ELM External Lending Mandate FPFC. European PPP Expertise Centre

EPTATF Eastern Partnership Technical Assistance Trust Fund

EREM EIB Group Risk Enhancement Mandate **ERTMS** European Railway Traffic Management System **ESIF** European Structural and Investment Funds

Emissions Trading System ETS **FATF** Financial Action Task Force **EDP Energy Demo Projects**

FEMIP Facility for Euro-Mediterranean Investment and Partnership

FRiT Facility for Refugees in Turkey

FTE Full Time Equivalent H2020 Horizon 2020

ICT Information and Communication Technologies

IDFF Infectious Diseases Finance Facility

IF Investment Facility

IFCA Investment Facility for Central Asia International Finance Institutions IFIs **IFP** Investment Facility for the Pacific IPE Investment Plan for Europe

JASPERS Joint Assistance to Support Projects in European Regions **JESSICA** Joint European Support for Sustainable Investment in City Areas

LAIF Latin America Investment Facility

The Bank's year-end total liquidity ratio is defined as being the ratio of the total net Liquidity Ratio

treasury to the projected net cash outflows for the following year

'MADAD Fund' European Union Regional Trust Fund in response to the Syrian crisis

MDBs Multilateral Development Banks **MBIL** Multi-Beneficiary Intermediated Loans MFF Multiannual Financial Framework

Mid-caps Companies of a size and development stage between SMEs (according to the

Community definition of less than 250 employees) and larger companies

NCF Natural Capital Financing Facility

Neighbourhood & Neighbourhood and Partnership countries include Mediterranean countries Partners Countries (excluding Turkey), Eastern Europe, South Caucasus, Russia, ACP/OCT, RSA, ALA

NIF Neighbourhood Investment Facility **NPIs** National Promotional Institutions **OCT** Overseas Countries and Territories

3 Pillar Assessment Methodology (methodology for assessing value added of projects 3PA

inside EU)

PF4EE Private Finance for Energy Efficiency

PPP Public Private Partnership

Pre-Accession Include Candidate countries (Albania, Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey), and Potential Candidate countries (Bosnia and Countries

Herzegovina, and Kosovo (under UNSCR 1244). (For the purposes of the

Bank's reporting, the activities in EFTA countries are also included within this category

except if otherwise stated)

PSPP Public Sector Purchase Programme

RCR Risk Capital Resources

RDI Research, Development and Innovation

Results Management Framework (methodology for assessing value added of projects ReM

outside EU)

RSA Republic of South Africa

SDGs Sustainable Development Goals **SESAR** Single European Sky ATM Research

SET-Plan European Strategic Energy Technology Plan **SMEs** Small and Medium-sized Enterprises

SMEI SME Initiative TΑ Technical Assistance

TEN Trans-European Networks

WBIF West Balkans Investment Framework



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