

CORPORATE

The EIB Group
Operational Plan 2019

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Important notices:

The Operational Plan 2019 was discussed and approved by the Board of Directors of the European Investment Bank at its meeting of 11 December 2018.

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.

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Executive Summary

- i. Growth in the EU-27 has moderated in 2018 while remaining somewhat heterogeneous across Member States and sectors. Risks are shifting to the downside, as threats to global trade mount and interest rates diverge, affecting capital flows. Risks are greatest where foreign-denominated debt fuelled growth. Internally, labour markets are tightening, with lack of skills the principal barrier to corporate investment. Structural investment gaps of approximately 3% of GDP annually undermine competitiveness and limit potential output. Bridging these gaps requires significant investment in infrastructure and climate action as well as more targeted financing for research and development as well as innovative firms.
- ii. Against this background, whilst the core elements of the EIB's existing strategic framework based around provision of financing and related support to EU policy priorities, delivering on its mandates and consistency with other statutory requirements remain valid, increasingly innovative responses are needed to address persistent investment gaps in infrastructure, innovation and climate action. It is vital for the EIB to have a strategic, and an operational plan which will get such responses right so as to contribute to strengthening the EU economy at a time when the EU and its citizens face multi-faceted challenges such as Brexit, protectionism and populism.
- iii. The EIB celebrated its 60th anniversary during 2018, a testament to its successful past accomplishments. Stabilisation of the EIB's capital base will provide the foundation for the Bank's future achievements and long-term strategy to provide financing supporting EU policy priorities and strengthening the EU economy. In line with promises made in the EIB Group Operating Framework and Operational Plan 2018, the Bank has conducted a review focused on the strategic backstop of maintaining the EIB's high credit rating and longer-term **financial sustainability** beyond this planning period. A series of short term and medium term measures are envisaged to develop integrated capital planning and enhanced capital consumption measurement tools paving the way for a long-term sustainable lending framework.
- iv. These tools are being integrated into the operational planning framework to allow a more fine-tuned EIB Group response and business mix optimisation that maximises impact and additionality together with a more granular, (at the level of new lending as well as at a portfolio level) and hence more optimal, capital consumption planning and execution.
- v. The EIF is also seeking to contain the capital intensity of its business in order to assure financial self-sustainability.

- vi. Furthermore, although the EIB operates as a non-profit-making organisation in line with Art. 309 of the Treaty on the Functioning of the European Union, its strategic aim to be financially sustainable also requires more focus on revenue opportunities and cost management given the ongoing low interest rate environment. The active management of operating costs and providing a more granular consideration of the bottom-line effect of different types of financing activities in the new lending programme in particular, will require further attention.
- vii. The EIB, as a public bank, can help to address market failures. Additionality captures the specific contribution public support makes to the project in question, while impact refers to the overall impact generated by the full project (project impact). The **EIB's impact and additionality** is about "making a difference" when main market failures relevant for investment or equity considerations are present. In doing so, the strategy of meeting key EU policy priorities in project selection remains valid and is focused on the Public Policy Goals of support to Innovation, SMEs and Midcap finance, Infrastructure and Environment together with support to Economic and Social Cohesion and Convergence and to Climate Action.
- viii. EU Economic and Social Cohesion policy has been at the heart of EIB activities since inception and is enshrined in the EIB's Statute. The EIB continues to provide support to each region of the European Union to help it achieve its full potential and to bring about a convergence of living standards and prosperity across the EU. Yet across the EU, significant investments are also needed to raise Europe's competitiveness. By supporting investment that is geared towards innovation, skills and greater competitiveness, and by maximising such investments with our catalytic effect, the EIB is fostering sustainable growth and countering youth unemployment, thus ensuring the EU's ongoing competitiveness in a global market.
- ix. On climate action, the EIB is aligned with the principles and goals of the United Nations Framework Convention on Climate Change's (UNFCCC) Paris Agreement and is co-leading a joint initiative with other Multilateral Development Banks (MDBs) on a joint approach to "Paris Alignment". The EIB will continue to be a leader in the mobilisation of private sector finance for climate action, including through its technical support for the EU Action Plan on Financing Sustainable Growth. The EIB will support the EU's Strategy on long-term EU greenhouse gas emissions reductions, as well as the EU's new 2030 climate and energy targets. Finally, the EIB will continue to support maintenance and rehabilitation efforts by Member States, cities and other beneficiaries in the design and financing of more resilient infrastructure. All of these activities contribute to achieving the Sustainable Development Goals (SDGs), in line with EU commitments.

- x. In recent years, the Bank's business has changed and grown significantly – a large part of which is due to its strategic involvement as the EU Bank in the delivery of third party mandates, and particularly the European Fund for Strategic Investments (EFSI), and in responding to G20 and G7 initiatives on further global matters, such as migration and forced displacement and investment towards meeting the SDGs. These have done nothing less than change the DNA of the EIB Group. The implementation of such mandates and other initiatives has facilitated additional flexibility and focus in the delivery of EU policy. This is a joint success story as it has been achieved through EIB Group cooperation worldwide; with the Commission, other MDBs and with National Promotional Banks and Institutions (NPBIs) and Development Finance Institutions (DFIs).
- xi. Two of the three pillars of the Investment Plan for Europe (IPE), EFSI and the European Investment Advisory Hub (EIAH), have been successfully implemented by the EIB Group. In addition, the EIB Group's project experience and market knowledge supports the Commission in its work on the third pillar with its objective to improve the business environment by removing barriers to investment.
- xii. The InvestEU Programme, the Neighbourhood, Development and International Cooperation Instrument (NDICI) and the Common Provisions Regulation (CPR) proposed by the Commission for the post-2020 Multi-Annual Financial Framework (MFF) present a major opportunity for the EIB Group to continue to play the role of the EU Bank. The EIB is ready to provide banking-related functions required at the EU-level for the management of EU guarantees and to be a strategic partner for the implementation of EU-level budget guarantees and financial instruments for the benefit of the EU. To define this partnership further, the EIB Group continues its engagement with the Commission and the co-legislators.
- xiii. Inside the EU, where InvestEU builds on the success of EFSI, the EIB Group expects to have a leading role in the deployment of financial instruments and advisory services, in addition to continuing to play the role of the EU Bank by providing banking functions required for the management of the EU guarantee. The EIB Group hopes to obtain the necessary legal assurances as soon as possible, including on the synergies with the regional development and cohesion proposals, to enable the EIB Group to plan accordingly.
- xiv. The EIB has played, and continues to play, a substantial role in achieving the SDGs. The EIB's role in financing investments outside the EU is based on the current External Lending Mandate (ELM), which successive evaluations show is effective in facilitating EIB external activity fully in line with EU policies. The EIB Group is therefore seeking to ensure that the continuation of the ELM to cover public sector risk is enshrined in legislation. Discussions with the Commission and co-legislators also seek to ensure the continuation of the successful Investment Facility for ACP to cover innovative private sector operations as well as an EU toolbox that can allow the EIB and other DFIs to deliver a wider range of private sector

investments outside the EU. In parallel, Germany and France have proposed the creation of a High-level group to rationalize the European Financial architecture for development and to deal with the respective roles of the EIB and of the EBRD in particular.

- xv. The EIB is strategically placed to contribute yet further to the EU Agenda on Migration and to the international effort to prevent shocks and crises such as the 2015/16 Syrian Refugee crisis. The EIB has a significant comparative advantage and unique positioning in this regard, as demonstrated by its timely and flexible operational response to date which builds on the EU Bank's track record of investment in social and economic infrastructure, employment generation, SME finance and climate action. EIB activities have focused on building resilience in countries of origin; supporting migrant, refugee and host communities in transit and host countries; and enhancing the self-reliance of migrants and refugees to facilitate integration and improve living conditions for all.
- xvi. Advisory Services remain a critical element of the EIB's product offering. The Bank will continue to build on its key strengths in this area, including its depth and breadth of expertise, its unique geographic coverage across all Member States, its successful deployment of the EIAH and its proven strong collaboration with external partners.
- xvii. This plethora of important initiatives means that cost effectiveness actions are not limited to lending and related activities but apply to all Bank activities. The budget in this Operational Plan implies a different way of working and of using internal budget resources. The tone from the top is set in this regard and, in addition to the governance reforms, which were agreed by the Board of Directors in 2018, an initiative is taking shape to improve **the way we work**. This initiative is also reviewing how we communicate as well as on fostering a culture of trust, respect, transparency, accountability and fair treatment - starting with a baseline of sound internal rules and policies. We are working on revising, updating and clarifying internal policies, beginning with the Code of Conduct and the Whistleblowing Policy. In addition, we will update our Anti-Fraud Policy. These revisions are overdue but are of such importance that the time invested to get them right, alongside dealing with the critical issues facing the EIB and their possible consequences, is considered to be well spent. In due course, we must ensure that these policies are respected and provide a clear and safe framework for all staff and the governing bodies of the Bank.
- xviii. The scope and complexity of the individual strategic initiatives means that they are not necessarily all mutually compatible. The ability to pursue a number of these strategic initiatives and the subsequent implementation thereof will rest on the capital replacement decision.

- xix. The new lending and advisory services programme in [Section 3](#) of the Operational Plan 2019 (the Plan) follows the overall operational framework based on the three key guiding themes and further details are given as follows:
- *Financial Sustainability (see Section 4)*
 - *Impact and Additionality (see Section 5)*
 - *'The way we work' (see Section 6)*
- xx. The new signature orientations for the next planning period will be EUR 63bn +/-10% per annum. These orientations assume that the UK's capital is replaced. In absolute terms, the new lending orientations are reduced in comparison to recent years based on our assessments of current authentic market needs and of the heterogeneous, but generally improving, economic situation in the EU. Therefore, the Plan again comes with assurance that the EIB Group maintains its commitment to productive investment and will continue to target activities to address market gaps and ensure the highest levels of impact and additionality possible whilst ensuring longer-term financial sustainability beyond this planning period.
- xxi. To evidence this, and as also promised in the Operational Plan 2018, a review of the indicators and related statistics which guide the preparation of the Plan according to strategic, policy and operational objectives as relevant decision-making information has been undertaken. Targets and/or orientations are set as appropriate and the future monitoring and reporting of progress to the Board of Directors, which has already been enhanced, will be continually reviewed for ongoing relevance and further enhancement as appropriate. In particular, the framework for measuring additionality will be revised. The changes and lessons learned each year will help to further enhance both planning and reporting and the Management Committee commits to expand dialogue with the Board of Directors in order to facilitate timely review of results, objectives and goal-setting on an on-going basis. Further details are given in [Section 6](#) and the [Annex](#).

Conclusion

- xxii. The ‘known unknowns’ identified in the Operational Plan 2018 focused on the future shape of the EU institutional family and the EIB’s position within it. These elements have multiplied and taken on additional dimensions creating an unprecedented level of uncertainty. Once again, we need to recall the purpose and success of the EU Bank in providing finance where market gaps persist and crowding-in of other financiers to support those projects that fulfil EU policy criteria and which will contribute to strengthening the EU economy.
- xxiii. Fulfilling its Treaty obligations and responding to the wishes of its shareholders and European institutions, the EIB Group is ready to continue its role as the EU Bank responsible for providing investment related functions necessary for the management of EU-level budgetary guarantees and financial instruments in the next Multiannual Financial Framework. The EIB Group should also continue to be a strategic partner for the implementation of EU-level financial instruments and budgetary guarantees funded by the EU budget inside and outside the EU, providing an optimal mix of investment financing for impact, results and value-added.
- xxiv. The EIB’s shareholders expect the EIB and other EU institutions to work together to deliver a transformational response that will leverage on synergies whilst deploying tax payers’ funds in an efficient and responsible manner and allowing space for existing competencies and areas of expertise.
- xxv. The EIB Group is confident of its unique role in delivering financing and advisory services with real impact for all Member States. The challenges, investment needs and methods of delivery have changed over the years and the Bank’s management are aware that cooperation is now a core driving force for the EIB Group. Building on the shared successes of recent history, the EIB remains ready and willing to work with all stakeholders and institutions in pursuit of a common goal of a united EU that can deliver the best impact and additionality possible for the citizens of the EU and beyond.

The EIB Group Operational Plan 2019

1. Macroeconomic and geopolitical situation

The economy of the EU-27 has passed into a mature phase of the economic cycle and, in appreciation of gathering headwinds, the Commission in its Autumn Forecast again revised downward its projections for GDP growth in the EU-27 to 2.2% for 2018 and 2.0% in 2019. Growth is projected to slow further to 1.9% in 2020. In October, the IMF forecasts growth slowing to near 2.0% in 2018. Economic growth in the third quarter was confirmed weak after some higher-frequency indicators had pointed to a downward trend. Uncertainty remains elevated, including with Brexit looming and international trade tensions simmering. Accordingly, risks have shifted further toward the downside.

Investment growth is moving in line with GDP and has become more balanced across sectors and countries, accounting for one-third of growth and over one-fifth of GDP. Still, infrastructure gaps remain a primary concern, requiring public sector impetus. Private sector investment is normalising with prevailing easy financing conditions, monetary policy support is not expected to recede before mid-2019. On the corporate side, the positive outlook contrasts with the cumulative impact of years of underinvestment. Compared with the US, the lag in the EU's investment recovery was most notable for intangibles as well as machinery & equipment.

Inflationary pressures remained subdued into 2018; energy prices provided a key impetus. Core inflation is set to rise gradually through 2019 however, taking impetus from wage pressures as labour markets tighten: in many Member States the rates of participation and unemployment are near record highs and lows respectively although pockets of vulnerability remain. Indeed, EIB research shows that the lack of skilled labour remains the principal barrier to investment.

Brexit – and the possibility of a no-deal outcome – is the main near-term challenge, with others including regional divergence, disruption to the global multilateral system, and potential volatility in commodities and financial markets. The impact of Brexit will vary across Member States and markets depending on the importance of the links with the UK economy and financial sector, with Ireland most exposed, followed by the BeNeLux countries. Among the considerable challenges, it will be important to facilitate the setting up of infrastructures to deal with the UK becoming a third country, both replacing capacities no longer available (including financial markets infrastructures) and the creation of new ones. In the context of ongoing normalisation of monetary policy and an end to quantitative easing, fiscal policy divergence may pose challenges, including risk repricing across Euro area countries. At the same time, the EU needs to reinforce efforts to ensure greater convergence among Member States, as regional differences have increased since the crisis. The global multilateral system remains under pressure, notably as protectionist measures threaten global trade. The EU, with its sizable current account surplus is uniquely exposed, especially Member States exhibiting related macroeconomic imbalances.

Global economic growth is set to continue at a moderate pace, driven by US and Emerging Markets, but global trade and capital flows face increasing risks, especially where economic growth was driven by rising debt levels. Fiscal stimulus is sustaining a vigorous US economic expansion, with a tight labour market and rising inflation putting upward pressure on US interest rates. Thus, US and EU interest rates are set to continue diverging, encouraging capital

flows back to the US. Resulting fluctuations of liquidity and exchange rates could pose challenges to some emerging markets, raising the importance of foreign exchange reserves in Emerging Markets. Credit has been an important driver of recent expansions, leaving those countries that funded current account deficits with short-term, foreign-denominated, non-resident funds, such as Turkey, Argentina or South Africa as well as Egypt or Lebanon especially exposed. China continues to drive growth, though the ongoing trade dispute with the US is likely raise questions about the growth strategy, which has, to an important extent, been credit driven.

These economic and geopolitical challenges pose a level of uncertainty in which the EIB can play an important stabilising role to bridge investment gaps and contribute to the development of the internal market through crowding-in investment and providing technical capacity. The following sections set out the EIB Group's response in these uncertain times.

Investment: mid-to-long-term needs and financing gaps

Investment has recovered to an important degree but remains insufficient to address the accumulated structural deficits. EIB research estimates a sizable annual investment gap has emerged, with an additional investment requirement in EU 27 of around 3% of GDP. Such a structural deficit undermines competitiveness, limits potential output and reduces the benefits from structural reforms.

Infrastructure investment continues to fall, primarily due to public sector austerity. This is more pronounced in cohesion regions with lower infrastructure quality and socio-economic issues, further lowering competitiveness and creating a negative feedback loop. Compounding this, technical capacity to plan and prioritise projects is a constraint in many regions. The private sector has not been able to compensate for retrenchment in the public sector – on the contrary, even Public Private Partnerships (PPPs) have virtually disappeared. Such structural investment gaps underline the importance of complementing lending with blending and advisory.

Climate action spending is stagnating while medium-term targets are ramping up. Equally important, the EU risks losing touch in the field of innovation: RDI expenditure has fallen behind competitors and remains some distance from the 2020 target of 3% of GDP. While effort focuses on supporting the private sector, the EU could also improve public-private sector research collaboration, such as via universities. Further illustrating the innovation challenges facing the EU is the rising contribution of intangible capital throughout the economy and especially in the high-tech and services sectors. The EU's bank-dominated financial system struggles to provide the type of financing required by high-growth potential firms relying on intangible capital. Further, the leading impediment to corporate investment across Member States is a lack of requisite complementary skills.

While the crisis affected SMEs disproportionately, at the current juncture financing constraints are no longer the major limitation in most regions: at the EU-level only 4% of firms remain finance constrained, though significant differences persist across Member States. Of these, however, there is a clear differentiation between productive or high potential firms versus those that have persistent low or negative returns. In order to ensure a better allocation of financing, more targeted policies are needed to support companies with high growth potential, including creating ways to improve available types of financing.

2. Decisions of the Board of Directors

On the basis of the Operational Plan 2019 as here described, the Board of Directors approved:

Lending Programme

- I. A **disbursement** orientation of EUR 49-55bn for 2019.
- II. A total new **signature** volume of EUR 63bn (+10%/-10%) for 2019.

Borrowing Programme

- III. A **global borrowing authorisation**¹ for 2019 of up to EUR 55bn and the implementation of treasury and derivatives management operations.

Budget

- IV. The expenses and revenues of the Operating Budget and the Capital Budget for 2019. The overall operating expenses budget is EUR 980.4 m implying a cost coverage ratio of 160%.
- V. The delegating of decisions to the Management Committee regarding staff and operating expense budgets relating to existing mandate agreements provided that the budgetary framework of these mandates approved by the Board of Directors is complied with (as granted in the Operational Plan 2018).
- VI. The principle of making relevant resources available during 2019 for other new initiatives provided that the Board of Directors will have approved these initiatives and will have been informed of the impact on the 2019 budget and cost recovery accordingly.

¹ The borrowing authorisation represents the maximum limit and should not be seen as an imposed target. The Bank also retains the possibility to adjust it, particularly if its funding needs change during the year.

3. New lending and advisory services programmes

The overall lending programme for the Bank for 2019 has been defined with contributing to the strengthening the EU economy and longer-term financial sustainability level in mind. This is a complex equation, dependent on the foundation of continued strong support from shareholders, market demand for financing and the evolution of key risk metrics. It is essential to get the balance right in order to protect investor confidence. This section summarises the lending programme, key challenges, the related focus and approach, and the expected evolution of advisory services. The related operational framework requires: relevant risk metrics to be respected and appropriate resource management to exist (see [Section 4. Financial Sustainability](#)); that all activities meet EU policy objectives and provide continuity so that the EIB retains market relevance and responsiveness (see [Section 5. Impact and Additionality](#)) and; that activities are underpinned with a robust governance structure, as agreed to by the EIB Board of Directors in 2018, and effective internal procedures as well as resource availability (see [Section 6. The Way we Work](#)).

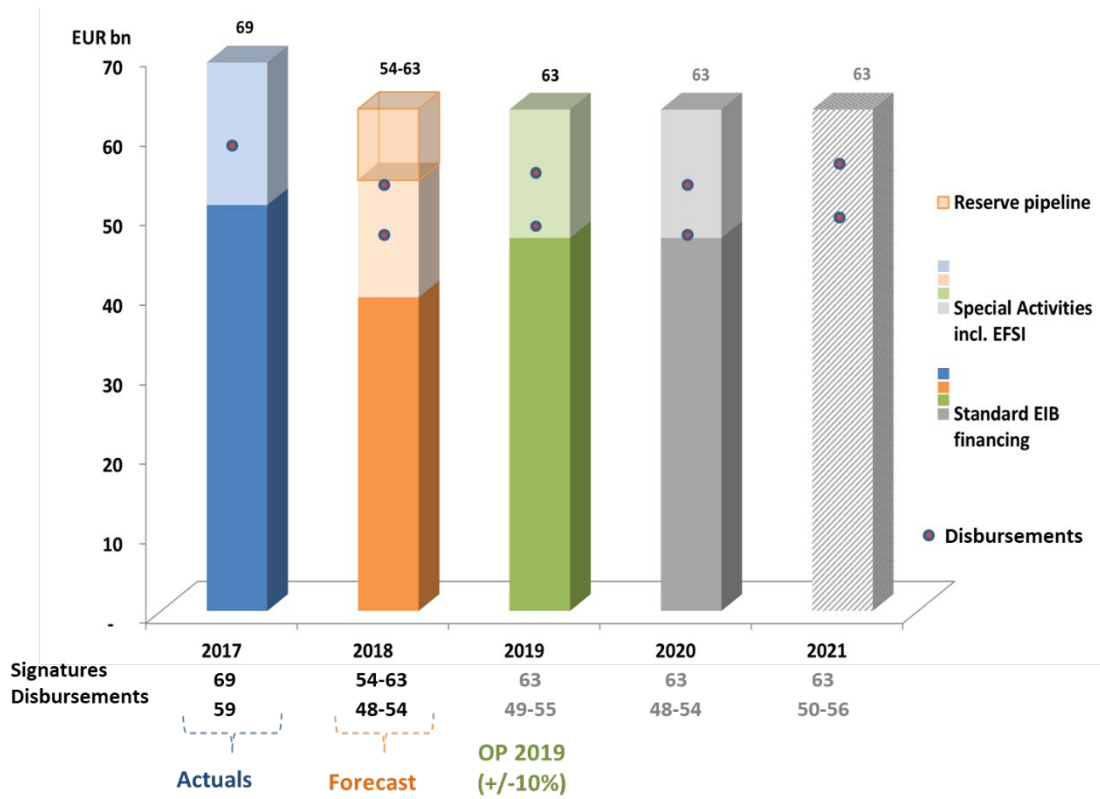
The Performance, Public Policy Goal and Monitoring indicator tables plus other relevant statistics related to the Operational Plan 2019 are provided in [Annex](#).

Lending Programme (EIB own resources)

The recent evolution and the expected lending programme utilising EIB own resources is shown in [Graph 1](#). Caution is key in the evolving political and economic environment, in particular in relation to the UK's withdrawal from the EU. As such, the business pipeline is being closely monitored and client expectations managed accordingly. The 2018 year-end forecast for new signatures is between EUR 54bn and EUR 63bn (i.e. within the approved flexible lending orientation of EUR 67bn +10%/-20%).

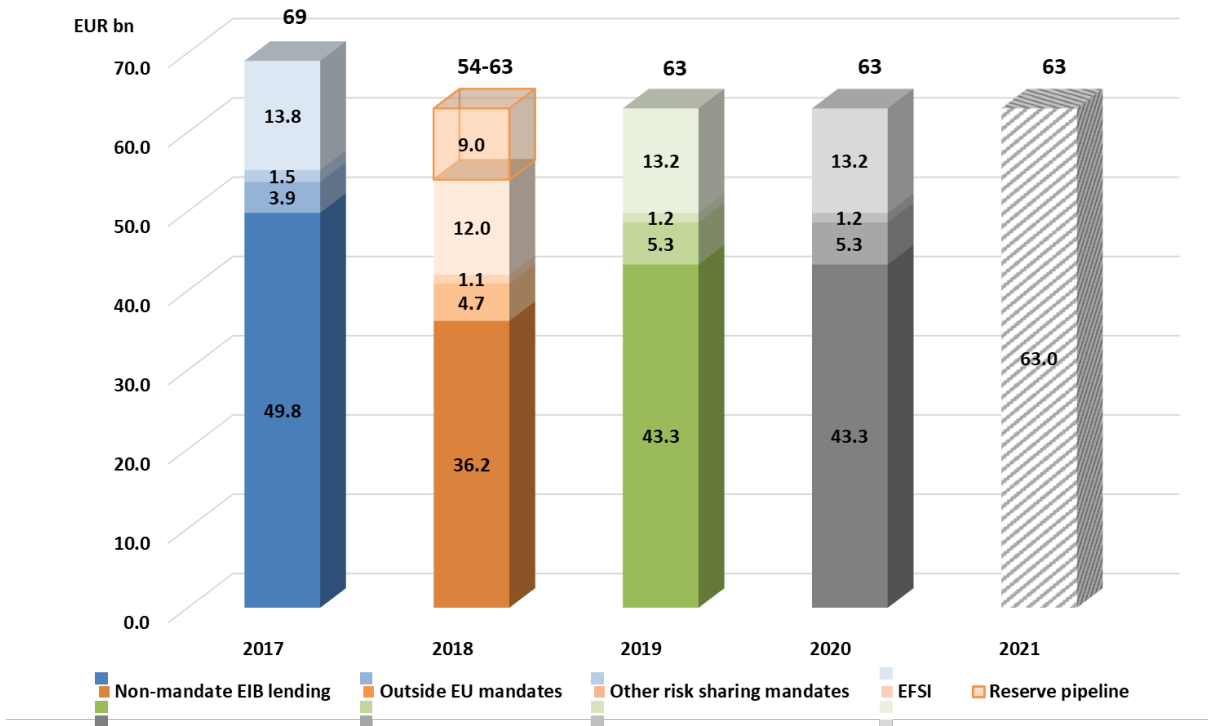
The 2019 lending orientation of EUR 63bn (+10%/-10%) and the preliminary indications for 2020 and 2021 assume that the UK's capital is replaced. Due to the uncertainties around the timing of the decision on the capital replacement and the resultant cautious 2018 lending volume assumptions, the capital headroom which may remain available at the end of 2018, if prevailing conditions and risk metrics also allow, may be utilised in the future years lending programmes within the flexibility margin of +10%/-10%.

Graph 1: Evolution of the EIB Lending Programme



Graph 2 shows the balance between mandate activity and other non-mandate financing. For 2021 no split is shown pending on the EIB's role under the proposed use of budget guarantees and financial instruments for the post-2020 MFF.

Graph 2: Mandate activity vs. other non-mandate financing



Lending Programme – Key challenges

The challenges to balance the achievement of EU policy objectives which are not mutually compatible, to implement various mandates and to optimise the Bank's value-added have been articulated in previous Operational Plans and remain relevant. It is also well known that negotiations on the EIB's role in the post-2020 MFF are ongoing and will affect the EIB Group's business significantly. However, the decision of the UK to withdraw from the EU and the potential consequences on EIB capital means that the over-riding challenge for the immediate future is to maintain the EIB's long-term financial sustainability.

The decision of the UK to withdraw from the EU has slowed down the EIB activities in the UK. The impact of Brexit will vary across Member States and markets depending on the importance of the links with the UK economy and financial sector and have the potential to affect EIB lending inside the EU. The EIB's activities outside the EU continue to be affected by political and financial uncertainty. Further political and economic developments are present and growing around the globe such that the full scale of the related challenges facing the end-to-end implementation of the signature and disbursement programmes, both past (portfolio) and future (new lending), requires the EIB to be especially agile.

The continuous development of new products and initiatives, including increasing workflow for risk management and control and compliance functions, continues to be demanding and requires significant staff capacity within the Bank. Complex and riskier new financing products are also typically more costly as they entail more due diligence, regulatory compliance, legal analysis and reporting requirements. Inside the EU in particular, the Bank's ability to generate financial value-added remains vital for the uptake of EIB funds. Determining a suitable method of measuring financial value-added for the extensive range of products offered by the EIB in the current economic climate is an important challenge. The cost and pricing factors are also a major challenge to cost coverage and financial sustainability, specifically in the current low interest rate environment.

Lending Programme – Focus and approach

Table 1 reflects the breakdown of the signature and disbursement levels by region. The 2019 lending orientation and preliminary indications for 2020 and 2021 are based on the lower end of the 2018 forecast for new signatures of EUR 54bn (with EUR 63bn indicating the upper end forecast for 2018).

Table 1: Signatures and Disbursements utilising EIB own resources- inside / outside EU[#]

EUR bn	2017 achieved	2018 forecast	2019 orientation	2020 indicative figures	2021
Total Disbursements inside EU	53.7	43.2-49.0	43.7-49.5	42.5-48.3	tbc*
Total Disbursements outside EU	5.4	4.8-5.0	5.3-5.5	5.5-5.7	tbc*
Total Disbursements	59.1	48.0-54.0	49.0-55.0	48.0-54.0	49.5-55.5
Total Signatures inside EU	62.4	47.2-55.0	55.0	55.0	tbc*
Total Signatures outside EU	6.5	6.8-8.0	8.0	8.0	tbc*
Total Signatures	68.9	54.0-63.0	63.0	63.0	63.0

[#] The orientations for overall signatures are all subject to the +/-10% flexibility range

* Pending on the role for the Bank under the proposed use of budget guarantees and financial instruments for the next MFF.

Signature orientations (including Special Activities and Public Policy Goal orientations) for 2019 are set with +10%/ -10% flexibility allowance for continued uncertainties in market demand and so that planned capital consumption is optimised over the period – necessarily taking into consideration the forecast results of 2018 as well as the evolution of relevant related business assumptions. Disbursements are based on signature orientations and are indicated as ranges.

Inside EU

Total signature volumes inside the EU are expected to remain stable at about EUR 55-56bn p.a. over the planning period in line with its Public Policy Goals. The EIB will remain committed to deliver EFSI and other major mandates linked to the EU budget. As post-2020 MFF negotiations are ongoing, indications for the implementation of InvestEU in 2021 are preliminary and subject to adoption of the legislation by the co-legislators.

Building on its strengths, the Bank will deliver long-term financing solutions within the EU using relevant products that meet market needs and maximise the impact of its interventions. In particular, it will use its market knowledge and established network of relations with public authorities and private investors in order to identify projects and design financing structures, which contribute to the cohesion and competitiveness of the EU economy. Additional offerings of a non-financial nature such as advisory services will also be provided in order to facilitate an active crowding-in of other funding sources.

Within the EIB's product suite, those which provide higher risk financing under EFSI may currently have the highest political visibility and expectations to deliver. Nevertheless, the EIB's standard products remain highly relevant for collectively raising and distributing significant volumes of finance to projects and/or counterparts not eligible under EFSI. As such, the Bank continues to play an important role in providing finance through credit intermediation, which still gives a significant level of support to SMEs and further strengthens employment and competitiveness in the EU.

In order to reach a large number of SMEs & Midcaps efficiently, the EIB Group cooperates with a wide network of financial intermediaries building on their expertise, local knowledge and proximity to the businesses. The lack of access to finance for some SMEs & Midcaps remains a structural market failure with important differences by geography, business segment and financing type (see special topic *Investment: mid-to-long-term needs and financing gaps*). At the same time, in those regions where access to finance is improving, the EIB Group's focus is shifting towards high value-added operations and complementary priorities of SME & Midcap finance such as Innovation and Climate Action.

Demand remains high for traditional investment loans catering to both national and regional investments and covering a wide range of priority areas: R&D and education, infrastructure, energy, environment, and digitalization, etc. Framework loans can also provide support to development strategies and investment programmes of European regions. These provide funding to regional roads, public infrastructure and services such as schools, health and social care facilities, broadband etc., in part co-financed with EU funds.

In terms of Cooperation, inside the EU, EFSI has enabled the Bank's range of financing products to be expanded significantly. EFSI has facilitated the development of new so-called 'Special Activities' products targeting in particular the higher risk private corporate sector that would otherwise have no access to credit. With EFSI, the underlying products generate higher additionality than standard products, making EFSI a unique instrument for targeting sustainable growth and employment, which are vital for cohesion and competitiveness. The availability of the wide product range under EFSI also facilitates the Bank's activities in support of Cohesion and Climate as well as competitiveness as illustrated in [Section 5](#).

Selective growth debt funds and non-granular securitizations are in their pilot stage. These transactions refine the EIB's product offering in the Mid-Cap financing segment and support the channelling of debt to the real economy, in line with the Capital Markets Union efforts to crowd non-bank investors into debt financing. The Bank's product offer and origination efforts will furthermore complement those of the EIF which focus on diversified i.e. granular loan funds and securitisation and, for non-granular funds, on the smaller SME financing segment.

Furthermore, the Cleaner Transport Facility, being developed in cooperation with the Commission, will support transport integration, energy related solutions (electric vehicles) and the roll out of associated infrastructure for the decarbonisation of mobility.

The new instruments are likely to have an even stronger impact and ensure a broader outreach to new customers and markets. Continuing the pattern of recent years, a high proportion of transactions with new clients² is expected.

The versatility of the overall product range and the increasing reach of the EIB into new customer and markets means that overall impact and additionality of EIB intervention inside the EU is expected to see an upward trend – see further details in [Section 5](#).

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

Outside EU

Outside the EU, the Bank will continue to ensure that investments are channelled to projects where they are most effective, ensure additionality and can provide the strongest sustainable long-term impact. This will take place not only through the private sector but also via the public sector, notably through adapted infrastructures and services, as a prerequisite for private sector development. Together, public and private sector investment helps to support countries in their ability to respond and build longer-term resilience to shocks and crises, such as large, sudden and uncontrolled movements of people. The projects promote sustainable development through improved living conditions, especially in areas of high vulnerability, and through long-term growth and employment opportunities.

The EIB will continue to promote the goals defined in the EU's external cooperation and development policies on the basis of the ELM and Cotonou mandates, as well as the EIB's own resources. By virtue of these instruments, the Bank foresees stable signature volumes outside the EU of EUR 8bn p.a. until 2020, of which about two thirds may come under the mandates with EU or Member States guarantees. As of 2021, the EIB's ability to proceed with activities outside the EU will depend on the outcome of the ongoing negotiations on the proposed Neighbourhood, Development and International Cooperation Instrument.

A key challenge under the current ELM remains the ambitious delivery targets. In the Western Balkan and Southern Neighbourhood Countries, the Economic Resilience Initiative (ERI) has substantially increased the targets and in some cases Technical Assistance (TA) from the dedicated ERI TA Facility approved by the Board of Directors is being deployed to both support implementation of existing EIB projects and also to identify new projects that contribute to economic resilience in the region.

Mandate resources will also continue to be directed towards private equity and microfinance investments, with focus on investments in Fintech and Venture Capital. Improving access to finance for Micro SMEs will continue via investments in generalist SME funds in order to foster economic growth, job creation and financial inclusion. Lending to microfinance institutions will ensure provision of credit and other essential financial services to the poorest groups in society, often women and vulnerable groups, ultimately contributing to an increase in economic resilience, enabling countries to absorb shocks such as large movements of people. In addition, support for EU external diplomacy continues, for example through the deployment of EU "MADAD" grants for urgently needed water and wastewater infrastructure in Turkish towns along the Syrian border receiving many refugees.

The Bank still commits to 35% of new financing volumes in developing countries contributing to Climate Action by 2020. Projects will target both climate change mitigation and adaptation, in order to provide better protection and resilience for people, assets and ecosystems against current and future climate change.

In addition, financing activities outside the EU entirely at the EIB's own risk under the existing Own Risk Facilities (ORF) will continue to complement financing activities under mandates. The Bank will take a cautious approach in selecting projects under ORF, prioritising opportunities to promote global public goods such as Climate Action or the protection of the environment, or to support strategic projects such as EU companies' investments outside the

EU, whilst being watchful that outside EU activities remain aligned with the Bank's risk appetite.

In October, the EIB Board of Directors was updated on the EIB's reflections on how to optimise the EIB Group's structure for global activities in order to reduce fragmentation and increase EU visibility and interests outside the EU. Discussions with Member States and their bilateral agencies, as well as the Commission and EEAS on this issue continue.

Public Policy Goals (PPG)

The PPG orientations presented below indicate a continuing strong focus on Innovation and Infrastructure support. Market demand for projects under the Environment goal keeps increasing, notably for sustainable transport projects with a high contribution to Climate Action; a trend already observed in 2018 and expected to continue. Therefore, the relative share for Environment support as a percentage of total new signature volumes is anticipated to increase compared to orientations set in prior years.

In contrast, the new volume orientations which solely aim to support SME & MidCap finance will be set at a lower level compared to orientations set in prior years. This trend is partially due to a slowdown of standard intermediated lending in currently highly liquid markets. However, it also reflects increasing blending of the SME PPG with other primary PPGs, notably Innovation. It also reflects the success of the EIB's enhanced offer in risk-sharing and capital relief products. The EIB's new product generation typically involves smaller amounts while achieving a higher leverage on the volume of SME & MidCap investment mobilised. Notwithstanding the overall lower signature volumes targeted under the SME PPG, the Bank will thus continue to provide a significant level of support to the SME & MidCap sector, which remains key for growth and employment within the EU.

It is also important to recognise the EIF's contribution to SMEs (ABS, capped and uncapped guarantees, loan and lower mid-market funds) and Innovation (InnovFin SMEG, Venture Capital activity). The EIF will continue to contribute to these two PPGs via EIB, Commission, private and Member States mandates, complemented when needed by the EIF's own risk capacity. Overall activity should remain steady over the next three years spread equally between these two PPGs. EIF support to SMEs and Innovation is expected to be at least EUR 5.3bn and EUR 4.6bn p.a., respectively, in 2019 and 2020, which means that the total 'real' EIB Group's support to SMEs and Innovation could exceed EUR 22bn and EUR 19bn p.a., respectively.

Overall, 30% of all signatures should contribute to Economic and Social Cohesion and Convergence. Effective project selection in favour of Cohesion support should help to ensure that this ambitious target can also be reached in the coming years.

Over the coming years, the Bank will seek to retain its position as the largest multilateral provider of climate finance and is committed to a contribution exceeding 25%³ of its total own resource lending to climate action annually. As such, EIB aims to deliver on its pledge to increase the share of climate action finance from 25% to 35% of total lending in developing

³ This annual Climate Action indicator is computed for the Bank's portfolio as a whole, aggregated over all EIB own resource operations. Climate Action content is assessed during project appraisal and reported to the Board of Directors at project approval. It is based on a list of eligibility criteria that is published on the EIB website: <http://www.eib.org/en/infocentre/publications/all/climate-action-lending-eligibility-list.htm>

countries by 2020 and is committed to financing a total of US\$100 billion globally from 2016-2020.

2018 PPG and transversal indicators forecasts, 2019 orientations and preliminary indications for 2020 and 2021 are indicated in [Table 2](#).

Table 2: Public Policy Goals[#]

Signatures (own resources) by Public Policy Goals** (EUR bn)	2017 achieved	2018 orientation	2018 forecast	2019 orientation	2020 indicative figures	2021
Innovation	14.1	15.3	12.4	14.5	14.5	tbc*
- inside the EU	13.9	14.9	12.15	14.1	14.1	tbc*
- outside the EU	0.2	0.4	0.28	0.4	0.4	tbc*
SMEs & Midcap finance***	20.4	18.4	13.8	15.8	15.8	tbc*
- inside the EU	18.2	15.7	11.7	13.5	13.5	tbc*
- outside the EU	2.2	2.7	2.1	2.3	2.3	tbc*
Infrastructure	17.9	16.8	13.5	15.8	15.8	tbc*
- inside the EU	16.5	14.4	11.6	13.6	13.6	tbc*
- outside the EU	1.4	2.4	1.9	2.2	2.2	tbc*
Environment	16.5	16.5	14.3	17.0	17.0	tbc*
- inside the EU	13.8	13.5	11.6	13.9	13.9	tbc*
- outside the EU	2.7	3.0	2.7	3.1	3.1	tbc*
Total Inside & Outside EU	68.9	67.0	54.0	63.0	63.0	63.0
Economic and Social Cohesion and Convergence (EU, EFTA and Pre-Accession) - % of signatures	30.1	30.0	30.0	30.0	30.0	tbc*
Climate Action (EIB total) - % of signatures	28.2	26.0	26.1	26.1	26.3	tbc*

[#] The orientations for innovation, SME's and Midcap finance, infrastructure and Environment are all subject to the +/-10% flexibility range associated with overall new lending signature orientations

* Pending on the role for the Bank under the proposed use of budget guarantees and financial instruments for the next MFF.

** Excludes EIF signatures which, from an EIB Group perspective, contribute to both the SME & Midcap finance and Innovation PPGs (achieved 2017, EUR 4.7bn and EUR 4.6bn respectively; forecast 2018, EUR 5.5bn and EUR 4.8bn respectively; expected for 2019/2020 at least EUR 5.3bn and EUR 4.6bn respectively).

*** See explanations in the text above, which elaborate on the blending of the SME PPG with other primary PPGs, notably innovation, which means that the overall EIB support to SME & MidCaps by the Bank is expected to be at least EUR 17.4 bn p.a. in 2019 and 2020. In addition, EIF support to SMEs is expected to be at least EUR 5.3bn in 2019 and 2020.

Reporting on Public Policy Goals – evolving EU priorities

The EIB's reporting on lending objectives has evolved with the changing priorities of the EU, resulting in the current system of four PPGs and two transversal indicators for which targets are set in the Plan. New internal and external challenges are surfacing. The number of additional objectives is becoming increasingly difficult to handle at an operational level (particularly for new operational initiatives such as EFSI and ERI) and the post-2020 MFF will set new EU principles and priorities which must be reflected in the EIB's lending objectives.

The proposed EU principles focus on European value-added and performance - 'doing more with less'. The proposed priorities at EU level are single market, innovation and digital, cohesion and values, natural resources and environment, migration and border management, security and defence and neighbourhood and the world. The alignment of EIB PPGs with the new priorities at EU level should respect the EIB's eligible sectors and activities.

In anticipation of the results of the post-2020 MFF discussions, the Bank is in the process of assessing its current PPGs and related reporting and has recently concluded a benchmarking study comparing the EIB's reporting on lending objectives with other International Financial Institutions (IFIs). The study indicates that the EIB is broadly in line with 'usual practice' in its combination of primary and transversal objectives, which reflect the specificities of its mission.

Additionality is a much debated concept among IFIs which captures a clear and simple premise that interventions by IFIs should contribute something socially valuable that would not otherwise happen. At the EIB, additionality is considered to be using our unique status as the EU's financing institution to enable and enhance investment projects contributing to EU policy objectives through our financing and advice. The EIB's framework for measuring additionality is being strengthened in order to maintain relevance and credibility.

Other spheres of influence on MDB reporting relate to the UNs SDGs and to the definition of mobilisation for which the alignment with EIB's PPGs and value-added frameworks is also being considered.

Special Activities

Special Activities – within the Bank

Special Activities enable the Bank to support priority projects through assumption of higher risk profile compared to standard operations – either at the EIB’s own risk or in risk-sharing partnerships with the Commission, which have the backing of EU guarantees.

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

Table 3: Higher Risk Special Activities, Risk-Sharing, EFSI Infrastructure and Innovation Window (IIW) & InvestEU (post-2020)[#]

EUR bn	2017 achieved	2018 forecast	2019 orientation	2020 indicative figures	2021 indicative figures
Special Activities (higher risk)* / EFSI / InvestEU	16.4	13.4	14.7	14.7	<i>tbc</i> **
Other Risk Sharing / Mandates	1.5	1.2	1.4	1.4	<i>tbc</i> **
Total Special Activities	17.9	14.6	16.2	16.2	16.9
Estimated EFSI investment mobilised (IIW)***	59.0	50.0	55-60	55-60	10-15

* of which approximately EUR 1.4-2.5bn p.a. own-risk Special Activities

** Pending on the role for the Bank under the proposed use of budget guarantees and financial instruments for the next MFF.

*** Estimations of the investment resulting from EIB intervention made at the time of project signature.

orientations for Special Activities signatures are subject to the +/-10% flexibility range associated with overall new signatures orientations

The EIB Group remains strongly committed to maintain mandate activity under EFSI and other risk-sharing mandates and partnerships. Being the sole implementing agent for EFSI has allowed the EIB to ensure high efficiency levels and mobilise investment that delivers real value-added for the EU economy. Indeed, EFSI is the main instrument for Special Activities in the EIB Group, and has been designed to complement the EIB’s own resources to enable the Bank to increase the scale of its risk tolerance and its overall volume of operations with a Special Activity risk profile.

The EFSI intermediate investment target of EUR 315bn was surpassed successfully in July 2018, based on 898 approved operations, with a lending volume of EUR 65.5bn, which are expected to trigger EUR 335bn in investment across the 28 EU Member States. Given this success, the Council together with the European Parliament have already agreed to extend the duration and capacity of the EFSI mandate aiming to facilitate a total of EUR 500bn of investment by end-2020. With an approved lending volume of EUR 69.5bn as at 11 December 2018, the EIB Group expects to facilitate EUR 371.2bn of investments, being well on track to meet its 2020-target. Projected signature volumes are also on track to meet the EUR 500bn investment mobilised target in 2021⁴, taking into account current levels of investment multiplier and a normal degree of pipeline attrition or delays between approval and signature.

The roll-out of the IPE has also further enhanced the cooperation between NPBI and the EIB Group (see also [Section 5](#)). NPBI play a key role due to their particular expertise and knowledge of the local context, business and investor communities as well as national policies and strategies. Cooperation takes place through a broad range of products including NPBI-

⁴ According to Art.9 of the extended EFSI regulation, the investment period during which the EU guarantee may be granted shall last until 31 December 2020, for EIB operations for which a contract between the EIB and the beneficiary or financial intermediary has been signed by 31 December 2022.

dedicated programmes or envelopes, like the NPB Equity Window, the EIF-NPI Equity Platform or the EIF-NPIs Securitisation Initiative ENSI, targeting the demand for equity and equity-like instruments in the market, which is not fully met by the private sector. The EIB can help to address this gap in partnership with NPBI and efforts will continue to enhance cooperation, both for the absorption and reach of the EFSI and in developing new products, platforms and co-investments structures to serve evolving market needs.

Other risk-sharing mandates, essentially InnovFin and the Connecting Europe Facility (CEF), will continue to be pursued in 2019 and 2020 at a level in line with the strategic orientations retained for the remaining budgetary period. Following a repositioning of InnovFin to ensure better complementarity with EFSI, the InnovFin product offering has been expanded, into thematic products better addressing the specific financing needs of selected innovative sectors, including mainly projects under the Energy Demonstration Project (EDP) Facility or the Infectious Diseases Finance Facility (IDFF). New thematic investment platforms will also continue to be developed in cooperation with the Commission, noting that they remain subject to the EIB Board of Directors approval. A strategic re-orientation of the CEF DI Delegation Agreement is now envisaged aiming to expand into thematic products with a focus on innovative solutions notably in the transport sector.

For Special Activity operations outside the EU, the EIB (in co-operation with the Commission) has set-up a Guarantee Mandate Framework under the Neighbourhood Investment Facility (NIF) targeted at the creation of a standardised capped portfolio guarantee. A first pilot under the new Framework is the EU Trade & Competitiveness Programme, with first operations in late 2018.

The figures in [Table 3](#) do not include EIF activities under the EIB mandates managed by the EIF. These are shown in the following [Table 4a](#)

Special Activities - within the EIF

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

EUR bn	2017 achieved	2018 forecast	2019 orientation	2020 <i>indicative figures</i>	2021 <i>indicative figures</i>
EIF Mandate Activities (including EFSI/InvestEU)	1.9	1.4	1.2	1.2	tbc*
Risk Capital Resources (RCR)	1.4	1.0	1.2	1.2	tbc*
of which:					
- EFSI / InvestEU	-	0.3	0.7	0.5	tbc*
EIB Group Risk Enhancement Mandate (EREM)	0.5	0.4	-	-	-

* Pending on the role for the EIF under the proposed use of budget guarantees and financial instruments for the next MFF.

In July 2018, the EIB approved a EUR 1.5bn increase of the Risk Capital Resources mandate (RCR) as an additional contribution to the EFSI SME Window (SMEW). The increase will be implemented via three equal annual tranches, starting in 2018. In addition, based on reflows, which increase the EIF's funding capacity, in 2019 and 2020 the EIF expects to deploy EUR 0.5bn to EUR 0.7bn p.a. of RCR resources outside the EFSI framework.

The EIF will continue its program of disposal of tail-end funds (i.e. funds that are approaching, or have exceeded, their anticipated life - on average EUR 0.2bn p.a.), and consider further private equity asset sales under the RCR as part of capital optimisation measures launched within the EIB Group.

The EIB Group Risk Enhancement Mandate (EREM) will expire in 2018. While collaboration between the EIB and the EIF will continue under the Service Level Agreement (SLA) model for ABS transactions, the SLA model for equity investments will also end in 2018.

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

Table 4b: EFSI SME Window – deployed by the EIF

EUR bn	2017 achieved	2018 forecast	2019 orientation	2020 <i>indicative figures</i>	2021*
EFSI - SMEW (signatures)	2.9	4.1	6.1	6.2	-
<i>of which:</i>					
- EIB backed (higher risk) /RCR	-	0.3	0.7	0.5	-
- EU backed (risk sharing)	0.8	0.6	0.9	0.9	-
- Backed by other resources	2.1	3.2	4.5	4.8	-
Estimated EFSI investment mobilised:	29.4	25.0	39.0	40.0	-

*Pending on the role for the EIF under the proposed use of budget guarantees and financial instruments for the next MFF.

By July 2018, the EFSI SMEW contributed more than EUR 108bn to the original EUR 315bn target of investment facilitated across the EU. Until 2020, under the extended EFSI SMEW the EIF expects to facilitate additional EUR 40bn of investment p.a. through the increase of equity windows targeting early and later stage companies; new products including for SME access to alternative financing (debt funds), dedicated windows e.g. for education and skills, or targeting the agricultural sector, are also under development.

Advisory Services

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

Table 5: Advisory activities

	2017 achieved	2018 forecast	2019 orientations	2020 <i>indicative figures</i>	2021*	2019-2021 average
Number of new assignments - Inside EU	385	420	420	390	400	403
- of which through the EIAH	9%	11%	13%	15%	17%	15%
Number of new assignments - Outside EU	99	110	110	90	100	100
Total number of new assignments	484	530	530	480	500	503
Total estimated investment cost of projects supported (EURbn)	27.0	35.0	35.0	35.0	30.0	33.3
Number of Group operations benefiting from Advisory support	75	80	80	85	75	80

* Pending the decision on the role for the Bank under advisory mandates under the post-2020 MFF

The priority for this planning period is the successful implementation of existing advisory programmes. JASPERS will continue to support the preparation of major projects, with an estimated number of projects to be approved by the Commission in 2019-2021 of 180 for a total project cost of ca. EUR 50bn. It is expected that a significant percentage of these projects will also be co-financed by the Bank. Particular focus is on the continued contribution of the EIAH to the IPE, the absorption of European Structural and Investment Funds (ESIF), as well as the facilitation of the combination of multiple sources of funds, now made easier by the adoption of the Omnibus regulation, notably through the development of investment platforms. This will facilitate the implementation of financial instruments which enhance the use of EU and public money whilst allowing to crowd in private investors. The Bank will also actively contribute to the development of the European Innovation Council to be established first as a pilot and then under the future Horizon Europe programme. Furthermore, the Bank will continue to develop advisory programmes such as Urban Investment Support (URBIS), which have already proven themselves. The EIB will use 2019-2020 to explore with the Commission how such programmes can be continued and funded during the next MFF. It is not currently anticipated that material new advisory programmes will be established in 2019-2020, notwithstanding the expected implementation of the already approved NER300 support programme under InnovFin Advisory and possible expansion of existing Project Advisory Support programmes in Romania, Bulgaria and potentially Poland. Existing programmes (including, for example, ERI TA) have ambitious objectives and their delivery will be challenging given available resources.

In parallel to the delivery under existing programmes, preparation is also underway for the post-2020 MFF. A substantive role in managing EU TA and the availability of an adequate level of EU funding remains critical for future delivery of most EIB advisory activities. The EIB therefore intends to build on its key strengths including its depth and breadth of expertise, its unique geographic coverage across EU-27, its successful deployment of the EIAH and its proven strong collaboration with external partners to position itself as the operational coordinator and main implementing partner of the InvestEU Advisory Hub. Furthermore, the Bank will selectively aim to manage dedicated technical assistance programmes beyond the remit of InvestEU, such as in the cohesion area.

The EIB financial contribution to advisory programmes is expected to remain in accordance with already agreed financial and contractual arrangements over the 2019-2020 period. As the EIB's Advisory Services have developed, they have continued to bring value for a modest up-front cost and minimal capital consumption both to the investment environment through extensive capacity building and to the Bank's operational activity through its support for the generation of a pipeline of better quality, well prepared and bankable projects.

The lending and advisory services programme presented above has been developed with respect to relevant risk parameters and appropriate resource management.

4. Financial Sustainability

Funding and Investor Relations

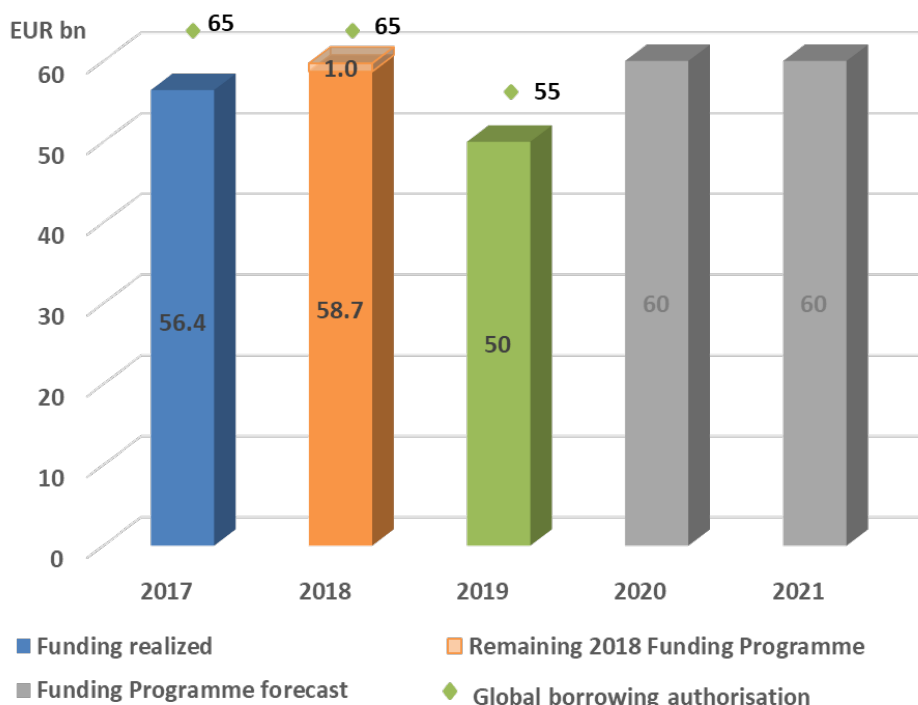
The Bank's high credit rating is the basis of its business model. Investor confidence, similar to credit evaluation, is built both on the financial strength of the EIB and on the strength and availability of support from its Member States.

The Bank held annual rating meetings with S&P, Moody's and Fitch during June and July. The AAA rating with a stable outlook was affirmed by S&P on 31 July 2018, Fitch on 11 September 2018, and by Moody's on 14 September 2018.

In their most recent analyses, the rating agencies appraise positively the intrinsic financial solidity of the EIB and cite the close relationship of the EIB with its shareholders as a strength. The rating agencies expect Member States would continue to demonstrate a high level of support.

The funding programme forecast reflects the borrowings required to meet the orientations presented in [Section 3](#). Beyond the lending targets, the funding volumes over the forecast horizon consider most major cash flows of the Bank such as borrowing redemptions, estimated bond buy-backs and loan reflows. The resultant expected annual borrowing needs in 2019 are shown in [Graph 3](#) together with preliminary indications for 2020 and 2021. The global borrowing authorisation for 2019 is EUR 55bn.

Graph 3: Evolution of the EIB Borrowing (Funding) Programme



The EIB will continue to deploy a funding strategy that is based on issuance of large and liquid benchmark transactions in the main currencies, complemented by targeted issuance (plain vanilla and structured), diversification of currencies and markets and a strong and visible

component of sustainable debt products. EUR and USD remain the main currencies for issuance in large, liquid size and will constitute the anchor of the funding programme.

To attract new investors from less explored market pockets and to lead market development, the EIB will continue to innovate and refresh its product range, by looking at new currencies and new structures, for example the first SONIA GBP benchmark issued at the end of June. In addition to the volumes brought by benchmark issuance (between 75%-85% each year) and the relatively small portion of structured transactions and new product issuance, the multicurrency component relies on numerous plain vanilla transactions to bring in 12%-15% of total funding each year.

In order to adapt more efficiently to the realities of the market, the Capital Markets activities within the EIB will move away from the current organizational structure based on currencies to a new one, based on product types. This will include benchmark funding in EUR and USD, plain vanilla bonds in all currencies, new product development, sustainable debt products and investor relations. This structure is expected to facilitate the internal response to an increasing diversity in investors' preferences in terms of currencies.

The Bank has a leading position in green bonds, not only as issuer but also as a key institutional engine for establishing best market practices and fostering the incubation of new products. The EIB issued EUR 4bn equivalent of Climate Awareness Bonds (CABs) in 2018 and remains the largest issuer of green bonds worldwide. Besides, the Bank has been nominated part of the European Commission Technical Expert Group on sustainable finance in order to assist in developing the taxonomy of environmentally sustainable activities and the EU Green Bond standard. In line with the Commission's legislative proposals of May 2018, the EIB supports the EU Action Plan for Sustainable Finance, providing expertise on EU-wide definitions of climate action and environmentally sustainable activities.

Drawing on the European Action Plan to establish a more sustainable financial system and the UN 2030 Agenda for sustainable development, the EIB issued its first Sustainability Awareness Bond (SAB) in September 2018, a EUR 500 million transaction due 2026, which represents the first EIB bond intended to directly support sustainable objectives beyond climate. With SABs, the Bank extends its established allocation and reporting practice to enhance capital market transparency and accountability in further areas of environmental and social sustainability. The new SABs complement CABs, which will continue to support renewable energy and energy efficiency projects worldwide.

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 EIB's financial strength, reflected by its high credit rating assessments, is key to the Bank's business model as it allows a favourable access to capital markets and low funding costs. Solid key risk measures are essential to sustain the financial strength of the Bank.

Financial Planning

Table 6: EIB Net Surplus (before provisions)

EUR m	2017	2018	2019	2020	2021
	Achieved	Forecast	Orientation	indicative figures	
Net Surplus	2,733	2,446	2,191	2,109	2,040
- of which Financial Surplus	3,491	3,197	2,980	2,921	2,876

Following the current business and market assumptions, the Bank's Net Surplus is expected to slightly reduce over the next three years.

Budgetary Planning

Operating Revenues and Expenses Budget for 2019

Table 7: Total EIB Operating Budget 2019

EUR m	2018 Budget	2019 Budget
Intermediation & Administrative Revenues	1,593.8	1,566.9
Depreciation & Operating Costs	-1,025.3	-980.4
Cost Coverage (EUR m)	568.6	586.5
Cost Coverage (%)	155%	160%

EIB Capital Budget

Table 8: 2019 Total EIB Capital Budget

EUR m	2018 Annual Budget	2019 Annual Budget	Beyond 2019 Multi-annual Budget
Total Capital expenses	46.3	44.0	235.2

5. Impact and Additionality

The EIB's impact and additionality is about "making a difference" when markets fail to address investment gaps and structural deficits. To justify its privileged position as a treaty-based Bank owned by the EU Member States, every EIB operation needs to demonstrate impact and additionality. Whilst impact means the difference that the EIB projects make in the wider economy, notably in terms of job creation and GDP growth, additionality means using the EIB's unique status as the EU's financing institution to facilitate and strengthen investment projects through financing and advice. In practice, this means addressing market failures or gaps in social equity leading to sub-optimal investment situations, improving the quality, scope, timing or scale of an investment, as well as being complementary to financing available from commercial sources.

As the EU vehicle for investment acting as an integral and dynamic part of the EU architecture, the EIB Group is focused on making a difference in key policy areas encapsulated in the **Public Policy Goals (PPGs) of support to Innovation, SMEs and Midcap finance, Infrastructure and Environment together with support to Economic and Social Cohesion and Convergence and to Climate Action.**

Demonstrating Impact in the Real Economy

Investments supported by the EIB Group have a significant EU impact in terms of job creation and economic growth. The EIB Group operations provide both a short-term boost to the economy (the "investment effect"), which fades over time, and a longer-lasting structural impact on productivity and competitiveness. By 2020, investments supported by the EIB Group in 2017 alone are expected to have raised the level of EU GDP by 1% and to have added nearly 1.2 million jobs. Over time, the investment effect diminishes, as loans are repaid and capital goods depreciate, but the structural impact of the investments on growth and jobs persists. By 2036, the expected impact is still estimated at around 0.7% of EU GDP above the baseline scenario and some 650,000 extra jobs.

Following the review of Operational Plan indicators, a new monitoring indicator "Total EIB Group Signatures" will be reported under the Impact and Additionality theme for own resources and third party funds and split by mandate / non-mandate. In addition, several relevant related statistics (such as impact on jobs and GDP and percentage of operations signed with new clients) and qualitative aspects have been developed and will be further strengthened which will allow more detailed and balanced reporting on Impact and Additionality to the EIB Board of Directors. (Please see *Annex*).

A review of the current PPGs will need to take account of discussions on the MFF post-2020, which will set the new EU policy objectives for the next financial period (see also special topic 'Reporting on Public Policy Goals – evolving EU priorities' in *Section 3*). The EU is committed to integrating the 2030 Agenda for Sustainable Development in all its internal and external policies. The review of the PPGs will assess how to incorporate sustainability and resilience concerns more systematically in the EIB Group's financial and advisory activities and transversal objectives.

Cohesion and challenges of inequality across the EU

The EIB's contribution to **economic and social cohesion** will continue to be paramount in responding to uneven development and bringing about a **convergence** of living standards and prosperity across the EU. Continued high levels of activities to support cohesion will be carried out via a mix of products including Structured Programme Loans, Sector Specific Programme Loans, and Transport Infrastructure Loans.

The EIB remains well positioned to continue its contribution to the Urban Agenda for the EU, which is expected to be complemented by a new European Urban Initiative under the new regulations for the European Regional Development Fund (ERDF) and Cohesion Fund. The EU housing overburden rate⁵ of over 11 % and the overcrowding rate of 16.7 % both need to be reduced. Policy priorities under the post-2020 MFF may shift to a "more social Europe", i.e. towards enhancing the socioeconomic integration of marginalized communities, migrants and disadvantaged groups through integrated measures including housing and social services.

The EIB has a successful track record offering financing for social and affordable housing in 18 Member States and stands ready to do more to close persisting gaps through both its financing and advisory services. In close cooperation with the Commission, the EIB is pursuing the establishment of a new blending facility for the integration of migrants and refugees within the EU. URBIS advisory support for urban investment in the EU has started successfully with EUR 4.3 billion of investment in EU cities supported to date, of which some 65% could lead to additional EFSI supported investment. Following this success story, the EIB and the Commission are exploring ways to scale up the URBIS facility.

Furthermore, the Bank intends to manage dedicated TA programmes in selected cohesion areas, in which the Bank has a compelling value proposition. The Bank's Advisory offering is focused on helping cohesion regions to reinforce their investment capacity. One of the constraints characterising cohesion regions is the relatively low capacity to develop and manage complex investments, such as those aimed at attracting private funding. The Bank has discussed with the Commission and relevant stakeholders, its wide range of advisory services which remain available to assist the EU in achieving imminent policy priorities under the next MFF, whether channelled through InvestEU or other programmes. The aim is to set up a business model of value for all stakeholders which maximizes the impact for advisory beneficiaries, whilst not jeopardizing the long-term financial sustainability for the Bank.

Innovation and other policy driven lending contributing to EU competitiveness

The EIB remains fully committed to strengthening the EU's competitiveness and long-term sustainable growth, in order to support higher levels of productivity, employment and prosperity. The competitiveness of European economies depends on the capacity of firms and industries to drive and adapt to change through **innovation**, raising productivity and achieving a presence in key strategic sectors. By offering tailor-made products covering the whole range of risk profiles, the EIB Group will continue to target its intervention to specific needs and

⁵ The percentage of the population living in households where total housing costs 'net' of housing allowances are over 40% of disposable income

thereby maximise its impact (see special topic: *Investment: mid-to-long-term needs and financing gaps* in [Section 1](#)).

The EIB's expertise ensures that investments are channelled to sound, economically viable projects in sectors that are critical for the EU's competitiveness. Priority areas for EIB support are in the **infrastructure** for energy, telecommunications, R&D and education, bioeconomy, and digitalization, in the form of both widespread deployment of ultra-fast broadband infrastructure and digitalization in industry. Development of skills to promote better alignment with societal and industrial needs is an additional priority area.

The EIB complements market financing, thus diversifying available financing resources, notably for innovative, high-potential firms including **SMEs**, which constitute Europe's economic backbone. Smaller **innovative** firms often lack collateral on account of their risk profile or reliance on intangible assets. In providing guarantees, the EIB alleviates commercial

Competitiveness Case Study – The Bioeconomy Sector

EIB investments in the Agriculture and Bioeconomy sectors are strengthening EU competitiveness through supporting SMEs, corporate investments in innovation, resource efficiency, environmental protection and public infrastructure development. EFSI has provided greater opportunities for the Bank to support investments in this sector, which is traditionally characterised by a higher risk profile.

Agriculture and the wider Bioeconomy plays an important societal role in supplying and processing quality food, fibre, biomaterials and energy. It contributes to around 9% of the EU economic output as well as 9% of the employment. In addition, the EU's rural economy has long suffered from underinvestment. The attractions of escaping a "rural way of life" are at the origin of rural to urban migration and the increasing depopulation of the "EU Hinterland" in many Member States. EIB support to the Bioeconomy sector helps to sustain jobs, both in the primary sector and supporting industries that are predominantly located in rural areas and small regional towns. From 2012 to 2017, EIB lending across all Bioeconomy sub-sectors and geographies reached more than EUR 33 bn.

Through its increasing support to the Bioeconomy sector outside the EU, the Bank contributes to important SDGs by fostering economic growth and employment and to reducing hunger and malnutrition, both in rural and urban areas.

banks' capital and liquidity constraints, thus allowing for a more targeted credit allocation. In addition, by providing mezzanine finance and equity the EIB Group complements financing that is available in the market.

Climate Action and Environmental Sustainability

The EIB, as the largest multilateral provider of **climate** finance globally, is committed to supporting the EU's climate action goals and to mitigating climate change's environmental, social and economic impacts. The Bank continues to pioneer the mobilisation of additional finance for climate action, with a special focus on crowding-in private finance, through both its blended finance instruments and its treasury instruments.

Member States are now required to deliver on the 2020 energy and climate targets and the EU's new 2030 climate and energy targets, recently agreed under the 'Clean Energy for All Europeans' package. Through both lending and advisory activities, the Bank will continue to support the delivery of these targets and the objectives of the EU Strategy on long-term EU greenhouse gas emissions reductions launched at UNFCCC COP24 in December 2018.

The EIB will continue to increase and diversify its climate action portfolio in support of the transition to low-carbon and climate-resilient development. Three key priorities are to (i) support accelerated investment in decarbonising the energy and transport sectors; (ii) increase support for climate adaptation and climate resilience, particularly in vulnerable countries, cities, economic activities and ecosystems; and (iii) identify climate action investment that also delivers benefits for other EIB priorities, notably competitiveness and cohesion in the EU.

The Bank support for renewables will continue to take place in a context of a continued trend towards greater market integration. For energy efficiency, building renovations will play an increasing role, supported through dedicated TA (such as the European Local Energy Assistance Facility (ELENA) programme, now in its 10th year), and targeted financial instruments such as the Smart Finance for Smart Buildings programme, which builds on the current EIB/Commission Private Finance for Energy Efficiency (PF4EE) initiative.

Transport remains the second largest emitter of greenhouse gas emissions in the EU. The Bank will continue to invest in lower-carbon transport solutions – particularly rail and urban public transport. Additional investment in innovative technologies, digital management systems and low emission vehicles will make an important contribution to the decarbonisation of the transport system.

Climate change impacts are already evident and increasing. The EIB will therefore aim to increase its support for investments that make the EU's infrastructure climate resilient. An area of expanded focus will be climate-smart agriculture and land use, including nature-based solutions, e.g. in desertification-prone areas of the EU.

The focus on climate action will also guide activities in developing and emerging economies. Across the world, the EIB will continue supporting large-scale investment in renewable energy (e.g. under the International Solar Alliance) and low-carbon transport. The EIB is expanding its focus on climate action activities in cities outside the EU. In September 2018, a Global Climate Cities Challenge was launched under the framework of the "Global URBIS" partnership together with the Global Covenant of Mayors and the MoU with the 100 Resilience Cities initiative of the Rockefeller Foundation.

The EIB is the largest global water financier and continues to secure dedicated funds for advisory services to build up a project pipeline and help implement projects in a sector where promoters tend to be weak. The new focus on "water security" is extending the sector's focus to hitherto unserved segments, including numerous small utilities, R&D / innovators and funds targeting industrial operators. Iconic water security projects such as the Red Sea Dead Sea desalination and water transfer project, and the Gaza desalination plant both with significant technical support from the Bank services are showcases for the EIB's commitment to securing climate resilience and supporting EU external diplomacy in the most vulnerable areas.

Increasing consumption levels and a growing population with rising standards of living calls for a shift to a more circular economy. Circular economy projects contribute to resource efficiency and renewable energy generation and help to address important environmental, public health and climate externalities related to sub-standard handling of solid waste. Such projects are often comparatively small, with a high risk and the EIB can help to address market failures in this area. With the Bank's ability to finance risk-sharing instruments, and to offer technical and financial advisory support to circular economy projects, the EU Bank has the potential to become the circular economy Bank. The Bank is also using its standard products for circular economy thematic operations and developing other new instruments. As an example, in October 2018, the EIB joined forces with KfW and AFD to launch the Clean Oceans Initiative. The initiative will provide long-term financing for projects reducing marine litter, especially plastics, as well as untreated wastewater discharge. It is global in nature but will focus particularly on operations in riverine and coastal areas in developing countries in Asia, Africa and the Middle East.

The EIB is providing circular economy advisory services through both the Advisory Hub, focusing on sector and technical issues, and Innovation Finance Advisory, focusing on financial aspects. Assignments have so far focused on developing new lending instruments with circular economy focus and advising circular economy project promoters. The EIB circular economy advisory services are adding considerable value in the EIB's support of the circular economy transition in the EU.

Cooperation with third parties

The EIB, as the EU Bank has the relevant financing experience and a successful track record of worldwide cooperation. The EIB Group regards the transformational EFSI model as the blueprint to build an increasingly efficient partnership with the Commission to ensure the best use of the EU budget.

The EIB Group has successfully cooperated with NPBIs for many years within its own operations and under various mandates and this cooperation enjoyed a significant boost in the context of EFSI. This applies both to investments, where NPBIs have been involved in a quarter of operations, and to advisory services, where numerous cooperation agreements have been set up. There is also close cooperation between the EIF and many NPBIs, with many being the EIF's shareholders. Going forward, the EIB is looking to take this cooperation to a new level by ensuring that all NPBIs, regardless of area or scale of operation, can directly benefit from the cooperation with the EIB Group, both in terms of financing and advisory services.

Collaboration with external partners, including NPBIs and International Finance Institutions (IFIs), will also remain a core element of the advisory delivery model. The Advisory Hub expanded its cooperation with the EBRD Advisory for Small Businesses programme into Croatia and will also provide further capacity building to those NPBIs that have been selected in the context of the Call for Expression of Interest, which gives access to Hub funding to support the development of advisory programmes at local level. In this way, the Hub is able to leverage the presence, networks and market intelligence of external partners to extend its reach and ensure a complementary system of support to beneficiaries.

Recently, cooperation amongst MDBs has broadened to tackling joint challenges through joint initiatives or platforms. The EIB has played a key role in steering the MDB community in its role as Senior Chair and co-Program Manager, alongside the World Bank, of the MDB Coordination Platform on Migration and Forced Displacement. This Platform is responding to a G7 request that MDBs facilitate the move towards operations having a greater impact on migration and forced displacement, underscoring the important role that international development finance can play in the implementation of the Global Compacts on Refugees and for Safe, Orderly and Regular Migration. The EIB also chairs the Infrastructure Data Initiative (IDI), a multi-stakeholder effort under the auspices of the G20 Infrastructure Working Groups to close data gaps in the infrastructure sector and mobilize more public and private investment towards the relevant SDGs. Infrastructure remains a top priority for engagement with MDBs and other partners: the EIB also takes active part in the MDB Infrastructure Collaboration Platform and the Due Diligence Working Group.

A key EU policy priority requiring future cooperation across the EU institutional family is to ensure a Europe that protects. Many years of fiscal austerity throughout Member States have taken a big toll on research and development in security and defence technology. With the European Security Initiative (ESI), the Bank is making a dedicated effort to support investments in security projects that serve both the civilian and defence sectors, with dual-use technology investments – particularly at critical civil infrastructures (transport terminals and interchanges) - while strictly respecting the limits of the EIB's policy framework. As a result, the EIB is strengthening its cooperation with the European Defence Agency (EDA) to further its support to collaborative projects as well as with the Commission.

The EIB is committed to further strengthen economic resilience outside of the EU. The 2015 Syrian refugee crisis highlighted the importance of strengthening the capacity of economies to absorb and rebound from crises and shocks, including large, sudden and uncontrolled movements of people, while maintaining strong growth. As part of a global approach, the EIB launched ERI in cooperation with the Commission to mobilise additional financing in support of sustainable growth and social cohesion in the Southern Neighbourhood and Western Balkans regions. It consists of three main building blocks: (i) to step up activities under existing frameworks by an additional EUR 2bn (target); (ii) additional EIB financing of EUR 1.4bn in the public sector supported by an EU public sector comprehensive guarantee to invest in vital infrastructure, plus up to EUR 340m of donor resources to be deployed alongside EIB financing; (iii) additional EIB financing of EUR 2.6bn providing support to the private sector through two channels:

- Additional EUR 2.3bn of support to the private sector backed by a comprehensive EU guarantee that enhances the EIB's risk bearing capacity; and
- EUR 300m of impact finance in the private sector financed from Donor resources and EIB ORF

The progress on ERI has taken time to materialise as negotiations with the Commission required some time and discussions with the Commission on Regional Technical Operational Guidelines are still pending. Nevertheless, the overall ERI pipeline shows enough headroom to achieve the target for public sector financing. The focus is currently on reinforcing the development of additional private sector projects, which constitute the larger part of the

initiative. Some of the challenges are the limited absorption capacity of the local markets for debt finance that meets ambitious policy objectives and the typically long lead-time of projects. The deployment of the ERI TA funding for project preparation is picking up and should be enhanced with the availability of a Framework Contract from 2019 and the dedicated ERI TA Facility will further mitigate some of the challenges. Therefore, whilst the overall implementation period was originally foreseen to end 2020, and may need to be extended to mid-2021, the quality of the projects which are materialising is high and implementation is expected to accelerate when concrete successful projects can be used to demonstrate the effectiveness of ERI to the Commission, Member States and to promoters.

The EU's External Investment Plan (EIP) promotes inclusive growth, job creation and sustainable development in EU partner countries in Africa and the EU Neighbourhood region, in order to tackle some of the root causes of irregular migration. The EIP has three pillars:

- Pillar 1: The European Fund for Sustainable Development (EFSD) Guarantee of EUR 1.5bn backed by a guarantee fund of EUR 750m from the EU budget and the European Development Fund and a further EUR 750m as contingent liability. Member States and other contributors can provide additional contributions to the EFSD Guarantee Fund;
- Pillar 2 of the EIP consists of TA to help authorities and companies to develop financially attractive and mature projects; and
- Pillar 3 supports activities promoting a conducive investment climate and business environment in the EU partner countries with the EU Delegations playing a key role.

The EIB is a member of the EIP Strategic Board and an advisor to the Commission on the management of the EFSD. The EIB also provides an opinion on the investment windows under the EFSD Guarantee to the Operational Board and hosts and leads the Guarantee Technical Assessment Group (G-Tag) - a technical group in charge of banking related activities and risk aspects of the EFSD Guarantee. In addition, the EIB has submitted a number of Project Investment Proposals for funding under the EIP that will be implemented during this planning period in partnership with the Commission and other partners (for example, the sustainable Cities Investment Fund).

The Bank has also been consulting with Member States, their bilateral agencies, the Commission and EEAS on how to work together to strengthen Europe's Development Finance Architecture.

Furthermore, the EIB is exploring the potential to mobilise resources from philanthropic foundations such as Bloomberg, Gates and Rockefeller. For example, the EIB and the Bill and Melinda Gates Foundation have been working together on three high profile projects i) a new health platform targeted at improving laboratory health diagnostic services for low-income populations in Sub-Saharan Africa, ii) the "Control Malaria Fund", aimed at financing a pre-identified portfolio of highly promising anti-malaria projects, iii) the "Breakthrough Energy Europe Fund", a joint partnership between the EIB, the Commission and Bill Gates' Breakthrough Energy Coalition to support investments in clean energy technology and innovation in Europe.

Cooperation Worldwide Case Study – Migration

The movement of people is largely unpredictable and migration decisions are multifaceted and complex, originating from a wide range of motivations. Nonetheless, with an estimated 250 million international economic migrants worldwide, 65 million forcibly displaced persons and the risk that climate change could displace up to 300 million by 2050, it is critical that the EIB continues to build economic resilience, support to climate action, promote sustainable development and enhance social cohesion.

The operational response to migration is complex. It needs to involve a broad range of interventions and actors, and will only yield results over a long period of time. As part of a joint EU response, the EIB builds on its key strength of long-term infrastructure and growth-orientated investment. Our approach is centred on the concept of building long-term economic resilience. This will be done through investments in:

- (i) vital infrastructure to improve the lives of beneficiaries and help foster sustainable and inclusive growth while creating jobs;
- (ii) infrastructure to create an enabling environment for the private sector and improve revenue mobilization;
- (iii) climate action;
- (iv) a more inclusive financial and banking sector that increases access to financial services and credit, particularly for women and young people.

As with all EIB operations, it will do so in a way that seeks to enhance gender equality, protect and uphold human rights and promote peacebuilding. It will also seek approaches that offer the best results and value for money for the European taxpayer, through partnerships, complementarity and collaboration with a wide range of actors, in particular the Commission, European bilateral development agencies and regional banks (e.g. MDB Cooperation Platform on Migration and Forced Displacement). Certain types of interventions will require TA and/or grant finance, and this applies in particular to countries affected by conflicts and fragility or non-bankable investments, where blended finance can deliver greater developmental impact.

As such, the EIB will seek to deepen its partnership with the Commission and sees scope for a closer strategic partnership that ensures greater complementarity and closer integration of grant-based tools implemented by the Commission and financing provided for infrastructure investments and private sector support.

The ACP-IF, under the Cotonou Agreement is the EIB's main instrument for private sector development in the ACP/OCT regions, with a broad range of financial instruments, including the special Impact Financing Envelope (IFE). This is complemented by the Bank's own resources lending focusing mainly on public sector infrastructure and benefitting from a comprehensive guarantee by Member States. As a sustainable fund, the IF has the capacity to provide a swift response to EU external policy challenges, including unexpected large movements of people as a result of forced displacement. It can also provide additional resources for public sector lending, as in the case of the EIB Infrastructure Package approved by the Board of Governors in November 2017, where the IF provides a cash flow based guarantee to the Bank's own resources financing.

The Commission foresees an increase in the use of banking instruments such as budgetary guarantees under its proposals for the new NDICI

The ACP-IF, as a revolving fund, has the potential to continue operating over the MFF post-2020 period without any additional resources from the EU budget. The Bank is asking to continue to manage the IF endowment and any reflows, irrespective of any decision of whether to integrate the European Development Fund (EDF), from which funding has traditionally come, into the EU budget

6. 'The way we work'

Building on people and organisational responsiveness

As the demands from stakeholders change, the EIB needs to define its response. The Bank will continue to implement policies to build its management culture through enhancements to existing processes, such as performance management targeted at helping to improve staff engagement. It will also promote a culture of meritocracy, along with openness, inclusiveness, transparency and compliance, as part of the wider culture change programme.

The EIB will continue to promote a strong culture of compliance across the EIB Group through the launch of a Compliance Culture Change Programme (CCCP). Compliance is, and continues to be, a shared responsibility of all staff and governing bodies. Its effectiveness depends on not only written policies and rules, as well as proper implementation and continuous monitoring, but also and foremost on the "culture of the organisation". In line with recommendations of the European Banking Authority and the Basel Committee, the EIB Board of Directors will also be more closely involved in the setting of compliance policies and the promotion of a compliance culture and ethical behaviour. One of the most important elements of the CCCP includes the systematic involvement of the EIB Board of Directors in the Compliance oversight and the setting of Compliance policies, including speak-up culture and ethics, in line with Best Banking Practice (European Banking Authority Guidelines on Internal Governance).

Further synergies are being developed in order to strengthen a consistent EIB Group approach to Compliance. The enhancement of the EIB Group compliance culture will reinforce the protection of the EIB's reputation through a collective commitment to EIB values and integrity principles. EIB Compliance promotes a speak-up culture, as well as recognising compliant and ethical behaviour in the performance evaluation of staff. Raising awareness of the importance of ethics and integrity, through the involvement and support of the governing bodies, the President and senior management, ensures that the "Tone from the Top" is driving the CCCP.

Changes in the volume, diversity and complexity of the Bank's activities over recent years have resulted in some outdated processes and areas of operational inefficiency. The Bank is intensifying efforts to identify initiatives that would ensure more efficient ways of working. With the same level of staff resources available and more activities to deliver, Directorates are incentivised to collaborate more closely to streamline internal process in order to achieve a higher degree of efficiency. To support this, a Bank wide review of processes is included as part of the culture change programme and follow up to the Staff Satisfaction Survey. In order to ensure continuous improvements, the Bank's services have incorporated streamlining and efficiency initiatives in the IT strategy for the years 2019 to 2021. The Bank has already launched a digitalisation programme entitled "BEi Smart" which encompasses dimensions of technology, people and processes. The programme aims to improve collaboration and information sharing across the Bank - and increasingly with external clients and partners.

As part of the review of Operational Plan indicators⁶, key new statistics and qualitative information will be made available to the EIB Board of Directors in order to highlight aspects of Bank-wide cooperation and cost efficiency. There will also be a greater focus on areas such

⁶ Please see Annex 1 for New Indicator Tables and Statistics adopted for the Operational Plan 2019.

as corporate responsibility and diversity in order to demonstrate an efficient and responsible working culture. The subset of Operational Plan indicators, which form part of the staff Performance Award calculation, will also be reviewed in consultation with staff representatives to help further reinforce cultural change and promote desired behaviours.

The cultural change initiative not only aims to foster a culture of trust, respect and fair treatment but also focuses on how the Bank communicates. The EIB communication strategy outlines three key communication objectives: i) Deliver a strong message about the benefits of the EU for Europeans, ii) Increase the EIB Group's visibility, iii) Establish a profile for the EIB Group as an influential global financier. Communication activities over the 2019-2021 period will focus on achieving these objectives by focusing on the Bank's role in furthering cohesion, competitiveness and innovation, climate action, and cooperation worldwide, notably by:

- Strengthening the EIB Group's emphasis on impact and on success stories,
- Enhancing the public engagement of all parts of the EIB, bringing to bear the EIB Group's knowledge capital and contribution to public policy debates,
- Launching communication campaigns around delegation agreements.

Governance

In July 2018, the EIB Board of Directors proposed to the EIB Board of Governors to approve the Bank's capital replacement following the UK departure as an EIB shareholder. At the same time, further amendments to EIB governance to take into account the changing policy and operating environment were proposed as part of the capital replacement package.

Compliance, transparency and accountability

In keeping with the EIB's statutory role and mission, continued action is necessary to ensure compliance with the requisite regulatory standards and other Best Banking Practice requirements. Understanding the relevant market implications is critical for regulatory compliance and to demonstrate accountability, credibility, and financial sustainability in the eyes of the public, investors and other stakeholders.

The EIB remains committed to conforming its activities to Best Banking Practice as applicable to it. Accordingly, the Board of Governors approved the EIB Best Banking Practice Guiding Principles, a high-level document, defining the overall principles and the general scope of banking rules and guidelines as applicable to the EIB. In order to ensure that the EIB's Best Banking Practice framework remains up-to-date and is implemented in a coordinated and holistic manner, an EIB Group-wide procedure is being put in place to monitor the new rules and assess their applicability to the EIB. The Best Banking Practice Guiding Principles and the related implementing framework will be regularly reviewed by the EIB's governing bodies to ensure relevance and effectiveness.

The revision of the Staff Code of Conduct, Dignity at Work and Whistleblowing Policies is well advanced. Given the importance of these legal instruments for the compliance culture and all staff, collaboration across the EIB Group has aimed to identify and articulate the core ethical values shared and applied to strengthen the effective enforcement of rules, taking into consideration the specific role of the EIB Group as a policy driven institution. Particular focus has been given to Best Banking and market Practice requirements and the EU Institutions and

International Financial Institutions' standards, while incorporating principles of EU legislation, as appropriate.

The review of the Bank's Anti-Fraud Policy (AFP), in particular its transformation into an EIB Group policy, started in 2018 and is subject to a focused external stakeholders' consultation. Under the AFP, the EIB's Fraud Investigation team is the sole office within the EIB Group mandated to investigate prohibited conduct, including the conduct of Pro-Active Integrity Reviews. The Bank also aims to fully implement the Exclusion Policy. Together, these changes are expected to help staff better understand their obligations to the Bank and ensure that staff have adequate and swift mechanisms to raise concerns.

Moreover, the EIB is conscious of the crucial importance of the recent and global developments in the area of taxation (including the OECD Base Erosion and Profit Shifting project and the European Union Anti-Tax Avoidance Package).

The EIB approved, at the beginning of 2017, an Interim approach to the EIB's Policy towards weakly regulated, non-transparent and uncooperative jurisdictions (NCJ Policy) and Tax Sensitive Jurisdictions (Interim Approach) applying additional tax good governance measures and an extended tax due diligence approach for operations giving rise to potential tax concerns. The Bank's NCJ Policy is currently under review in order to reflect the Interim Approach and recent regulatory developments, including in the area of tax good governance.

The EIB Group places great emphasis on integrity and good governance and is committed to the highest standards of anti-money laundering (AML) and combating the financing of terrorism (CFT), collectively referred to as AML-CFT. As such, the EIB Group closely monitors developments in this area, at both EU and international level. The EIB Group Chief Compliance Officer participates in the plenary sessions of the Financial Action Task Force (FATF), an inter-governmental body established 1989 whose objectives are to set standards and to promote effective implementation of legal, regulatory and operational measures for AML-CFT related threats to protect the integrity of the international financial markets. The EIB takes appropriate measures to ensure that its AML-CFT related procedures and processes remain, as applicable, in line with international and EU standards, including for instance the EU "AML Directive" (underlying the FATF standards).

The Board of Directors approved a revised EIB Group Complaints Mechanism Policy in November 2018. This updated Policy introduces a number of improvements, including a clear separation between the complaints investigation and mediation functions, a new simplified procedure for complaints handling, a clearer definition of admissibility and enhanced communication with the Bank's governing bodies. As such, it strengthens the Complaints Mechanism in exercising its accountability function in an independent manner. Furthermore, project procurement complaints will be handled by a separate Committee, chaired by the Inspector General, operating under its own procedures.

The EIB has stepped up its commitment to promote gender equality and women's economic empowerment across its activities, in line with the 2030 Agenda for Sustainable Development, relevant policy directives of the Council of the European Union, the European Parliament and the European Commission, including the joint EC/EEAS Gender Action Plan through EU external relations 2016-2020. In addition, the EIB's signature of the IFI Safeguarding Principles

reaffirmed the Bank's commitment to prevent sexual exploitation, harassment and abuse both in the workplace and in EIB operations.

The EIB Group Gender Action Plan provides a roadmap to the implementation of the EIB Group Strategy on Gender Equality and Women's Economic Empowerment. Its three pillars – protect, impact and invest – are meant to (i) support the protection of women's and girls' rights, to ensure that no harm comes to them from EIB activities and that operations do not unintentionally contribute to reinforcing pre-existing gender inequalities; (ii) ensure that women and men are equally able to access the assets, benefits and opportunities generated by EIB Group operations; and (iii) support investment opportunities and markets that increase women's active participation (on equal terms) in the economy and labour market.

The Bank's internal Diversity and Inclusion Strategy was approved by the Board of Directors in February 2018. It follows the same structure as the EIB Group Gender Action Plan, based around the three pillar of protect, impact and invest. Each pillar sets out a strategic ambition. Protect - to safeguard against discrimination and unequal treatment based on age, gender, sexual orientation, religion or belief, disability and racial or ethnic origin. Diversity and inclusion are consistently integrate in our rules, policies and processes so that staff compete on an equal footing for hiring opportunities, pay and promotions. Impact – to focus on inclusion and enable colleagues with diverse profiles to bring their “whole self” and perform to the best of their abilities. The objective is to enrich team dynamics, build on complementary competencies and unlock individual drive to benefit decision-making, business results and organisational health. Invest – to commit to ensuring that all colleagues reach their full potential by not only developing current employees, but also recruiting those who best complement existing teams by offering different skill sets, competencies, and ways of thinking. Targets have been set to end 2021 for the total share of women in Management positions at 33%, the share of women at senior Executive level at 40%, and the share of women at Executive level at 50%. Progress is monitored and reported monthly to the EIB Board of Directors.

The EIB Group leads by example in managing environmental performance and disclosing environmental impacts associated with operations. Despite a doubling of staff numbers since 2007 and the continued growth in activities creating upward pressure on both business travel and buildings-related emissions, the emissions intensity (tCO₂e/employee) of the EIB Group has halved in the same period and remains well ahead of the EU's 2020 goal. To broaden the scope of current environmental management processes, work started this year to implement an Environmental Management System (EMS) in accordance with the EU Eco-Management and Audit Scheme (EMAS) as part of the EIB Climate strategy approved by the Board of Directors in May 2017. The successful implementation of an EMS in accordance with EMAS will reinforce systematic environmental review processes to better determine environmental impacts and develop carbon reduction objectives and targets.

7. Conclusion

The EIB Group Operational Plan 2019 sets out, as far as is practicable, the specific ambitions for the next planning period. Considering the continued presence of many “known unknowns” and external challenges addressed in this document, this Plan may be subject to additional review during 2019. As previously outlined, the future direction of the EIB Group is closely linked to three main areas where fast moving and significant developments are expected in the short-term:

- The replacement of the UK capital
- The conclusion of the EU-UK withdrawal negotiations
- The outcome of the post-2020 MFF discussions

The Plan balances a degree of caution and prudent financial risk management with a lending programme that is imaginative and ambitious enough to manifest maximum impact possible in the real economy in the areas of Cohesion, Competitiveness and Climate. The EIB Group is rightly proud of its recent track-record, its success in delivering EFSI and of consolidating its position as the world’s biggest multilateral lender and green bond pioneer. Nevertheless, EIB management retains a level of humility and awareness that, in order to maximise impact and additionality, there is a growing need to cooperate on a global scale with partners both near and far, big and small, new and old.

As its 60th anniversary celebrations draw to a close, the EIB Group remains committed to continue changing and adapting in line with all stakeholders’ expectations. By responding to urgent investment demands and market gaps inside and outside the EU, the EIB Group is proud to contribute to an EU that is a reliable and stabilising force on the world stage.

Annex Indicator Tables and Statistics adopted for the Operational Plan 2019

Table A: Performance Indicator Table

	Unit	2017 achieved	2018 Forecast	2019 Orientation	2020 <i>indicative figures</i>	2021 <i>indicative figures</i>	2019-2021 Average
IMPACT & ADDITIONALITY INDICATORS							
1 Total Disbursements (own resources)	EUR bn	59.1	48.0-54.0	49.0-55.0	48.0-54.0	49.5-55.5	48.8-54.8
- inside the EU	EUR bn	53.7	43.2-49.0	43.7-49.5	42.5-48.3	<i>tbc</i> ⁽¹⁾	<i>tbc</i> ⁽¹⁾
- outside the EU	EUR bn	5.4	4.8-5.0	5.3-5.5	5.5-5.7	<i>tbc</i> ⁽¹⁾	<i>tbc</i> ⁽¹⁾
2 Total Signatures (own resources)	EUR bn	68.9	54.0-63.0	63.0	63.0	63.0	63.0
- inside the EU	EUR bn	62.4	47.2-55.0	55.0	55.0	<i>tbc</i> ⁽¹⁾	<i>tbc</i> ⁽¹⁾
- outside the EU	EUR bn	6.5	6.8-8.0	8.0	8.0	<i>tbc</i> ⁽¹⁾	<i>tbc</i> ⁽¹⁾
3 Special Activities (higher risk)/EFSI	EUR bn	16.4	13.4	14.7	14.7	<i>tbc</i> ⁽¹⁾	<i>tbc</i> ⁽¹⁾
- inside the EU	EUR bn	15.3	12.6	14.0	14.0	<i>tbc</i> ⁽¹⁾	<i>tbc</i> ⁽¹⁾
- outside the EU	EUR bn	1.0	0.8	0.8	0.8	<i>tbc</i> ⁽¹⁾	<i>tbc</i> ⁽¹⁾
4 Other Risk Sharing/Partnerships	EUR bn	1.5	1.2	1.4	1.4	<i>tbc</i> ⁽¹⁾	<i>tbc</i> ⁽¹⁾
Total Special Activities (3+4)	EUR bn	17.9	14.6	16.2	16.2	16.9	16.4
5 Value added (3PA) inside EU (incl. EFTA): Proportion of approved operations in higher rating categories							
- Pillar 1: Contribution to EU policy	High Priority area / transversal objectives	%	90	>80	>80	>80	>80
- Pillar 2: Quality and soundness of the project (previous month data)	Good/Excellent	%	95	>90	>90	>90	>90
- Pillar 3: EIB technical & financial contribution to the project	Significant/High	%	48	48	>65	>65	>65
6 Value added (REM) outside EU: Proportion of approved operations in higher rating categories							
- Pillar 1: Contribution to EU policy	Good/Excellent	%	98	>90	>90	>90	>90
- Pillar 2: Quality and soundness of the project	Good/Excellent	%	89	>90	>90	>90	>90
- Pillar 3: EIB technical & financial contribution to the project	Significant/High	%	91	>75	>75	>75	>75
FINANCIAL SUSTAINABILITY INDICATORS							
7 Return on own funds less notional return on own funds	%	2.8	2.4	2.2	2.1	2.0	2.1
8 Cost/Income Ratio	%	25.7	27.8	30.9	32.2	33.5	32.2
THE WAY WE WORK INDICATORS							
9 Implemented Internal Audit actions	%	65	64	65	65	65	65
10 Implemented IG recommendations	%	65	60	60	60	60	60

⁽¹⁾ Pending on EIB's role under the proposed use of budget guarantees and financial instruments for the next MFF

Table B: Public Policy Goals

Signatures (own resources) by Public Policy Goals		2017 achieved	2018 Forecast	2019 Orientation	2020 <i>indicative figures</i>	2021 ⁽³⁾	2019 - 2021 Average ⁽³⁾
Innovation	EUR bn	14.1	12.4	14.5	14.5	tbc	tbc
- inside the EU		13.9	12.2	14.1	14.1		
- outside the EU		0.2	0.3	0.4	0.4		
SMEs & Midcap finance	EUR bn	20.4	13.8	15.8	15.8	tbc	tbc
- inside the EU		18.2	11.7	13.5	13.5		
- outside the EU		2.2	2.1	2.3	2.3		
Infrastructure	EUR bn	17.9	13.5	15.8	15.8	tbc	tbc
- inside the EU		16.5	11.6	13.6	13.6		
- outside the EU		1.4	1.9	2.2	2.2		
Environment	EUR bn	16.5	14.3	17.0	17.0	tbc	tbc
- inside the EU		13.8	11.6	13.9	13.9		
- outside the EU		2.7	2.7	3.1	3.1		
Total Inside & Outside EU	EUR bn	68.9	54.0	63.0	63.0	tbc	tbc
Economic and Social Cohesion and Convergence (within EU, EFTA and Pre-Accession) - % of signatures	%	30	30	30	30	tbc	tbc
Climate Action (EIB total) - % of signatures	%	28	26	26	26	tbc	tbc

(1) Please note 2017 figures may differ to those published in the 2017 Performance Reports due to adjustments made to operations post year end (e.g. restructurings, cancellations, increase in loan amount)

(2) excluding EIF figures (shown in the Monitoring Indicators table)

(3) Pending on EIB's role under the proposed use of budget guarantees and financial instruments for the next MFF

Table C: Monitoring Indicator Table

	Unit	2017 achieved	2018 Forecast	2019 Orientation	
IMPACT & ADDITIONALITY INDICATORS					
1	Total EIB Group signatures	EUR bn	78.2	63.4	71.5
	-of which signatures under mandates	EUR bn	28.8	25.4	27.6
2	EIF Signatures under EIB Mandates	EUR bn	1.9	1.4	1.2
	- RCR Mandate	EUR bn	1.4	1.0	1.2
	- EREM Mandate	EUR bn	0.5	0.4	-
3	Estimated EFSI investment facilitated	EUR bn	109	95	75-90
	- Innovation & Infrastructure Window (IIW)	EUR bn	80	70	40-50
	- SME Window	EUR bn	29	25	35-40
4	Total number of new advisory assignments	#	484	530	530
	Number of new assignments - Inside EU	#	385	420	420
	- of which through the EIAH	%	9	11	13
	Number of new assignments - Outside EU	#	99	110	110
5	Total estimated investment cost of projects supported by advisory	EUR bn	27	35	35
6	Nbr of Group operations benefitting from advisory support	#	75	80	80
THE WAY WE WORK INDICATORS					
7	Diversity and Inclusion				
	Women in Management positions (functions SC/8&9 and C/7)	%	27	28	29
	Women at function D/6	%	28	31	31
	Women at function E/5	%	41	41	41

Table D: Relevant Statistics

RELEVANT STATISTICS	Unit	End of Year Actuals										2018 Forecast	
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
IMPACT & ADDITIONALITY													
1 Macro economic impact of EIB Group Activities in Europe													
Economic impact on jobs - short term (after 5 years)	# (000's)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1230	1,200	N/A
- long term (after 20 years)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	670	630	N/A
Economic impact on GDP - short term (after 5 years)	%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.2	1.1	N/A
- long terms (after 20 years)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.8	0.7	N/A
2 Operations Approved (own resources)													
- Number of Operations Approved	#	321	495	401	323	364	421	451	419	453	516	593	
- Volume of Operations Approved	EUR bn	62	105	82	53	62	77	90	94	74	83	74	
3 Number of Operations Signed (own resources)	#	399	476	434	424	387	484	485	435	517	520	532	
4 Number of Disbursements	#	1488	1586	1925	1969	1826	1969	2169	2356	2,362	2,468	3,000	
5 Average Project Size	EUR m	144	165	164	142	133	146	157	177	144	132	111	
6 Percentage of Operations signed with new Counterparts	%	N/A	N/A	N/A	N/A	42	42	46	49	52	57	55	
7 EIB signatures under mandates (own resources)	EUR bn	5.3	8.6	7.3	4.7	7.0	7.7	7.1	10.3	17.0	19.3	22.3	
8 EIB signatures under mandates (utilising third party resources)	EUR m	415	437	609	988	984	706	843	661	525	1,037	983	
FINANCIAL SUSTAINABILITY													
9 Stock of Undisbursed Loans	EUR bn	59	82	91	87	82	95	101	106	113	114	108	
Inside EU	EUR bn	N/A	N/A	N/A	69	63	75	79	83	89	91	86	
Outside EU	EUR bn	N/A	N/A	N/A	18	19	20	22	23	24	23	22	
10 Balance Sheet													
- Loan Book	EUR bn	291	324	360	395	413	428	449	457	455	454	450	
- Medium - Long term borrowings	EUR bn	253	302	344	382	412	422	437	453	449	430	N/A	
- Total Treasury	EUR bn	7	23	21	19	38	55	40	44	47	46	N/A	
11 Gross exposure of impaired loans as % of loans signed	%	0.03	0.13	0.09	0.08	0.25	0	0.21	0.28	0.27	0.24	N/A	
THE WAY WE WORK													
12 Total FTE	#	1,533	1,649	1,761	1,880	1,912	2,037	2,179	2,431	2,765	3,081	3,330	
- professional		1062	1164	1248	1344	1369	1469	1584	1785	2047	2,316	N/A	
- support		471	485	513	536	543	568	595	646	718	765	N/A	
13 Number of admissible allegations coming into IG (incl. complaints)	#	N/A	85	130	141	145	149	164	163	204	251	N/A	
-New Admissible Complaints received by CM		N/A	40	48	46	52	57	48	49	84	102	N/A	
-New Allegations of Prohibited Conduct received by Investigations		N/A	45	82	95	93	92	116	114	120	149	N/A	
14 Number of open high risk IA Action Plans	#	3	10	10	14	7	7	12	8	25	14	N/A	
15 Cybersecurity - % of Key Risk Indicators within acceptable thresholds	%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11.0	50	
16 IT Business Solutions: Run versus Change													
Change	%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14.0	17.0	
Run	%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	86.0	83.0	
17 Buildings: Run versus Change													
Change	%	54.2	33.5	19.1	27.5	16.2	38.8	41.0	42.3	22.2	8.6	5.6	
Run	%	45.8	66.5	80.9	72.5	83.8	61.2	59.0	57.7	77.8	91.4	94.4	

Glossary of terms

ABS	Asset Backed Securities
ACP	African Caribbean and Pacific
AFP	Anti-Fraud Policy
ALA	Asia and Latin America
AML	Anti-Money Laundering
CAB	Climate Awareness Bond
Candidate countries	Turkey, Former Yugoslav Republic of Macedonia, Iceland, Montenegro, Serbia, Albania
CCCP	Compliance Culture Change Programme
CEF	Connecting Europe Facility
CEF DI	CEF Debt Instrument
CFT	Combating the Financing of Terrorism
CPR	Common Provisions Regulation
DFI	Development Finance Institution
EBRD	European Bank for Reconstruction and Development
EDA	European Defence Agency
EDF	European Development Fund
EEAS	European External Action Service
EFSD	European Fund for Sustainable Development
EFSI	European Fund for Strategic Investments
EIP	External Investment Plan
EFTA	European Free Trade Association
EIAH	European Investment Advisory Hub
ELENA	European Local Energy Assistance facility
ELM	External Lending Mandate with guarantee from the EU budget granted by Decision No 466/2014/EU of 16 April 2014 of the European Parliament and of the Council of the European Union.
EMAS	Eco-Management and Audit Scheme
EMS	Environmental Management System
ERDF	European Regional Development Fund
EREM	EIB Group Risk Enhancement Mandate
ERI	Economic Resilience Initiative
ESI	European Security Initiative
ESIF	European Structural and Investment Funds
FATF	Financial Action Task Force
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
G-TAG	Guarantee Technical Assessment Group
IDI	Infrastructure Data Initiative
IF	ACP Investment Facility
IFE	Impact Financing Envelope
IFIs	International Finance Institutions
IIW	Infrastructure and Innovation Window
InnovFin	EU Finance for Innovators
Inside the EU	28 Member States of the European Union
IPE	Investment Plan for Europe
MDBs	Multilateral Development Banks
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
NCJ	Non-Compliant Jurisdiction
NDICI	Neighbourhood, Development and International Cooperation Instrument
Neighbourhood & Partnership Countries	Include Mediterranean countries (excluding Turkey), Eastern Europe, South Caucasus, Russia, ACP/OCT, RSA, ALA
NIF	Neighbourhood Investment Facility
NPBIs	National Promotional Banks and Institutions
OOE	Other Operating Expenses
ORF	Own Risk Facilities
Outside the EU	Pre-Accession, EFTA, Neighbour and Partner Countries
Potential Candidate countries	Bosnia and Herzegovina, and Kosovo (under UNSCR 1244)
PPG	Four primary public policy goals of innovation, SMEs and Mid-Cap financing, infrastructure and environment
PPP	Public Private Partnership
Pre-Accession Countries	Collective term for Candidate and Potential Candidate countries
R&D	Research and Development
RCR	Risk Capital Resources
SAB	Sustainability Awareness Bond
SDGs	Sustainable Development Goals
SLA	Service Level Agreement
SMEs	Small and Medium-sized Enterprises
SMEW	EFSI SME Window
TA	Technical Assistance
UNFCCC	United Nations Framework Convention on Climate Changes
URBIS	Urban Investment Support

CORPORATE

The EIB Group **Operational Plan 2019**



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